Briefing on...
Project Risk Management

Projects and programmes of change should be key drivers of business growth and competitiveness and yet research and experience shows that few projects actually deliver the business benefits that were expected at the time the decision to invest was made.

"The average cost of a failed project was almost £8m with 56% of participating companies experiencing a failed project within the past 12 months."

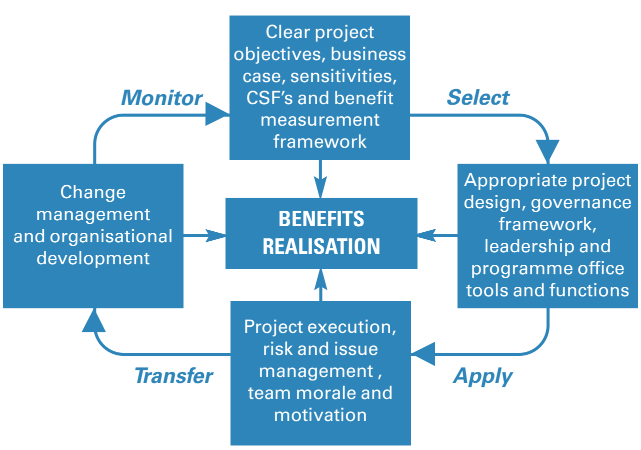
KPMG Global Project Management Survey (August 2002)

Reasons for failing to realise anticipated benefits can span the entire programme or project life cycle - from a poorly prepared business case through to insufficient focus on managing change and the impact on the organisation.

KPMG's value proposition

Benefits realisation is central to KPMG's approach to Project Risk Management (PRM). The PRM approach recognises that, to achieve real business benefit, there must be a thorough evaluation of business needs, a well prepared business case, selection of the most appropriate delivery options and the consistent application of sound project, risk and change management practices.

KPMG's PRM team provides advice, support and objective challenge to ensure that risks are understood and managed by focusing on the following key decision points and activities within the project life cycle:



The case for change

Clarifying the project objectives, completeness and sensitivities of the business case and agreeing the critical success factors for the project;

Project design

Evaluation and selection of development and sourcing options, adoption and use of tools and the most appropriate work breakdown structure and leadership model for the project;

Project governance and execution

Project direction and management, project review and correction, risk and issue management, project reporting and problem resolution;

Change management

Understanding and managing resistance, impact on the resource and skill base and ensuring that the necessary change activities are owned and incorporated within the overall project plan;

Portfolio management

Managing project performance and risks at the strategic level to enable the most appropriate allocation of resources and direction of support activities across the project portfolio.

Typical risk considerations

- Is there sufficient clarity, detail and consensus regarding the desired outcomes and benefits?
- Have the project costs and timescales been thoroughly assessed?
- Have alternative development/supply options for the project deliverable been considered?
- Is there sufficient ownership of the project by the business?
- Has the impact of the project on the ability to deliver business as usual been assessed?
- Is the project management organisation able to cope with the additional demands placed on it by the project?
- Are the project management skills and disciplines sufficient to ensure proper execution of the project?
- Is the project governance framework and project administration support appropriate for the type and scale of project?
- What are the interdependencies with other projects and activities?
- Is the supplier selection and management process sufficiently robust?
- Are change integration and organisational development activities owned and included within the project plan?
- Is there a framework for monitoring and managing post implementation benefits delivery?

Case Study 1

A large manufacturing company was considering rationalising its call centres into a single operation. KPMG was engaged to assess the validity of the strategy, appropriateness of approach and readiness to proceed with the change in a controlled manner. As a result, project risks were explicitly identified and mitigating actions established; project benefits and approach were more clearly assessed; and an improved understanding of the chain of events within the manufacturing and supply process was achieved.

Case Study 2

A major UK financial institution was requested by the FSA to provide a report of their project management capabilities and the extent to which they were embedded in the business. KPMG was engaged to review project management capabilities which included governance, design and an assessment of the organisation's portfolio of projects. Critical issues and inconsistencies across the group were highlighted, including important steps required to roll out best practice in project management.

Approach

KPMG's approach is strongly focused on realising benefits from projects by:

- Providing independent and objective challenge at key points throughout the project life cycle
- Ensuring that the reporting process and content is appropriate and supports timely and balanced decisions in relation to project progress and issues
- Maintaining a proactive approach to risk and issue identification to eliminate costly rectification effort
- Remaining independent whilst fostering and maintaining effective and positive working relationships within the project team.

Benefits

Projects fail for a wide range of reasons. KPMG's PRM service seeks to minimise the risk of project failure by identifying and managing the factors that lead to:

- A lack of clear focus on the overall project objectives
- Unrealised project benefits or failure to meet expectations
- Extended project and benefits delivery timescales
- Project costs being higher than originally estimated
- Poor allocation and management of resources across project activity
- Failure to identify and act effectively in relation to emerging risks and issues
- A lack of quality and timely information in relation to project performance, risks and issues
- Failure to manage the risks associated with the adoption of emerging or unproven technologies

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