

Strategic & Programme Risks.....

Roundtable with ISACA

Andrée Sonck – February 24, 2010



Agenda

- **Programme Risks**
 - Introduction
 - Key risk events during the programme lifecycle
 - The quarterly risk assessment
 - Risks quantification
 - Causes and effects
 - Next step/formalise programme risk framework
- Strategic Risks
 - Definition
 - Differences versus other risks
 - Interrelations between risk types
 - Benefits of strategic risk management

Programme Risks: Introduction

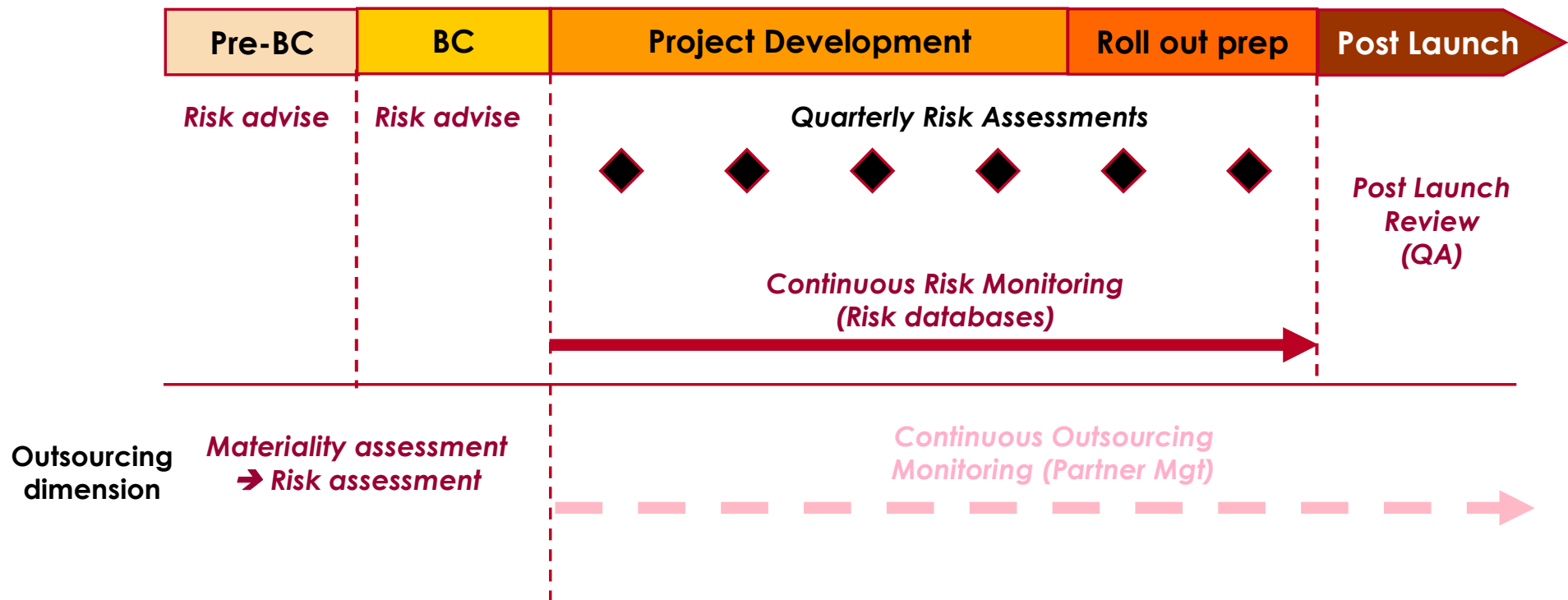
The terrible truth - Project Management failures

- *31,1% projects will be cancelled before they ever get completed*
- *52,7% will cost over than their original estimates ;*
- *Only 16% are completed on time and on budget.*

(Clancy 2004, Chaos Report 1995)

- ➔ An IT project is more likely to be unsuccessful than successful
- ➔ The larger the project the likely the failure

Programme Risks: Key risk events during the programme lifecycle



Programme Risks: The quarterly risk assessment - A consolidated view of all risks dimensions

Risk Category	Inherent Risk	Residual Risk				Risk Owner	Status	Comments
		Programme view	EUI view	EB view	ESES view (ENL, EBE, EF)			
0.Strategy	Medium	Medium				Sponsor		Xxx and the financial turmoil may challenge the scope and timing of yyy.
1.Governance	Medium	Medium				Non IT Programme manager	Under mitigation	The 2 key risk mitigations actions which have been planned are: 1. A self-assessment exercise related to Steering Committee for Jan 09. 2. The proposal of streamlined process for information sharing/decision making related to local Boards in Q4 2008. These 2 mitigation actions apply both to SPC and yyy.
2.Financial Risk (including non-materialization of benefits)	Medium	Medium				Sponsor	Under mitigation	<ul style="list-style-type: none"> Project cost may be higher than expected because of the risk of not being able to offshore. Increase in project and running costs, or delay in launch affecting ESA funding requirements that may lead to tax leakage. Benefits may not materialise or be lower than expected.
3.Project Risks	Medium	Medium				IT Programme manager	Under mitigation	<p>Examples of key project risks identified by the programme:</p> <ul style="list-style-type: none"> Business assumptions may prove incorrect. Scope creeping due to descoping in preceding programmes. Resources shortages and lack of expertise of Designers. Dependencies may not be respected. <p>In addition, the following risk has been identified by Risk Management, BITMI and the Sponsor: Planning not sufficiently detailed.</p>
3.1.Acceptance Criteria for launch	Not covered in this risk assessment					IT Programme manager	Under mitigation	This section will be covered in future risk assessments.
4. Offshoring Risks	Not covered in this risk assessment					IT Programme manager	Under mitigation	This section will be covered in future risk assessments.
5.Legal & Regulatory Risks	Low	Low				Legal	Under mitigation	This section will be covered in future risk assessments.
6.Readiness								
6.1.IT Operational Readiness	Not covered in this risk assessment					Head of IT Roadmap & Maintenance	Under mitigation	This section will be covered in future risk assessments.
6.2.1.Business Operational Readiness	Medium	EUI: Medium				Head of EUI Ops	Under mitigation	
		EB: Low				Head of EB Ops	Under mitigation	
		ESES: Low				Head of ESES Ops	Under mitigation	
6.2.2.ESA Commercial Readiness	Not covered in this risk assessment					Head of Client support	Under mitigation	This section will be covered in future risk assessments.
6.3.Business Continuity	Not covered in this risk assessment					Head of (I)CSDs Ops	Under mitigation	This section will be covered in future risk assessments.
6.4.Information Security	Not covered in this risk assessment					IT Programme manager	Under mitigation	This section will be covered in future risk assessments.
6.5.Market Acceptance	Medium	Medium				Sponsor	Under mitigation	<ul style="list-style-type: none"> The dependency towards the SPS project has been managed through working assumptions which are still consistent with feedback received from market representatives. The consultation work has still to be finalised in some fields (collateral management, account structure, settlement discipline, ...), and market discussions are ongoing in other fields (matching across services).
6.6.Client Readiness	Not covered in this risk assessment					Head of Client Support	Under mitigation	This section will be covered in future risk assessments.

Risk Assessment Legend:

- All residual risks should have a 'low' rating before the launch of the project.
- Residual risks with a 'medium' rating would only be acceptable if it remains temporary after the launch and there is a consensus between the (I)CSDs and the programme about the acceptance of such risk.
- 'High' residual risks are showstopper for the launch.

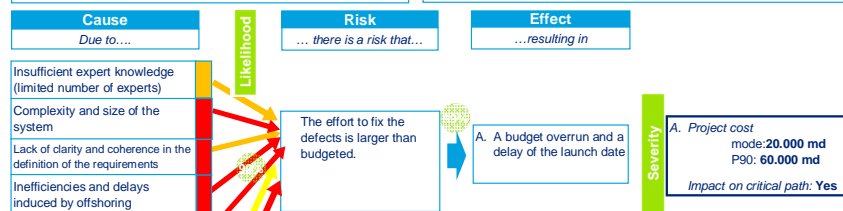
External use

Programme Risks: Risks quantification

A first step in measuring our risks

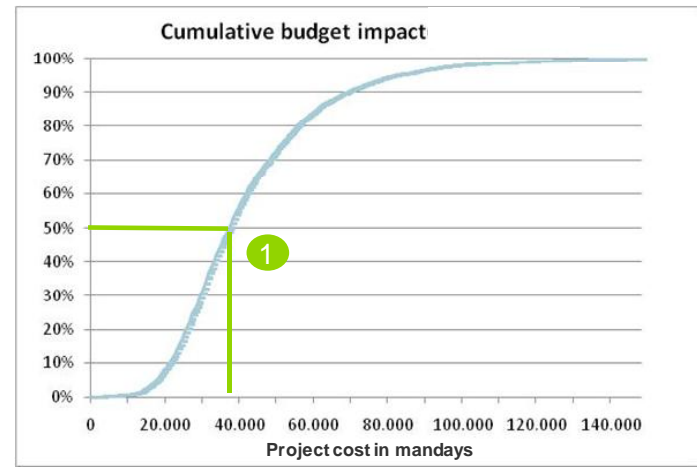
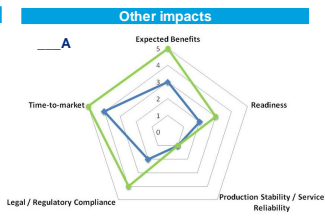
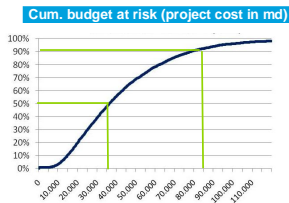
Topic 1: High number of defects

Background	Management decision tree
The program suffers from a very high number of defects and there is currently no indication of a decrease. There is also a concern that the test coverage may not be sufficient to deliver a system that has the required quality.	A. Management decides to take the necessary actions to resolve the bugs by adding resources and increasing the time needed to test and fix.



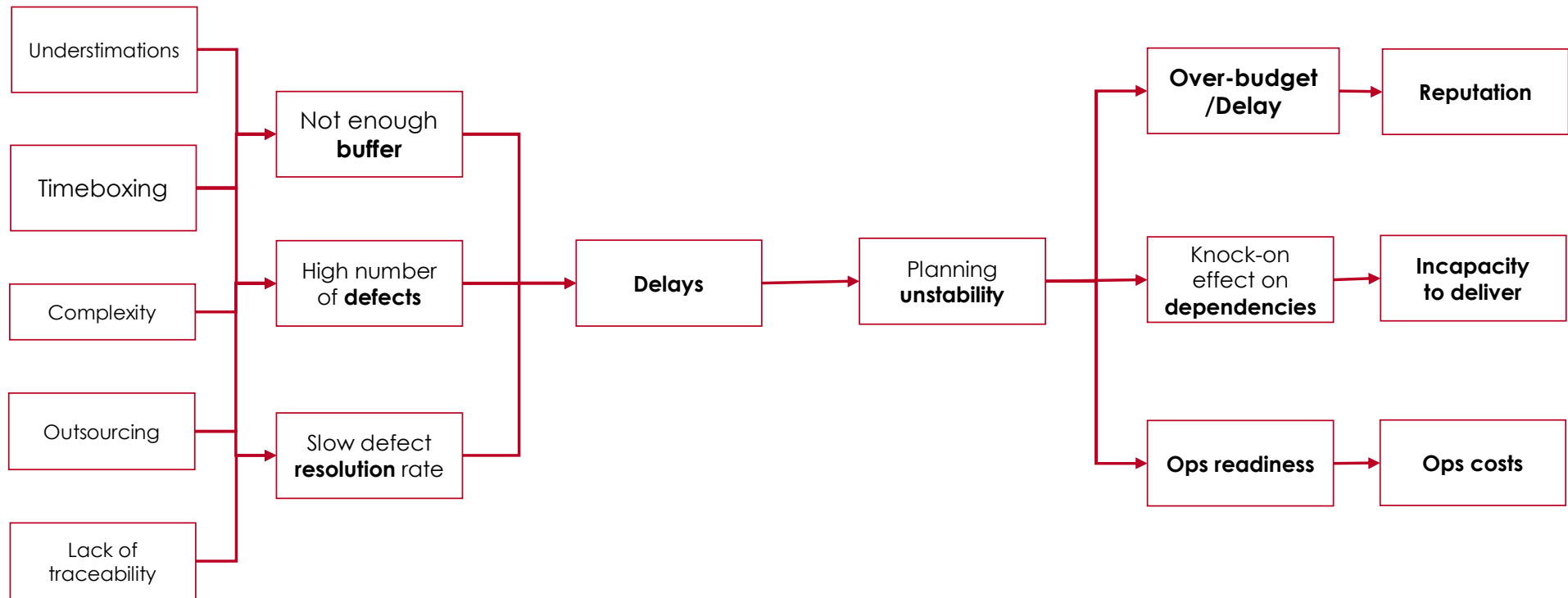
Severity

A. Project cost mode: 20.000 md
P90: 60.000 md
Impact on critical path: Yes



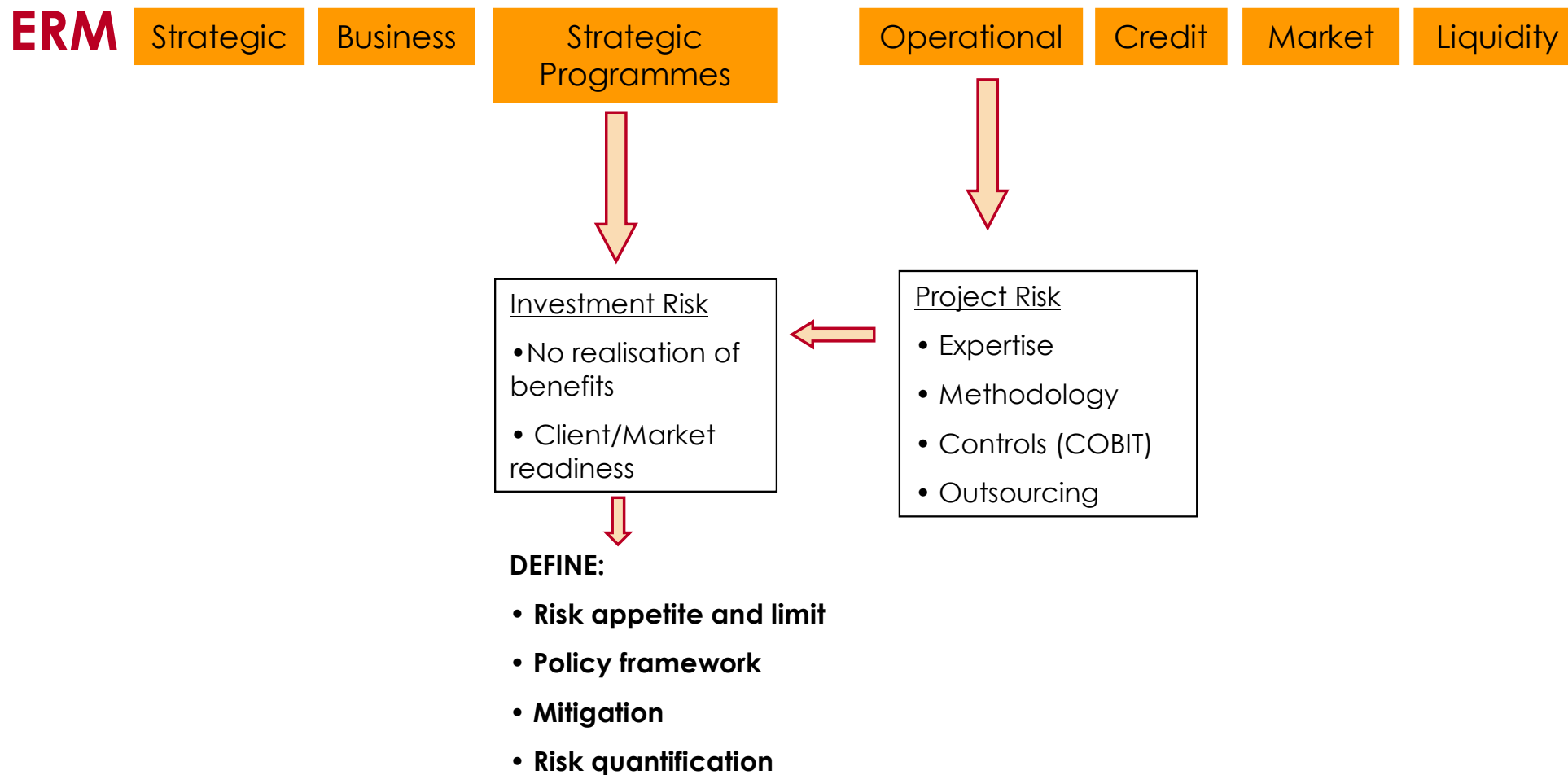
Programme Risks: Causes and effects

Understanding the relationships between risks



Programme Risks: Next Step

formalise programme risk framework



Strategic Risks

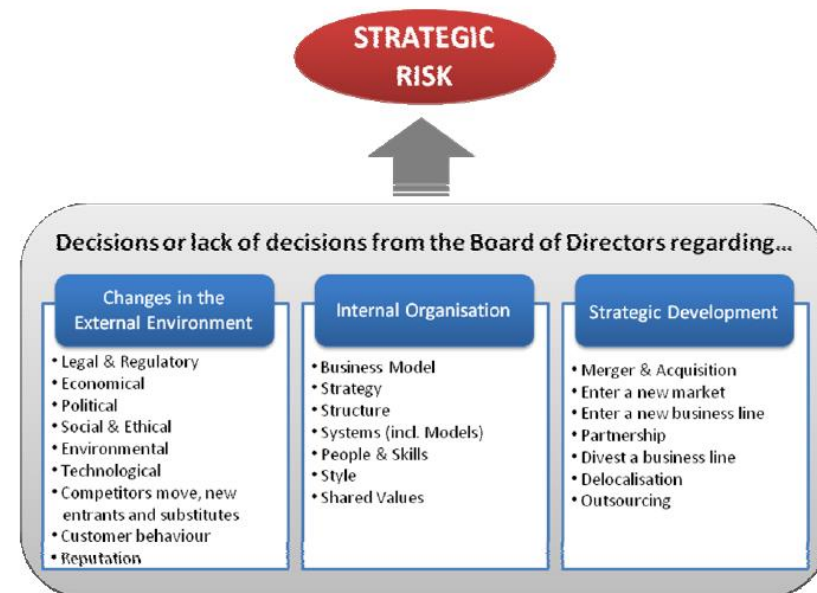
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- **Strategic Risks**
 - **Definition**
 - **Differences versus other risks**
 - **Interrelations between risk types**
 - **Benefits of strategic risk management**

Strategic Risks: Definition

- **Strategic risk** is the risk to the sustainability and the long term viability of the organisation arising from decisions or lack of decisions from the Board of Directors concerning
 1. Changes in the external environment,
 2. The internal organisation, and
 3. Strategic development; including reputational risk but excluding credit, market, liquidity, operational and business risks.

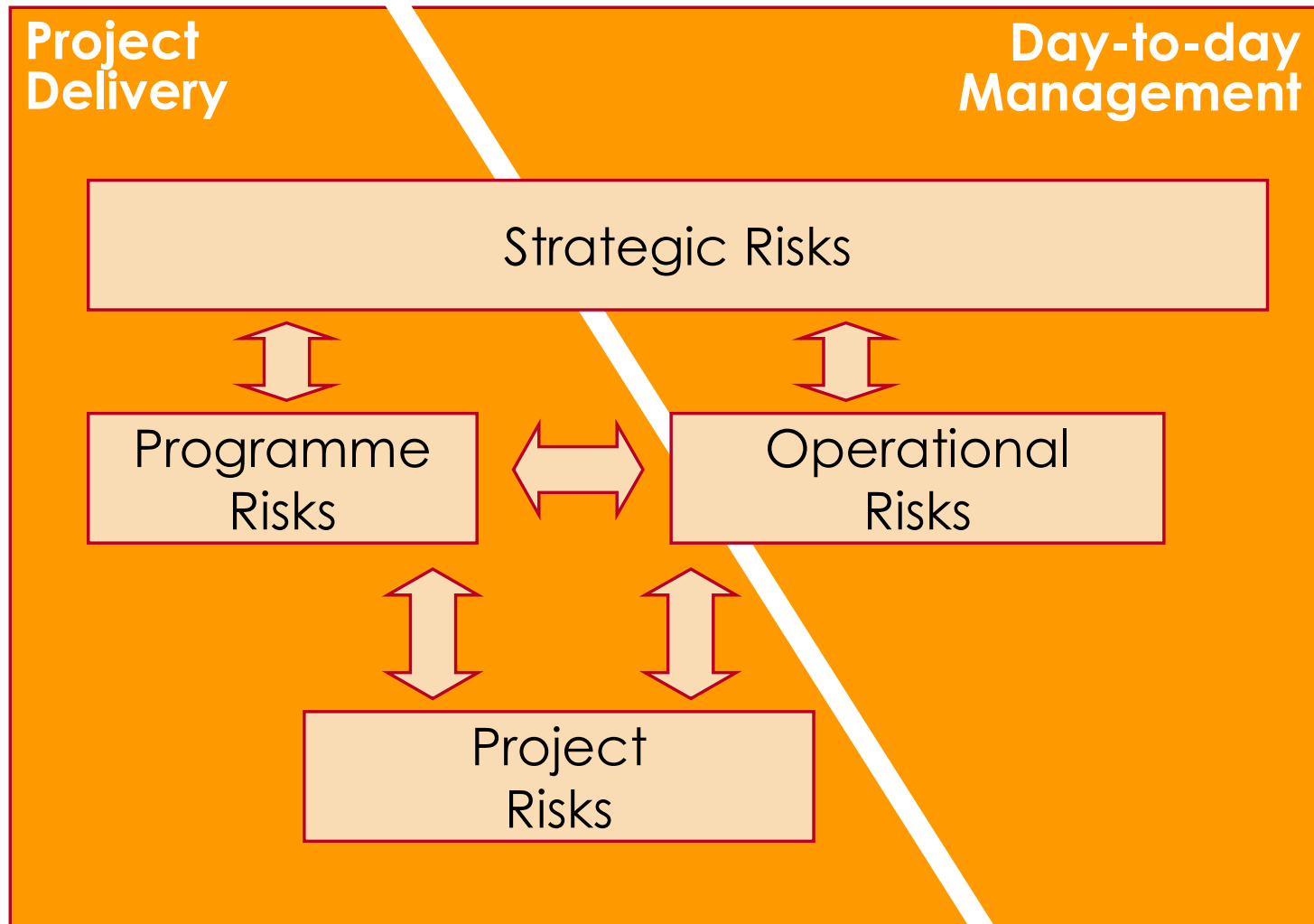
- **Business risks** are the shorter term risks of revenues being lower from forecast.



Strategic Risks: Differences versus other risks

- **Different type of risk**
 - Medium to long term horizon (say 2-5 years)
 - Harder to quantify
 - Often less under our control
 - Mitigation action is less precise e.g. lobbying; many people involved
 - Hard to close completely
 - Changes more slowly
- **Different (light) process**
 - List of main strategic risks owned by MC
 - More general definition of severity and likelihood
 - Reviewed by MC only every six months
 - Reported separately
 - « Owner » is monitoring the risks and co-ordinator of mitigation actions

Strategic Risks: Interrelations between risks types



External use

Strategic Risks: Benefits of strategic risk management



- Improved Strategy:
 - Identify, anticipate and react to internal & external threats
 - Ensuring greater success in strategic development projects
 - Review the business model and strategy according to changes in the environment
 - Identification of potential opportunities in the process
- Improved overall risk management
 - Focus on the risk cause rather than the risk event
 - Thinking about interdependencies between risks
- Improved culture
 - Better communication of vision, mission, business model and strategy
 - Involvement of many parties in the strategic risk management



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