



Risk Management Strategies for I.T. Success

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Brief Introduction:



John Stenbeck, President, Pareto Principals, Inc.

Pareto Principals is a San Diego-based company that helps project-based organizations and project managers become super effective.

Pareto's staff act as project leaders for current challenges, as well as high-caliber trainers developing client resources for future opportunities.



John Stenbeck, Consultant, Trainer, & Author

A partial list of John's clients includes:

- * Visa - Smart Cards
- * Oracle Corp.
- * Guinness Bass UDV
- * Simplex Solutions,
- * Lucent Technologies
- * U.S.D.A. – National Finance Center
- * Eldon – a division of Newell Rubbermaid
- * U.S. Army – Space and Terrestrial Communications Directorate
- * Booz Allen Hamilton – Defense Information Technologies Group
- * Interex - The Int'l Assoc of Hewlett-Packard Computing Professionals
- * OAUG – the independent Oracle Applications User Group.

John has also recently completed a manuscript for a book on Project Management.



Risk Management Strategies for I.T. Success



What Risk Management Can Do:

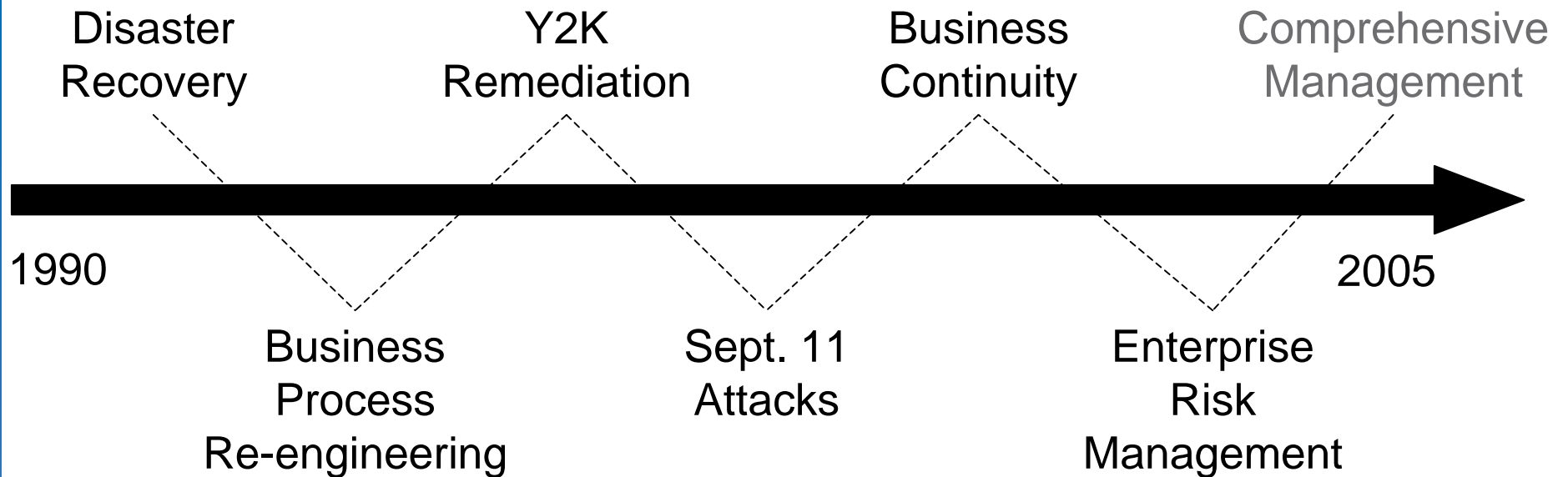
- Produce Better-informed Decisions
- Reduce Crises & Surprises
- Identify Cost-containment Opportunities

What Risk Management Can't Do:

- Prophecy the Future
- Grant Guarantees
- Eradicate Threats

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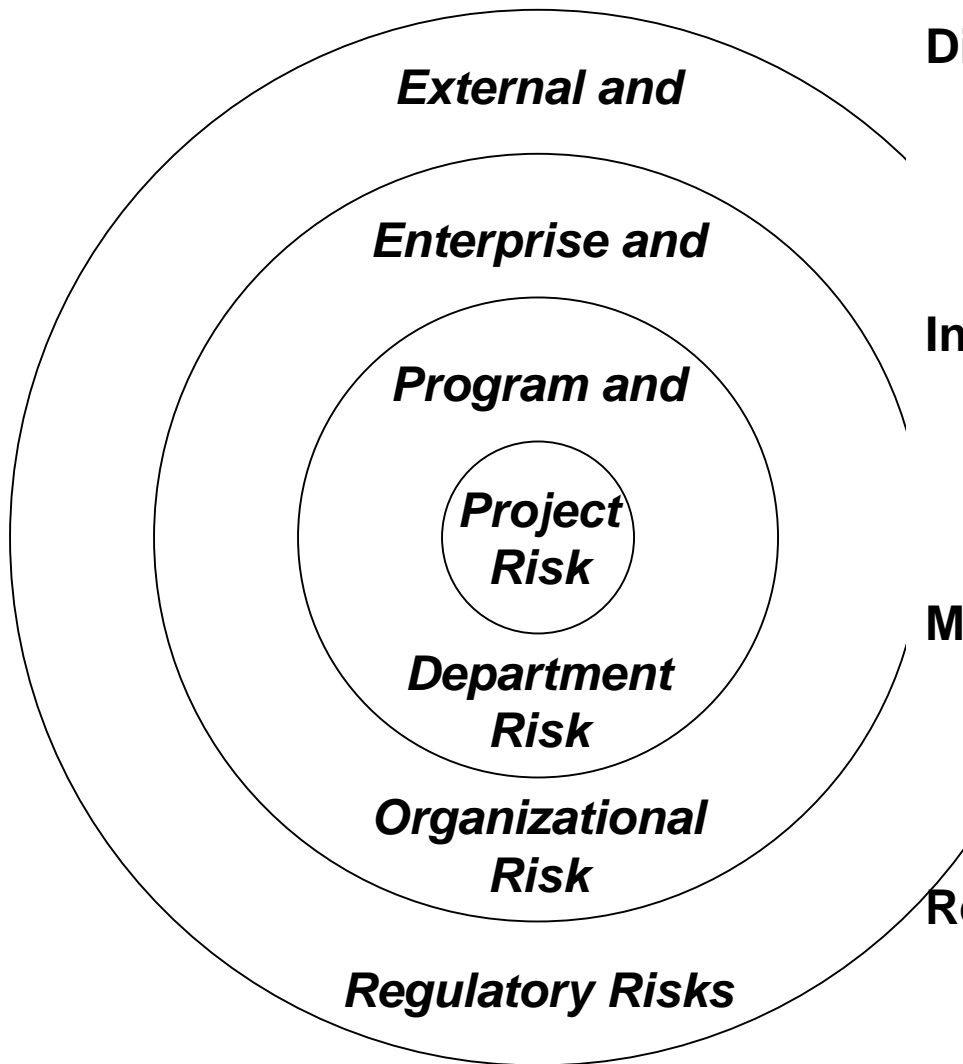
What is Risk Management?



What is driving the evolution?

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What is Risk?



The potential for . . .

Disasters and Regulations:

- Low Probability, Severe Impact
- Wide-spread, Well-known
- Customers Sympathetic (Maybe)

Interruptions and Displacements

- Infrastructure Failure (Backhoe)
- Malicious Event (Virus)
- Customers Perceive Incompetence

Missteps and Malfunctions

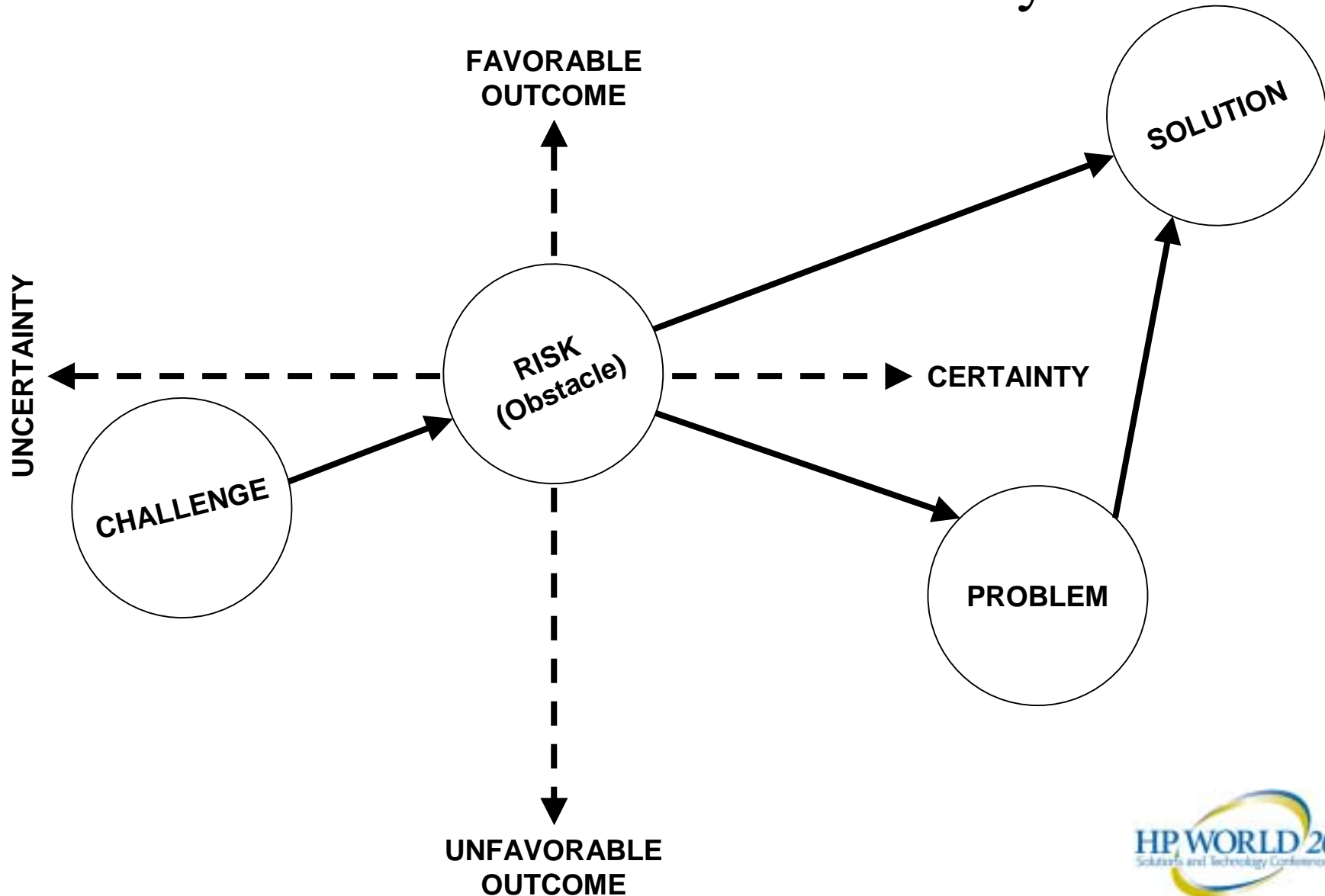
- Loss of Competitive Advantage
- Technical / Regulatory Failure
- Resource Shortage

Rejections and Failures

- Deliverable Discrepancies
- Cost Overruns
- Schedule Slips

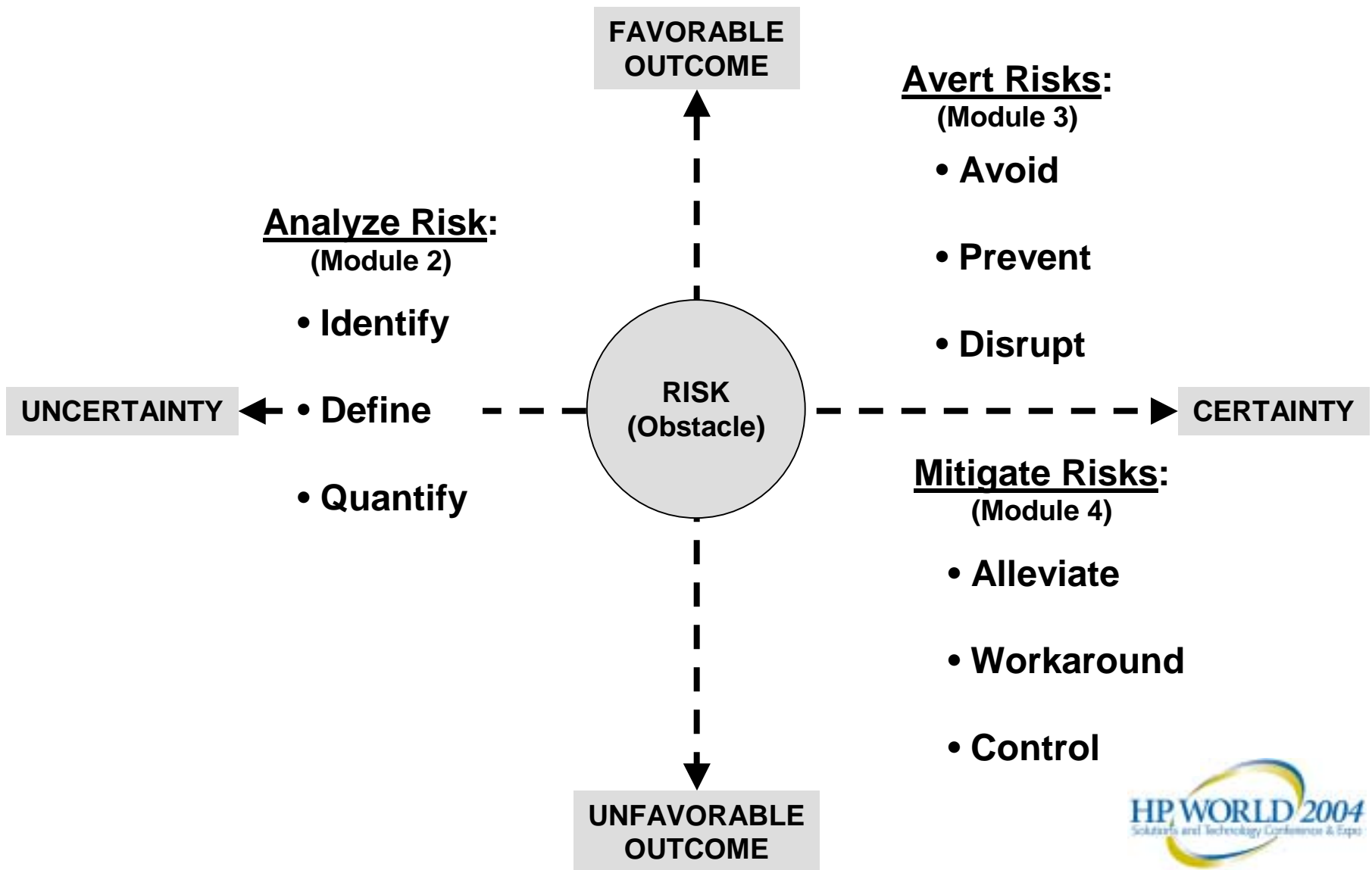
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When does a “Risk” become a “Reality”?

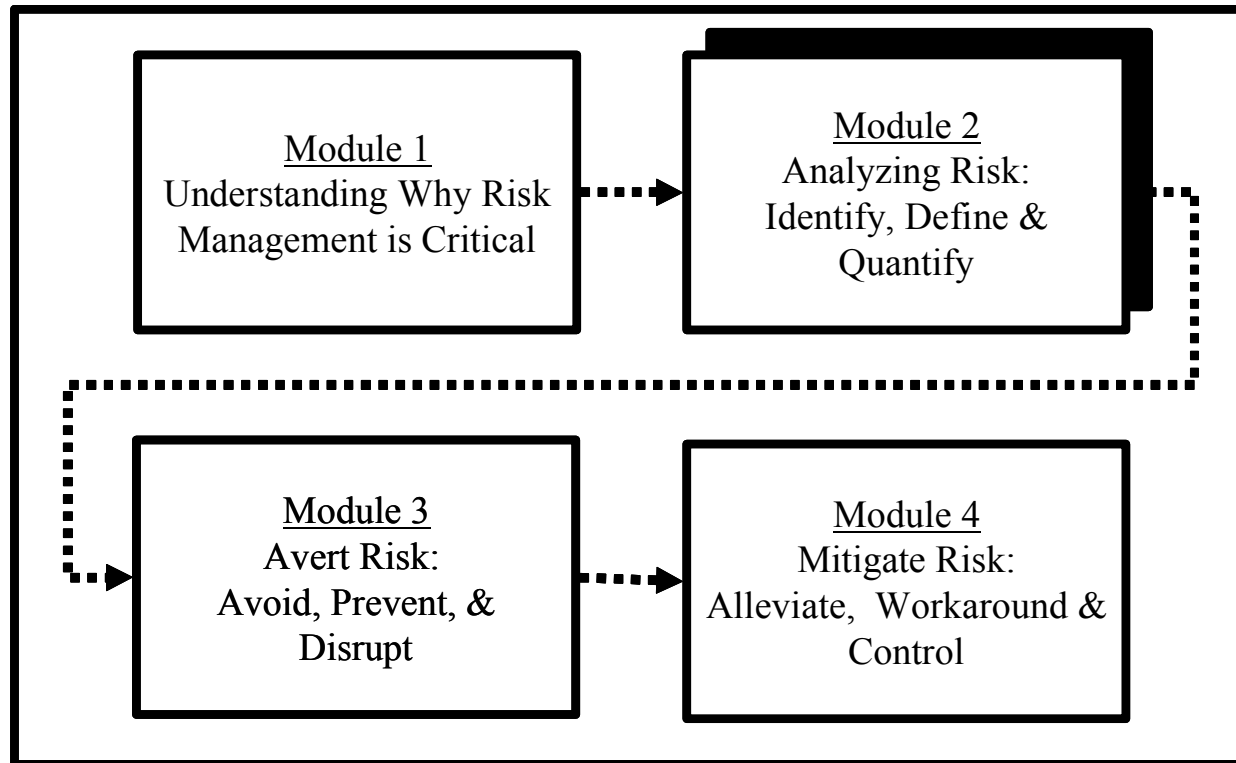


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Risk Management means “When” and “How”



Course Outline: Risk Management Strategies for I.T. Success



For the balance of this Introduction we will focus on Module 2.

Any Questions?

Module 2: Analyze Risk – Identify, Define & Quantify

Risk Analysis Process:

- The objective of the Risk Analysis Process is to prepare Options to be implemented should certain situations or threats – the Risk Profile – materialize.
- The Risk Profile facilitates the creation of a Risk Management Budget that includes criteria for releasing reserved funds, as unneeded, when events have passed.
- The Risk Profile, Options, and Risk Management Budget are recorded in the Risk Management Plan.

Module 2: Analyze Risk – Identify, Define & Quantify

Risk Analysis Process:

- The Team must insure that responses are credible, cost-effective, and can be implemented timely.
- The Team must maintain an independent and objective perspective. Therefore it benefits from a cross-functional membership.
- Sometimes a Consultant is mandatory.

Module 2: Analyze Risk – Identify, Define & Quantify

Risk Analysis Process: Creating the Risk Profile

Step 1 – Identify

- Types of Risk
- Sources of Risk
- Specific Risks

Step 2 – Define

- Environmental Actors
- Impact Zone – Direct and Collateral
- Stakeholder Success Metrics

Step 3 – Quantify

- Occurrence Probability
- Expected Severity
- Stakeholder Priority

Module 2: Analyze Risk – Identify, Define & Quantify Risk Analysis Process: Creating the Risk Profile

Step 1 – Identify Types of Risk

- Acts-of-God
- Regulatory
- Competitor-induced
- Customer-induced
- Organizational (i.e., Politics)
- Resource (i.e., Cashflow, Attrition, Prioritization)
- Technical (i.e., Ability & Availability; Legal & Physical)
- Timing
- Unknown

Knowing the types of risks helps identify the sources of risk.

Module 2: Analyze Risk – Identify, Define & Quantify Risk Analysis Process: Creating the Risk Profile

Step 1 – Identify Sources of Risk

- Acts-of-God: Implementing in Oklahoma during tornado season.
- Regulatory: AB1637 is pending on the floor of the House.
- Competitor-Induced: Microsoft just acquired our major competitor.
- Customer-induced: Suppliers need DCMAO certification.
- Organizational: The CFO opposes the project.
- Resource: Design Engineer must be IEEE with security clearance.
- Technical: Requires material that conducts heat in a vacuum.
- Timing: Network upgrade must be complete by Monday 3AM.
- Known Unknown: Competitor's product release plan is unclear.
- Unknown Unknown: It has never been done before.

Module 2: Analyze Risk – Identify, Define & Quantify Risk Analysis Process: Creating the Risk Profile

Step 1 – Identify Sources of Risk

RESOURCES for identifying Unknown Unknown risks:

- Trade Groups and Research Institutes
- Standards Agencies and Universities
- Benchmarking Groups (i.e., IEEE, ASME)
- Analyst Groups (i.e., Gartner, Meta, IDC)
- Symbiotic Non-competitors (i.e., Biotechnology and Electronics)
- Coop-etition (i.e., SNIA)

Module 2: Analyze Risk – Identify, Define & Quantify Risk Analysis Process: Creating the Risk Profile

Step 1 – Identify Specific Risks

- Customer-induced: Suppliers need DCMAO certification.
Current supplier not certified. Willing = Yes. Able = ?
Cost recovery for certification unresolved.
- Resource: Design Engineer must be IEEE with security clearance.
Zvi Wojciechowski is only qualified associate. Zvi is working on Mars Rover. Schedule availability unclear.
- Technical: Requires material that conducts heat in a vacuum.
No currently available graphite meets requirement. Basic research and product development needed. Probability of success and R&D time/cost unclear.
- Unknown: It has never been done before. Competitor's product development status unclear.

Module 2: Analyze Risk – Identify, Define & Quantify Risk Analysis Process: Creating the Risk Profile

Step 2 – Define Environmental Actors, Impact Zone & Stakeholder Success Metrics

Environmental Actors:

- What are the situational constraints?
- Who has choices to make?
- What conditions will “trigger” or “activate” the risk?

Impact Zone:

Direct:

Missed Product Launch?
Cost Overrun?
Schedule Slip?

Collateral:

Lost Future Sales?
Regulatory Sanctions?
Brand Depreciation?

Module 2: Analyze Risk – Identify, Define & Quantify Risk Analysis Process: Creating the Risk Profile

Step 2 – Define Environmental Actors, Impact Zone & Stakeholder Success Metrics

Stakeholder Success Metrics:

STAKEHOLDER	OBJECTIVES	
	Recovery Point (RPO)	Recovery Time (RPO)
<ul style="list-style-type: none">• Regulators• Customers	<ul style="list-style-type: none">• Stabilize reactor core.• Notified proprietary data compromised.	<ul style="list-style-type: none">• < 15 minutes• 24 – 48 hours
<ul style="list-style-type: none">• CFO• V.P Engineering	<ul style="list-style-type: none">• No lost data.• One day's data loss.	<ul style="list-style-type: none">• Three days• Overnight

Module 2: Analyze Risk – Identify, Define & Quantify Risk Analysis Process: Creating the Risk Profile

Why invest the time and effort to do a thorough Step 2?
(i.e., Define Actors, Impact Zones & Stakeholder Success Metrics)

So we can do an accurate Step 3!!

Step 3 – Quantify

- Occurrence Probability
- Expected Severity
- Stakeholder Priority

Module 2: Analyze Risk – Identify, Define & Quantify Risk Analysis Process: Creating the Risk Profile

Quantify: Occurrence Probability

The value of the probability is between 0 and 1

Statistical “Smoozing”

To estimate the Occurrence Probability
and impress (silence) management
use the formula:

$$E_e = (O_e + 4ML_e + P_e) \div 6$$

Where:

E_e = Event Probability Estimate.

O_e = Optimistic Estimate.

ML_e = Most Likely Estimate.

P_e = Pessimistic Estimate.

Module 2: Analyze Risk – Identify, Define & Quantify Risk Analysis Process: Creating the Risk Profile

Quantify: Expected Severity

Estimate the expected negative financial impact.

Quantify: Stakeholder Priority

- Multiply the Probability times the Expected Severity to establish Expected Financial Value.
- Identify and describe non-financial impacts.
- Rank-order the risks

“Thinking is the hardest work there is...
that’s why so few people do it.”

Henry Ford

Founder, Ford Motor Company





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