

Introducing PMI's *Practice Standard* for *Project Risk Management*

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Project Team for the Practice Standard

Session #TRN26

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PMI-GOC Standards

PMI-GOC Standards

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What is a “standard” ?

- **Rallying point to dispel confusion**
- **Not “*what everyone does*” ...**
... but “*what everyone should do*”
- **Accepted by leading professionals**
- **Implemented by leading practitioners**
- **Widely accessible**
- **Scalable, easily tailored or modified**

Types of standards

- Regulatory standards
 - Government agencies write or adopt
- Consortia standards
 - developed by companies
- Voluntary consensus = **PMI standards**
 - written by industry professionals from public and private sectors following formal, coordinated, consensus-based process

The consensus approach

- Adopted by
 - Scientific and professional societies
 - Trade associations
 - Formal standardization bodies (national, regional and international)
 - Governments (local, state or provincial, national)
 - *...and by PMI*
- Principles
 - Balance
 - Openness
 - Due Process



PMI Standards in Publication (1)

Projects

- *A Guide to the Project Management Body of Knowledge (PMBOK® Guide)—Fourth Edition NEW*
- *Practice Standard for Project Risk Management NEW*
- *Construction Extension to the PMBOK® Guide—Third Edition*
- *Government Extension to the PMBOK® Guide—Third Edition*
- *Practice Standard for Earned Value Management*
- *Practice Standard for Project Configuration Management*
- *Practice Standard for Work Breakdown Structures—Second Edition*
- *Practice Standard for Scheduling*

PMI Standards in Publication (2)

Programs

- *The Standard for Program Management—Second Edition NEW*

People

- *Project Manager Competency Development Framework -Second Edition*

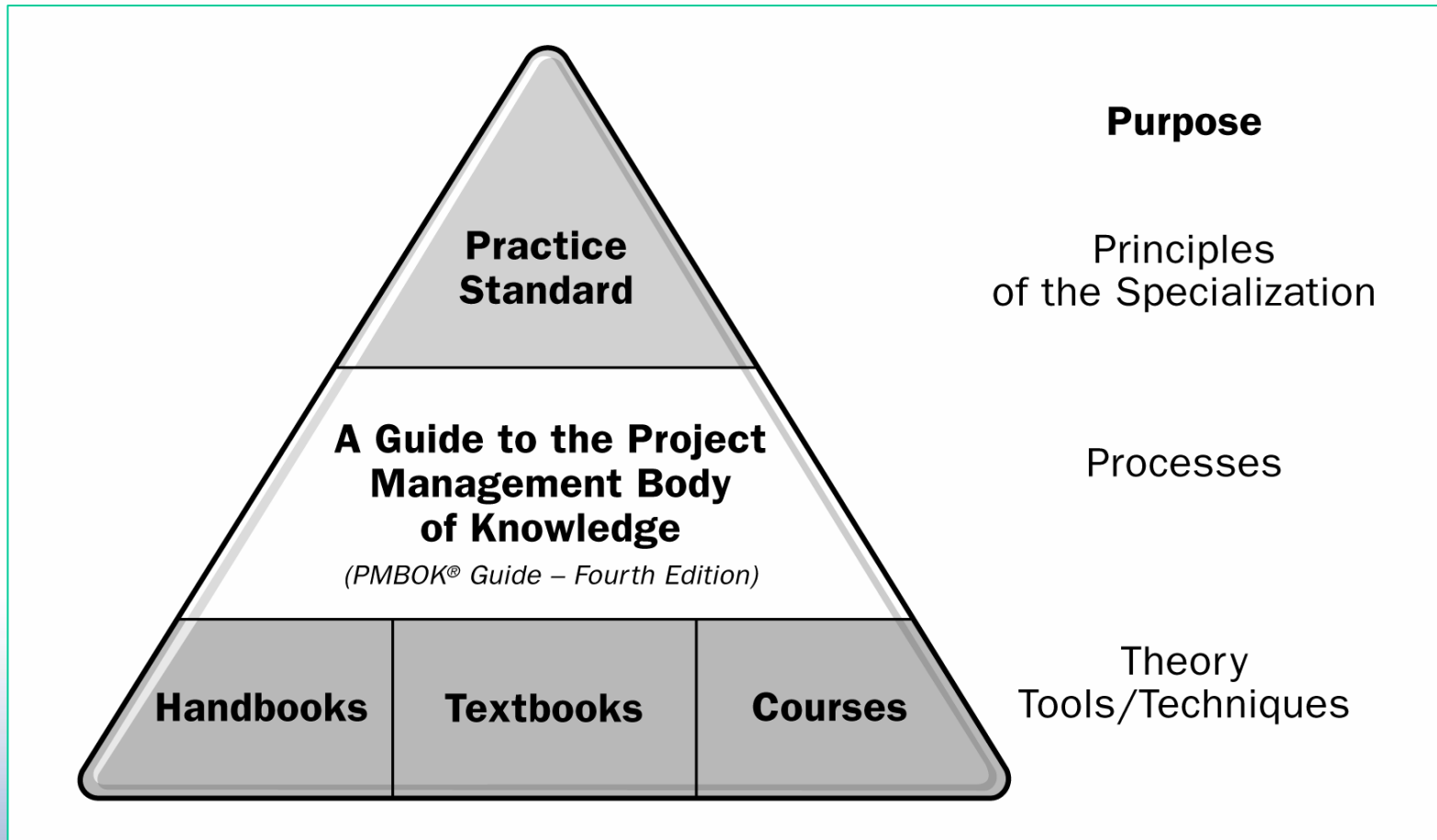
Organizations

- *Organizational Project Management Maturity Model (OPM3®)—Second Edition NEW*
- *The Standard for Portfolio Management—Second Edition NEW*

What is a PMI practice standard?

- Practice standards are guides to the use of a tool, technique, or process identified in the *PMBOK*® *Guide* or other PMI General Standards.
- Answers the following questions; *what* it is, *what* it does, *why* it is significant, *when* it should be performed, and *who* should perform the process, tool, or technique.
- This does not include the “HOW”

Hierarchy of PMI Standards



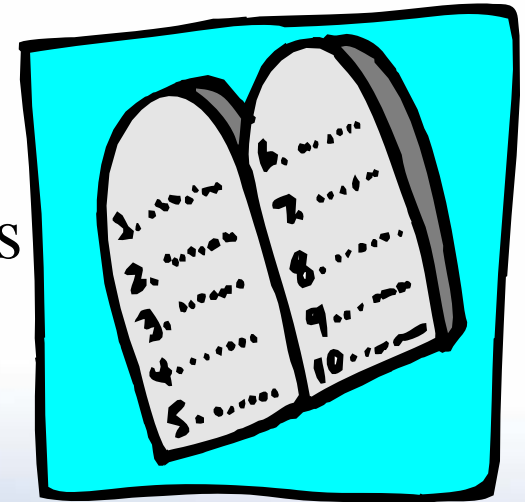
The PMI *Practice Standard for Project Risk Management*

- Purpose
 - provide a standard for the project management profession and other stakeholders that defines the aspects of Project Risk Management that are recognized as **good practice on most projects most of the time**
 - provide a standard that is **widely recognized and consistently applied**

Contents

Chapter

1. Introduction - Framework and purpose
 2. Principles and Concepts
 3. Introduction to Project Risk Management Processes
 4. Plan Risk Management
 5. Identify Risks
 6. Perform Qualitative Risk Analysis
 7. Perform Quantitative Risk Analysis
 8. Plan Risk Responses
 9. Monitor and Control Risks
- Appendices & Risk Glossary



Themes: Project Risk Management

- Equal value with other PM processes
- Integrated with Project Management
- Scaled to the project
- Requires open and honest communication
- Conducted early and periodically
- Organization and Stakeholders recognize the value of PRM and see success as their responsibility
- Threats and opportunities addressed in unified process

Principles and Concepts (Chapter 2)

- Distinguish between individual risks and overall project risk
- Stakeholder risk attitudes => desired protection against uncertainty
- Conduct of PRM is not limited to a few specialists

Introduction to Risk Management Processes (Chapter 3)

- Structured / disciplined techniques
- Need clarity on objectives and strategic decisions, stakeholders' attitudes and thresholds
- Techniques and even processes are scalable to be appropriate to the project

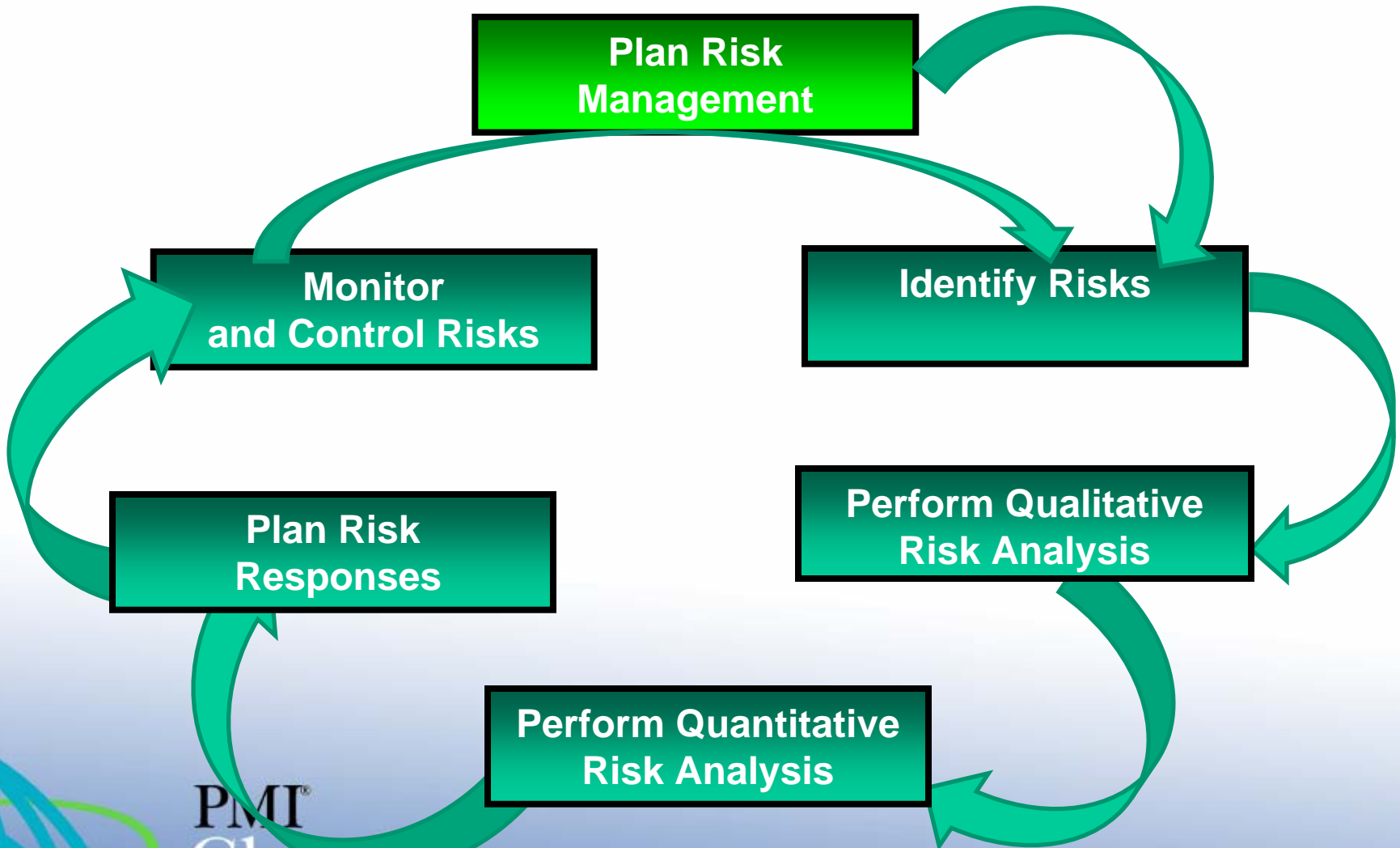
Phases (1)

- Initiation step
 - Get agreement on scale of PRM, what are the objectives of PRM, definitions needed
- Identify Risks
 - Not limited to any one area, broadly think
 - Go to root causes
 - Make distinction between risk, cause and effect
 - Search specifically for opportunities

Phases (2)

- Evaluate the importance of each risk to integrate with quantitative analysis, develop responses
- Determine overall project risk ranking for communication upward
- Response development, distinguishing “risk owner” from “risk action owner”
- Emphasize implementation of responses as value

Iterative Risk Management Process



Plan Risk Management (1)

- Identify level of risk stakeholders willing to accept
- Identify and gain commitment for PRM resources
- Be clear about communication needed

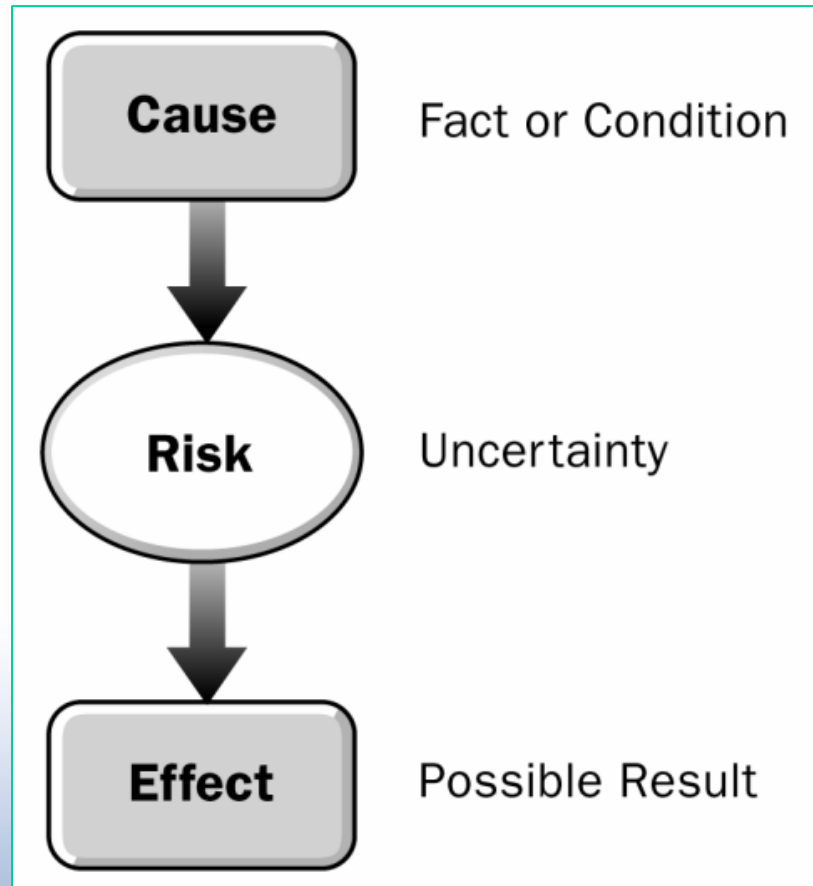
Plan Risk Management (2)

- Critical Success Factors
 - Distinguish between project success and PRM success
 - Identify barriers to acceptance by Stakeholders
 - Involve Stakeholders in PRM, gain commitment
 - Comply with organization's objectives and policy

Identify Risks

- Critical Success Factors
 - Early identification, iteration
 - Comprehensive risk identification, not stovepipe
 - Look to broad sources of information
 - Be explicit about identifying opportunities
 - Use Risk Statement
 - Objectivity, notice any bias and combat it

Structure of a Risk Statement



Perform Qualitative Risk Analysis (1)

- Purpose to prioritize individual risks, not to determine overall project risk
- Critical Success Factors
 - Stakeholders agree on analysis, definitions
 - Commit to collecting high-quality data – resources
 - Get comfortable with using expert judgment
 - Iteration of qualitative risk analysis
 - Usually use probability and impact, but also manageability, urgency

Perform Quantitative Risk Analysis (2)

- Purpose
 - Estimate overall project cost and schedule risk
 - Likelihood of meeting project plan
 - Size of contingency for specific project
 - Identify priority risks
 - Based in project documents such as best practice CPM schedule, cost estimate
 - Quantitative risk analysis may not be needed on all projects

Perform Quantitative Risk Analysis

- Integrate quantitative risk analysis with qualitative risk analysis using Risk Register
- Critical Success Factors
 - Prior Risk Identification and Qualitative Analysis
 - Good quality schedule, cost estimate, WBS, etc.
 - Commitment to collecting quality quantitative data
 - Represent interrelationships between risks, e.g., correlation

Plan Risk Responses (1)

- Purpose
 - Plan effective, appropriate, timely and agreed responses consistent with organization's budget, policies, ethics
 - Responses related to the priority of individual risks and Stakeholders' thresholds
 - Distinguish risk owner from risk action owner
 - There will be residual risk and also secondary risk

Plan Risk Responses (2)

- Critical Success Factors
 - People factors of communication, risk roles and responsibilities
 - Planning factors, including
 - Timing of responses
 - Enter agreed responses to the schedule and budget
 - Strategies including
 - Avoid, transfer, mitigate and accept threats
 - Exploit, share, enhance and accept opportunities
 - Select overall strategy first, then details

Monitor and Control Risks

- Purpose
 - Monitor how responses are implemented and how effective responses are
 - Review (audit) how risk management is carried out
 - Identify risk triggers' occurring
 - Alert to new risks, change in status of risks
 - Maintain risk awareness / commitment of PMT, Stakeholders
 - Documentation

Appendices

- A. Guidelines for a PMI Practice Standard
- B. Evolution of PMI's Practice Standard for Project Risk Management
- C. Contributors & Reviewers of the *Practice Standard for Project Risk Management*
- D. Tools, techniques & templates for Project Risk Management
- E. References

Glossary

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Thank you

Questions?

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