PMI NEWSLETTER

Project Management Institute / Mumbai Chapter

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Upcoming

Seminar

Role of Risk Management in Construction and Infrastructure Projects

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Your key to successful projects

From the Editor's Quill

Recently, a leading newspaper published an interview with the CEO of a Software Company who stated that although India has tremendous potential, we haven't really been doing anything path breaking as Indians are generally averse to taking risks.

Yes, this is a valid viewpoint. It is generally true that the risk taking spirit is limited to small time shopkeepers or large business families in India. All others believe in the 'safe path'.

In the project management context, there is a tendency of project managers to use technology/ approach/ tools/ people not necessarily because they are better or even less risky but because they are 'familiar'. Of course, this does not mean one should take foolhardy/ impulsive risk.

To give an analogy from everyday life, take the case of people crossing streets in the absence of zebra crossings. A person who wants to play safe may waste time by waiting for too long till there is no traffic. A foolhardy person may zip across putting his life in peril. Both are not advisable…A proper risk assessment would help in crossing the road without wasting time and without having to run.

In the business context, a recent example of inadequate risk management is the companies who took the risk of being solely dependant on the US market, and suffered a serious setback when the US economy experienced a slump. A proper risk assessment at every stage would have helped in planning for diversification into other geographical locations.

In the words of Peter Drucker "While it is futile to eliminate risk and it is questionable to try and minimise it, it is essential that the risks taken be the right ones".

It is for this reason that "Risk Management" is considered a very important process and it is advocated that it be performed throughout the project life cycle. When the risk management process is applied properly in letter and spirit, it can yield tremendous benefit. Here's hoping that more PMs take 'intelligent' risks, thereby eliminating the threats and exploiting the opportunities.

In view of this, a seminar is being jointly organised with The Institution of Engineers (India) on 'Role of Risk Management in Construction and Infrastructure Projects'. As a part of continuous improvement in our services, we are glad to present you Prakalp in a new format, which is as per the guidelines set by PMI.

-Editor

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Jamuna Rangachari is a Systems Manager with Infomatics Services Pvt. Ltd., a medium sized Software Development firm based in Mumbai. She has about 10 years of experience in the software field including 5 years in Software Project Management. She has been a member of PMI for last one year and is a certified PMP.

She has earlier worked for Data Systems Services, Pune and the University of Plymouth, UK. Her work with the University of Plymouth in the area of expert systems led to the publication of two papers at International Conferences and the award of an M.Phil. degree. Her educational qualifications are B.Com., MCM and M.Phil. For the last two years, she was operating from Delhi where she shifted for personal reasons and continued to manage her projects with a 'virtual' presence. In this article, she wishes to share her experience in remote project management with members of the Project Management fraternity.

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Project Management in a "Virtual" World

1. Abstract

My interest is in the future because I am going to spend the rest of my life there.

Charles F. Kettering

The management and motivation of people is the "critical success factor" of a project.

Hence, it is natural that a frequent interaction with the team members is imperative for effective project management.

There are various theories on effective communication, team building and motivation. However, all of these assume a physical collocation or at least, frequent meetings of all the team members, which is sometimes not possible in the modern 'virtual' world.

There are many project teams where physical meetings of the project manager with his team members are infrequent and in some cases, totally absent.

This paper describes the new challenges presented by this scenario and suggests effective approaches for dealing with these challenges.

2. Introduction

Nothing endures but change.

Heraclitus

Dispersed project teams are becoming more and more prevalent in today's globalized world.

Many a time, project team members rarely meet each other; the interaction is through electronic media such as the ubiquitous email and through electronic conferences both audio and video.

This scenario presents a hitherto unknown challenge to the Project Manager; how to avoid communication gaps and develop synergy, team spirit and motivation among the project team members without the feasibility of direct personal interaction.

3. Communication

Tortoise: But we must be careful in combining sentences. For instance, you'd grant that "Politicians lie" is true, wouldn't you?

Achilles: Who could deny it?

Tortoise: Good. Likewise, "Cast-iron sinks" is a valid utterance, isn't it?

Achilles: Indubitably.

Tortoise: Then, putting them together, we get "Politicians lie in cast-iron sinks"...

Douglas R. Hofstadter, "Godel Escher, Bach: an Eternal Golden Braid"

Around 75-90% of a project manager's time is spent in communication.

In a virtual world, this figure could well be 85-99%. In addition to general communication management, decisions on *"what (technology to use)"*, *"how (which communication methods to use)"*, *"when and where (to use a particular technology or method)"* need to be made in this scenario.

3.1 What: Communication Technology

There is a wide range of choices - ranging from email to video-conferences.

When to use which - is the question, which project managers need to

answer.

The factors to be considered while making a choice are:

a. *Operation costs* - how much would the use of the technology cost on a regular basis? (Costs here include both money and time).

b. *Set up costs* - How much would it cost to make the technology available and accessible to all project team members? (As above, costs here include both money and time).

c. *Coordination* - How much does the technology aid coordinated communication thereby minimizing communication gaps.

d. *Personal touch* - How much of a personal touch can be imparted through the use of the technology?

The table below shows each of the available technologies weighed against each of the above factors.

Table 1 : Factors to be considered in choice of technology

Technology	Operation Cost	Setup Cost	Coordination	Personal Touch
Internet				
Email	Minimum	Minimum	Minimum	Minimum
Chat sessions	Minimum	Minimum	High	Minimum
Web Meetings	Minimum	Moderate	High	Minimum
Telephone				
Calls	Moderate	Minimum	Minimum	Moderate
Conference	Moderate	Moderate	High	Moderate
Video				
Conference	High	High	High	High

3.2 How: Communication methods

3.2.1 Clarity

There must be a conscious effort to maintain clarity in each and every sentence. This is of course generally true for all communications, but in the virtual world all the more so, as many times, incomplete communication can be very misleading and an immediate feedback is not possible.

3.2.2 Consistency

Use a consistent style and language for routine communications. For instance, if you expect a periodic status update, fix a format for a status table so that status exchanges are streamlined.

When a change to this becomes necessary (for example, if you find that more details are necessary), change the format after explaining why.

3.2.3 Avoiding information overload

Although transparency and open information is always desirable, do not exchange all information with everyone as that can waste a lot of valuable time. Project members can waste a lot of time trying to decipher why a particular communication was passed on to them.

a. After a general explanation mention what is expected of each person., Example,

Module 1: Creation of a mail receiver routine (Document Attached)		
Person	**Responsibility**	**Scheduled dates**
JK	*Estimate*	*By 12 Oct 2001*
CR	*Study ripple effect on Module A*	*By 15 Oct 2001*
RT, SR, HP	*For your information*	

b. Do not pass all communication to all stake holders but maintain an intranet/ common information sharing areas and at the end of the week, send an activity report to everyone.

Week 5 : Activity Report

Module	Working Members	Status	Access path for documents/ projects plan
A1 - Mail receiver component	*AB, SJ, SP*	*In process on schedule*	*Http://projects/A1/projstat/*
*A2** New - Security system*	*JC, RS - For preliminary estimates*	*Inception*	*Http://newproj/A2/docs*

3.3 When and Where: Judicious Use of Technology and Methods

For a recipe to yield successful results, i.e., a dish, which is relished and enjoyed, the following are important

- The ingredients must be of good quality.
- The method must be correctly followed.
- The right proportions of the ingredients should be used.

Likewise, for effective project management

- The right technology should be made available.
- The method must be correctly followed.
- Both the above should be properly balanced and used.

The communication management plan should be given **high** priority in the planning process and should cover the What, How, When and Where in sufficient amount of detail.

4. The Human Element

Without a sense of caring, there can be no sense of community.

-Anthony J. D'Angelo. The College Blue Book

There is a danger of the whole project becoming too 'clinical' and 'desensitized' in the virtual world and hence there should be a conscious, continuous effort to humanize the process.

4.1 Etiquette

- *Acknowledge Mails Immediately* - It is comforting for the sender to get a simple acknowledgement immediately. Along with the acknowledgement, try to indicate when you will be able to give a complete response.
- *Inform early about absence periods* - Make sure all concerned stakeholders are informed about your (non) availability. This will ensure that they will plan important activities taking this factor into consideration.

4.2 Bonding

An effort should be made to get to know more about the team member's specific interests, families, planned holidays and so on. Using this, other than routine communications, personal mails to the team members should be sent- this shows they are remembered as people and not just X, Y, Z.

4.3 Achievements

Special achievements and completion of major milestones on schedule should be acknowledged and informed to the entire team.

4.4 Crisis management

This is perhaps the most complex thing to handle. Depending on the nature of the problem, one of the following actions should be taken:-

a. Whenever the problem area is localized, i.e., primarily in one geographical location, the Project Manager should appoint a leader who has the authority to take and execute decisions.

b. When the crisis requires action in multiple locations, there should be constant interaction and coordination through telephone calls and video conferences.

5. Conclusion

For the things we have to learn before we can do them, we learn by doing them.

-Aristotle (384 BC- 322 BC), Nichomachean Ethics

A Project is a unique, temporary endeavour - each project scenario requires actions based on the 'best judgment' of the project manager; in other words, there are usually never right or wrong answers but “most suitable” answers based on the experience of Project Managers. Hence, sharing experiences and laying down certain “rules of thumbs” can form better judgments.

The “virtual world” which cuts across all geographical boundaries, is now here to stay and there are many projects, which need to operate in this scenario.

This paper has attempted to lay down certain “rules of thumb” for “Project management in a virtual world” - and hopes to evoke more thought in this area in order to build a better knowledge base.

Suman Rao

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Formal Risk Management For Project Companies - Strategies For Implementation

"Great deeds are usually wrought at great risks."

- Herodotus

Risks are becoming more and more pronounced and challenging in all human endeavours, projects being no exception to this. In fact, the importance of effective Risk Management in high value Projects is ever increasing due to most of them moving towards a LSTK (Lump-sum turnkey) structure and also because they are turning more and more complex in terms of technology, patents, contracts, financing etc. Added to this is the immense pressure on EPC job margins due to stiff competition and rising input costs. Consequently, though everyone in the projects world recognizes & realizes the importance of Risk Management, Project Companies find no 'time' or 'energy' to set up Risk Management systems & procedures in place. This point is abundantly illustrated by the following recent findings of the Chamber of Commerce and Industry of Western Australia & the Institute of Engineers Australia:

"Important findings for many large projects show that:

- Formal risk assessments were not undertaken.
- Risks were not being allocated to the party best able to manage the risk.
- Risk clauses were often varied from those in the standard form of contracts.
- Risks were being transferred to consultants and contractors. These proved to be impossible for them to manage.
- Cost savings would have occurred had risks been more efficiently allocated, and Contractors, consultants and principals have widely different views on current risk allocation".

Given the tough national & global economic conditions, the above will instantly ring alarm bells in many of our minds. The question then is what needs to be done by Project Companies for quickly and effectively implementing Risk Management Systems in their Organizations?

Strategies for effective Risk Management Implementation:

1. Chalk out a Risk Road Map.

"The problems that exist in the world today cannot be solved by the level of thinking that created them."
Albert Einstein

As project organizations grapple around with the risks that face them, it is very important that the Risk Road Map for the organization is laid by someone who can think sincerely and definitely at much higher levels and for longer periods in time. A case in point is the recent Dabhol project fiasco where the top management have come out very clearly as being unable to foresee the financial viability of the project. A realistic long term payment risk

thinking would have made it very clear that despite brilliant contracting, MSEB would not be in a financially comfortable position to pay the bills - which is all that matters for the success of the project.

The entire responsibility for Risk Management Process implementation in an organization should be ideally placed with a visionary who has been with the organization for long and has guided the organization 'in sickness and in health'.

The Risk Road Map should basically focus on answering questions like where the Organization stands today in terms of formal Risk Management Processes and where does it want to go in future? This Risk Road Map should also enable showcasing of a couple of projects initially in terms of formal Risk Management and thereafter rolling it over for all the other projects and then across the whole project organization including the service departments. The entire process must have the wide spread participation of senior level managers in the organization.

2. Change/ Mould Attitudes of people.

"It is not the strongest of the species that survive, nor the most intelligent, but the one most responsive to change."

- These words were spoken by none other than *Charles Darwin*

It is increasingly obvious that formal and professional risk management capabilities are required of our people. These will necessarily involve changing a few business processes and the manner in which business decisions are made. And as with everything else, this change can bring in resistance from people who are habituated to the earlier ways of working. The first and foremost task before organizations then, is to take their people into confidence and walk them through the benefits of formal Risk management and secure their cooperation and enthusiasm for the entire process. Organizations should provide thorough training, to its employees on formal Risk Management and must familiarize them with the Risk Road Map. Mass Risk Management campaigns must be organized across the company and people must be encouraged to actively participate in various risk forums/ workshops etc. The Organization should ensure that at a fundamental level, all its employees are familiar with the basics of formal Risk Management and speak the same "Risk Language".

3. Institutionalize Risk Management Process.

Institutionalisation of the Risk Management Process is typically done by drafting risk policy manuals, incorporating the Risk Management procedures into the mainstream of all corporate procedures, and Standards (like ISO). The fundamental idea is that good Risk Management should be the core of all Corporate decision making & action. All systems & procedures have to be in place within the organization in achieving this objective. Chapter 11 of the PMBOK gives a very good framework to Corporates for setting up a good Project Risk Management process. Organizations need to modify the framework suitably in order to fit their own unique profiles.

Institutionalisation should not be merely at esoteric levels. Institutionalisation should reach the lowest cadre of workmen and office staff. Lack of institutionalisation at lower operational levels can result in considerable damage to life and property as was evidenced by sheer carelessness and flouting of safety norms in the Union Carbide case (Bhopal tragedy).

Institutionalisation should cover all existing projects, processes, systems so also new projects, products, processes and systems. They should include emergency procedures, communication, responsibility assumption during times of emergency/ disaster as well as safety norms and training of all the concerned people.

4. Set up a Risk Reporting Structure.

Corporates can either go in for a separate Risk administration organization headed by a CRO (Chief Risk Officer). They can also use the existing Finance/ Internal Audit functions to monitor Risk based actions and route the reporting to the Board. It will help the risk objectives of the Corporates tremendously if a specific board member/ board sub-committee is identified to take responsibility for the Risk Management function in the Organization. If this is not possible then, ideally the CFO (Chief Financial Officer) should be in-charge of the overall risk reporting to the Board.

What is important however is that there should be ONE person who is given the responsibility of constant monitoring of the Risk profile of the projects the organization undertakes as well as the sum total effect of all these project risks on the Organizational profile. He/ She should be looking at risk from an "Enterprise wide " perspective rather than on a department project-wise basis.

Four important facets of the Risk Reporting in any organization are:

1) Confidence: There should be a confidence that all the incidents that are 'reportable' are being reported and secondly the Risk Team should get a confidence that their recommendations are not ignored by the Board.

2) Near-Miss reporting : The

organization should have a System of reporting Near-Miss events (many near-misses that occurred at the Union Carbide factory had already provided concrete evidence that all was not well with the factory safety norms).

3) Checks for Lapses in reporting : There should be an independent formal/ informal mechanism of verifying whether there are any lapses in reporting risks. As investors become more and more conscious, they are increasingly watchful of wrong/ insufficient reporting by corporates.

4) "Every body is a Risk Manager": It is very easy to assume that since there is an identified person in charge of Risk Management, the others can wash their hands off Risks. The organization has to inculcate a culture that everybody is a Risk Manager. It has to make it very clear that whereas the CRO/ CFO does the job of reporting risks from an independent platform, the line managers, who have the projects under their control are the REAL ones who can manage risks in their particular projects.

5. Set up a Knowledge Management infrastructure for Risk Management.

Most successful corporations systematically save their data for future generations. Much as it is important to set up formal Risk Management processes, it is also equally important to capture the learning & thinking for future use. In this age of high manpower attrition rates, the entire Risk Management system has to be tuned in such a way that people leaving the Organization do not create a major dent in the Risk Management capability of the Organization.

Apart from this the organizations have to guard their risk information from theft, information leaks and inadvertent releases of information.

A conscious release of Project Risk information occurs in the context of Mergers and Acquisitions. Companies intending to restructure themselves/ their divisions/ projects make available lots of information to potential bidders (competitors and well wishers alike) in the name of due-diligence. Of course this information sharing is done on the basis of signed "Confidentiality agreements". But the sanctity of those agreements vis-à-vis the damage it can cause if the shared information is not in safe hands should be evaluated carefully.

In conclusion, Corporates are indeed waking up to the rigours of formal Project Risk Management Process. But a lot of groundwork needs to be done in terms of positioning the Organization and its people towards the path for successful formal Risk Management. The above article gives a few tips on the challenges that Organizations face in Risk Management Process implementation and possible strategies for a smooth and successful implementation.

Quote of the Quarter

"We never have time, resource, or money to do it right, but we always find the time, resource and money to do it all over again."

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Calender of Activities during the Year 2002

Mark Your Diary	Prakalp	PM Forum	Seminar	PMBOK 2000 PMP Review Course	Committee Meeting
Jan.	15 ✓	–	–	–	20 ✓
Feb.	–	–	–	–	–
Mar.	–	–	–	–	24 ✓
April	15 ✓	–	20	27-28	–
May	–	–		& 4-5	19
June	–	21	–	–	–
July	15	–	27	6-7, 13-14	21
Aug	–	16	–	–	–
Sept.	–	–	–	–	15
Oct.	15	18	–	5-6, 12-13	–
Nov.	–	–	16,17	–	–
Dec.	–	6	–	–	15

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