

Governance of Project Risk

A Guide for Non-governmental Organisations

10 December 2010

Best Practices in Managing Project Risks

Aon Global Risk Consulting



Why governance is relevant to project management?

Project Failures



BP Oil Spill 2010



Hurricane Katrina 2005



Airbus A380

Project Failures



Penny Wise and Pound Foolish



Construction Projects and Moving Goal Posts



Failure of IT system implementation

Why Projects Fail?

Reasons for Project Failure	
1.	Lack clear link between the project and the organisation's key strategic priorities
2.	Lack clear ownership and leadership for the project from the top
3.	Lack effective stakeholder engagement
4.	Lack project management and risk management skills
5.	Project not broken down into manageable steps
6.	Proposal driven by price not long term value
7.	Lack understanding of vendors from the top
8.	Lack effective project team integration

** Adopted from the Guideline issued by the Office of Government Commerce, HM Treasury, May 2007*

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What is missing?

- Leading your NGO Corporate Governance – A Reference Guide for NGO Boards June 2002, Social Welfare Department
- Guide to Corporate Governance for Subvented Organisation, May 2010, EU

**NGO
Governance**

- Do not focus on **projects**

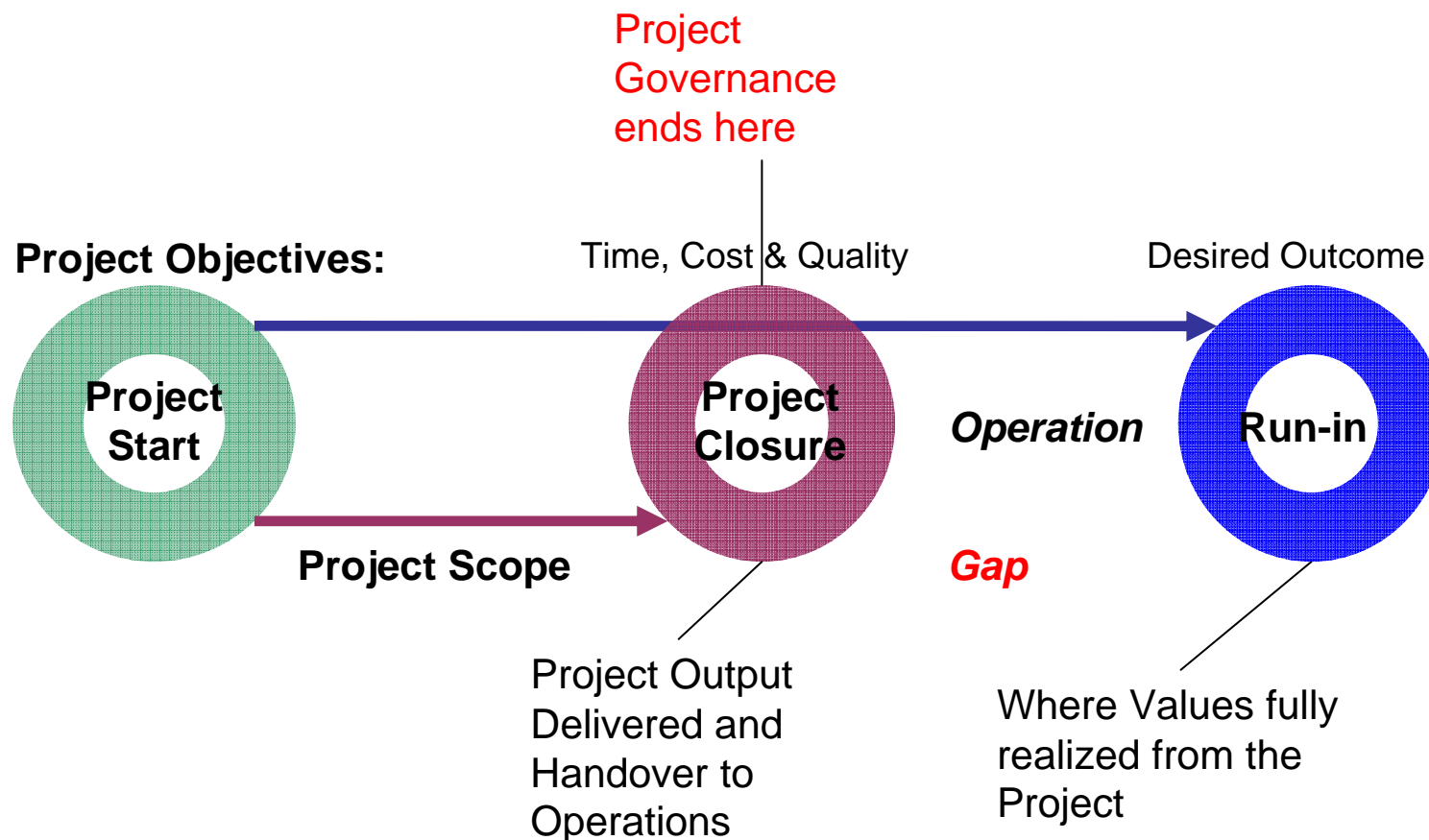
- Project management methodologies such as PMI BoK and APM BoK

**Project
Management**

- Do not focus on **governance**

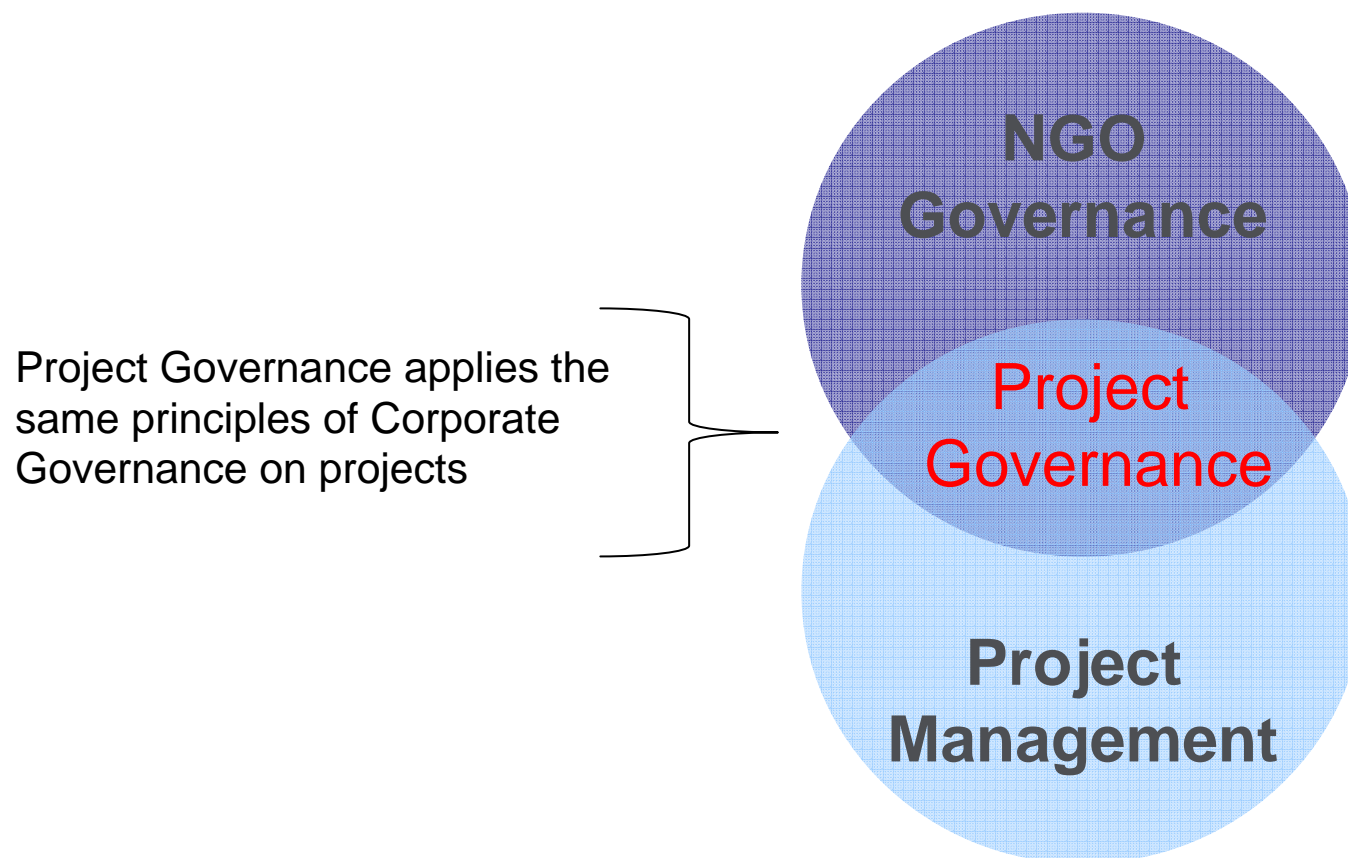
What is missing?

Gap in achieving full benefits from projects



Project Governance

Project governance to fill the gap



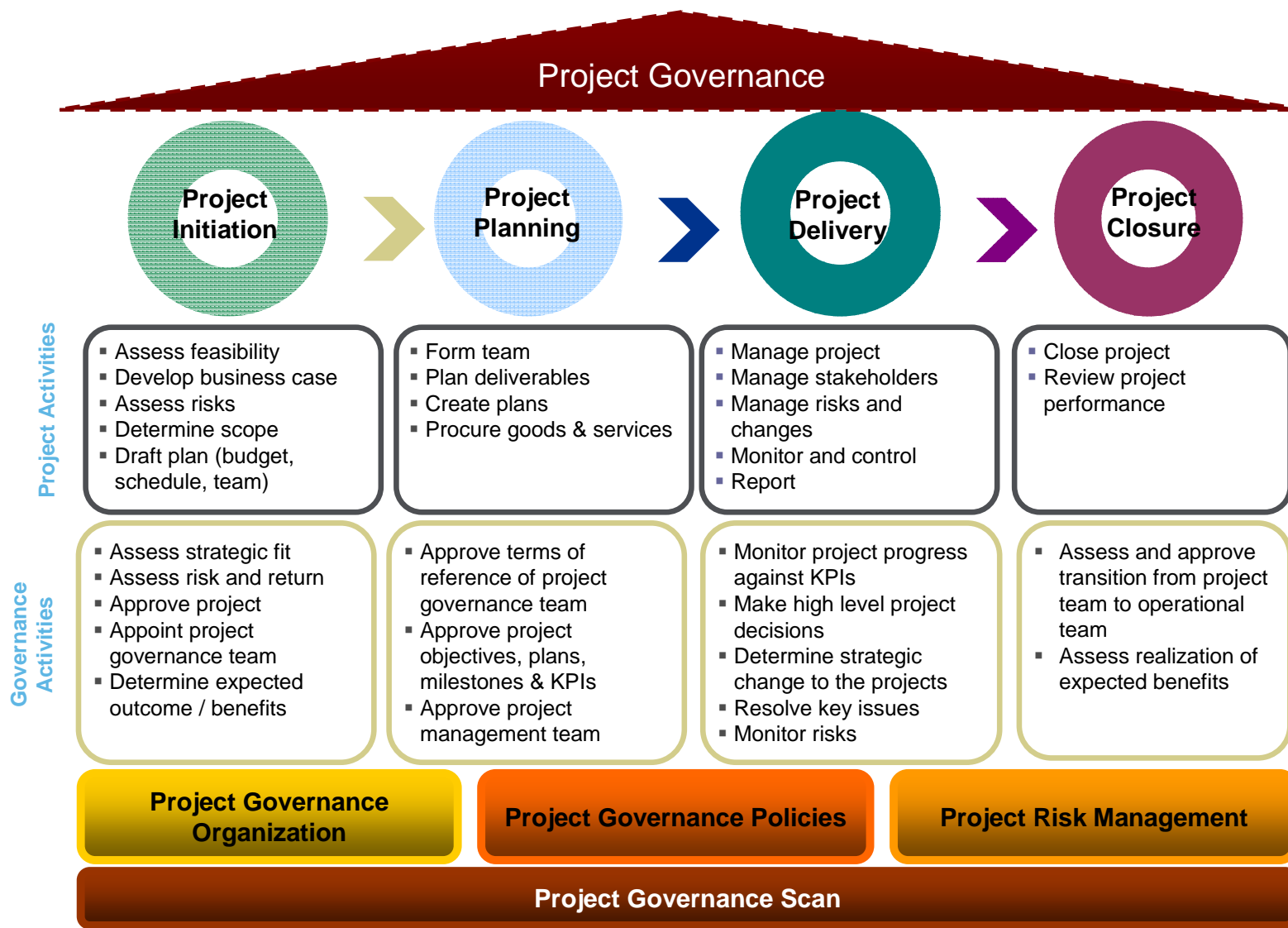
Source: Association for Project Management, UK

The Guide to Project Governance

How this guide can help?

- On Governance NOT Management of projects
- A building block approach
 - Setting up the Framework as foundation AND
 - Governance tools over the Project Life Cycle
- A tool book with checklists and templates ready to use
- Generic and applicable to different types of projects

The Project Governance Framework – the Building Blocks



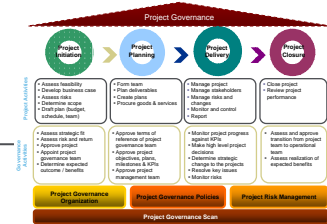
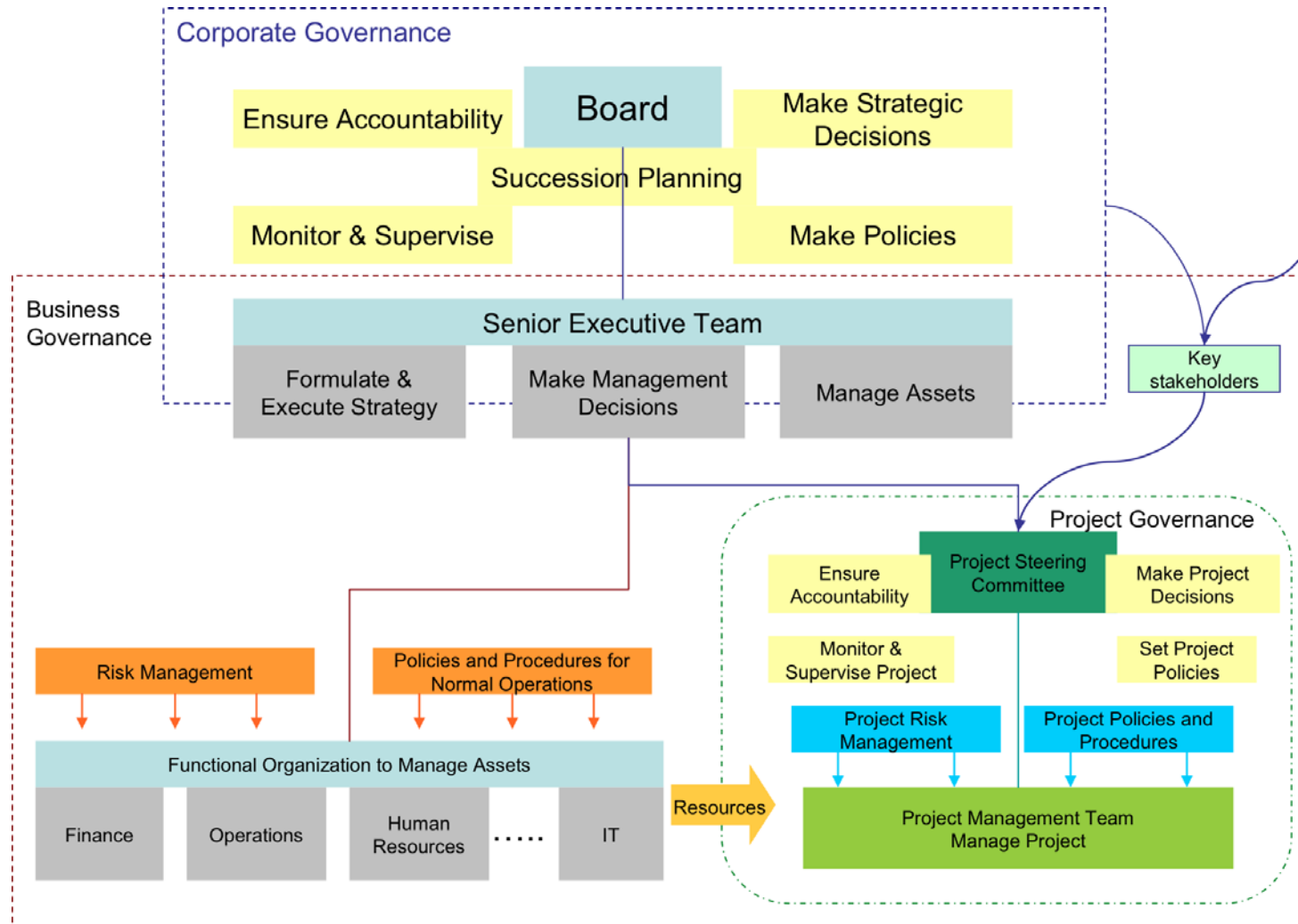
The Pillars

The four stages of Project Life Cycle form the pillars

The Foundations

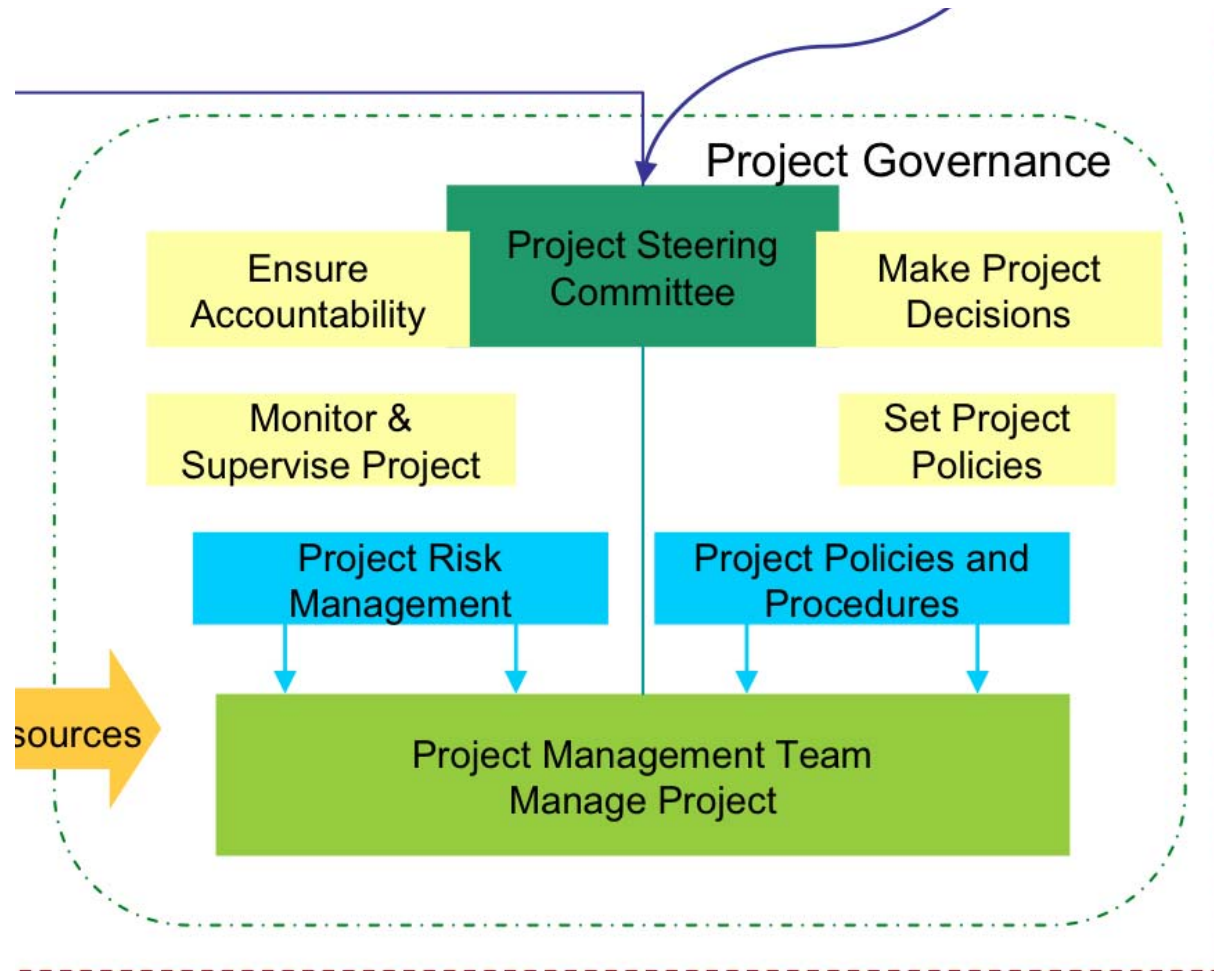
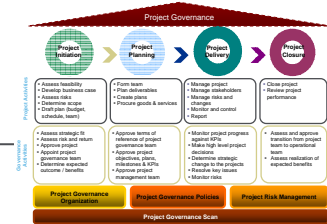
Project Governance

Project Governance Organisation

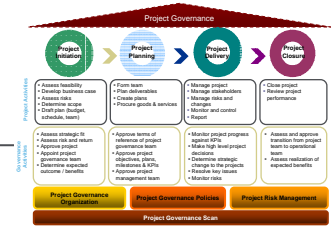


Project Governance

Project Governance Organisation



Project Risk Management

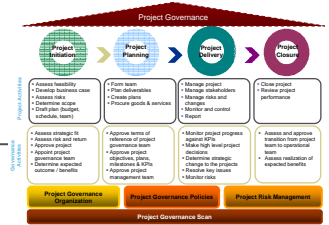


Risk management should be practised throughout the project life cycle

Why Projects Fail?

ID	Risk Description	Category	P	I	S	RAG	Risk Owner	Mitigation Action	Action Owner	Project Phase	Escalate Risk
1	Insufficient resources	Resources	1	4	4	G	Project Team / Client	Ensure attention to details in project planning.	PM	All phases	
2	Poor quality resources	Resources	1	4	4	G	Project Team	Ensure attention to details in project planning.	PM	All phases	
3	Poor planning reduces ability to finish on time and within budget	Risk Management	1	4	4	G	Project Team	Ensure quality and details in the planning process.	PM	All phases	
4	Insufficient budget reduces quality and delivery capability	Finance	1	4	4	G	Client	Ensure adequate planning and discussion with client on cost and contingency.	PM	All phases	
5	Poor quality deliverables	Quality	1	4	4	G	Project Team / Client	Ensure quality evaluation criteria for deliverables are established at the outset of every phase	PM	All phases	
6	Client's staff unavailable	Resources	1	4	4	G	Client	Ensure open discussion with client to establish sound understanding of staff involvement and delivery expectations	Client	All phases	
7	Project consultant personality clash with the client's staff	Resources	1	4	4	G	Project Team / Client	Ensure that the project consultant would meet the project sponsor, steering committee members and key senior management. PM is interchangeable if clash issues become high risk.	Project Team / Client	Initiation	
8	The client's organisational culture difficult to deal with - reduces ease of delivery	Culture	1	4	4	G	Project Team / Client	Ensure good understanding of client's culture before kick-off/initiation. Ensure one client employee is part of the project team.	Project Team / Client	Initiation	
9	Project failure/overrun due to poor risk management	Risk Management	2	5	10	A	Project Team / Client	Deploy formal project management and project risk management process. Regular reviews and analysis of risks. Take immediate actions on red flags.	Project Team / Client	All phases	
10	Lack of buy-in from the client's senior management reduces effectiveness of project	Culture	2	5	10	G	Project Team / Client	Ensure formal engagement and communication to client management in relation to the aim of the project, their roles and required contributions.	Project Team / Client	Initiation and key phases	
11	Necessary conditions for operation eg. Client is unwilling to share documents	Resources	4	4	16	R	Project Team / Client	Ensure regular engagement with project sponsor.	Client	Initiation and key phases	
12	Project purpose and need are poorly defined	Risk	1	4	4	G	Project Team	Clarify approach with key stakeholders and project team.	Project Team / Client	All phases	
13	Lack of co-ordination with other stakeholders	Strategic	3	3	9	A	Project Team / Client	Ensure engagement with other staff/ management.	Project Team / Client	All phases	
14	Failure to engage with stakeholders interest. No knowledge transfer	Strategic	2	3	6	A	Project Team / Client	Ensure extensive consultation and involvement with the client; develop knowledge transfer plan.	Project Team / Client	All phases	
15	Non-availability or lack of co-operation/ difficulties between project team and client	Risk Management	2	3	6	A	Project Team / Client	Ensure management structure and communication process are in place. Hold regular reviews.	Project Team / Client	All phases	
16	Failure to deliver key outputs	Resources (Operational)	1	4	4	G	Project Team	Resolve issues, redefine deliverables and timeline with client.	Project Team	All phases	
17	Loss of project staff	Resources	1	4	4	G	Project Team / Client	Ensure contingency plan is in place.	Project Team / Client	All phases	
18	Illness of key consultant or failure to do his job	Resources	1	3	3	G	Project Team	Ensure contingency plan is in place.	Project Team / Client	All phases	
19	Failure of individual consultant to deliver	Resources	1	4	4	G	Project Team	Ensure adequate monitoring of timeliness and quality of deliverables.	Project Team	All phases	
20	Technical IT infrastructure difficulties and lack of knowledge around key risks; project limitations	Risk Management	1	3	3	G	Project Team / Client	Ensure that alternative strategies are developed.	Project Team / Client	All phases	
21	Delay in contract signing	Legal	5	1	5	G	Client	Monitor contract signing process.	Project Team / Client	All phases	

Operationalise Governance in the Project Life Cycle



Project Activities

- Assess feasibility
- Develop business case
- Assess risks
- Determine scope
- Draft plan (budget, schedule, team)

- Form team
- Plan deliverables
- Create plans
- Procure goods & services

- Manage project
- Manage stakeholders
- Manage risks and changes
- Monitor and control
- Report

- Close project
- Review project performance

Governance Activities

- Assess strategic fit
- Assess risk and return
- Approve project
- Appoint project governance team
- Determine expected outcome / benefits

- Approve terms of reference of project governance team
- Approve project objectives, plans, milestones & KPIs
- Approve project management team

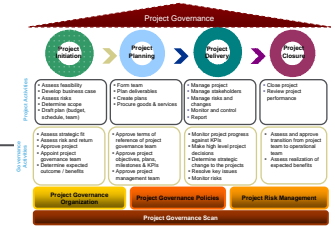
- Monitor project progress against KPIs
- Make high level project decisions
- Determine strategic change to the projects
- Resolve key issues
- Monitor risks

- Assess and approve transition from project team to operational team
- Assess realization of expected benefits

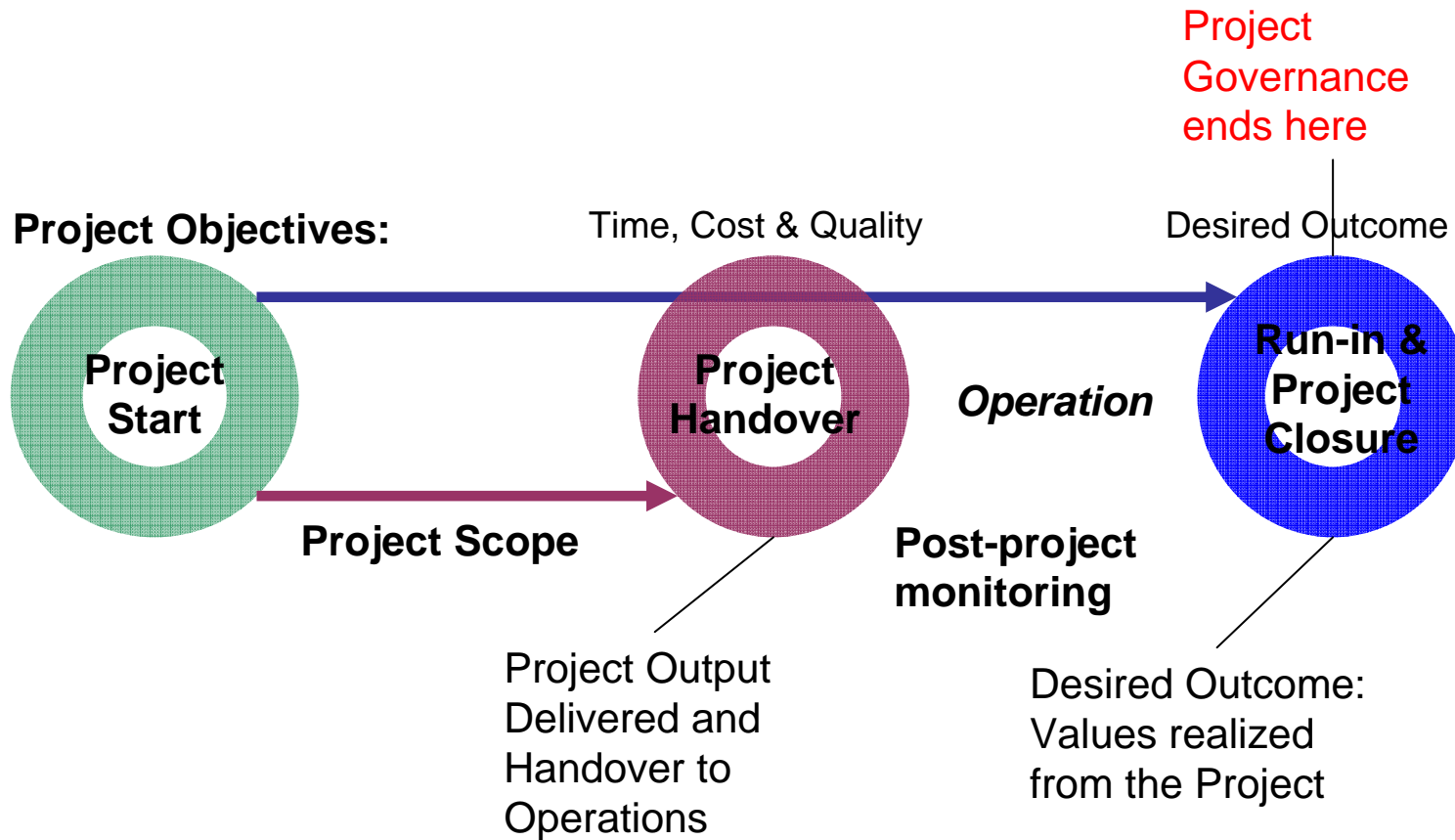
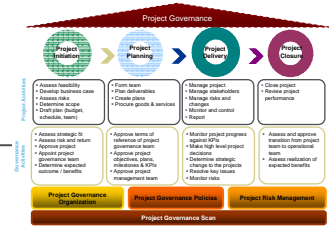
At each Stage of the Project Life Cycle

Users can pull out from the Guide:

- Key questions to ask by the Project Sponsor
- Key documents to support decision making
- Key checkpoint(s) of the stage
- Sample templates of selected documents
- Case studies to reinforce understanding



The Value Gap



Download Information

This guidebook is available for download at the following link:

- <http://www.aon.com.hk> , Project Governance and Risk Guide

The screenshot displays the Aon website interface. At the top, the Aon logo is on the left, and navigation links for 'Risk Solutions', 'Human Capital Consulting', and 'Reinsurance' are on the right. A search bar is also present. Below the logo, there are links for 'Home', 'Products & Services', 'About Aon', 'Contact Us', and 'Aon Worldwide'. The main content area features a large image of a city skyline at night. Below this, there are three columns of content: 'Career Opportunities at Aon Hong Kong', 'Thought Leadership', and 'Media'. The 'Thought Leadership' column has a sub-header 'Thought Leadership' and a list of items: 'Project Governance and Risk Guide', 'Cyber Liability & Higher Education - Aon Professional Risk Solutions', and 'Enterprise Risk Management - S&P'. The 'Project Governance and Risk Guide' item is underlined and has an orange arrow pointing to it from the text above. The 'Media' column lists several awards and reports. At the bottom of the page, there are links for 'Global Home', 'Careers', 'Investor Relations', 'Site Map', 'Legal', 'Privacy Policy', and '© 2008 Aon Inc.'