

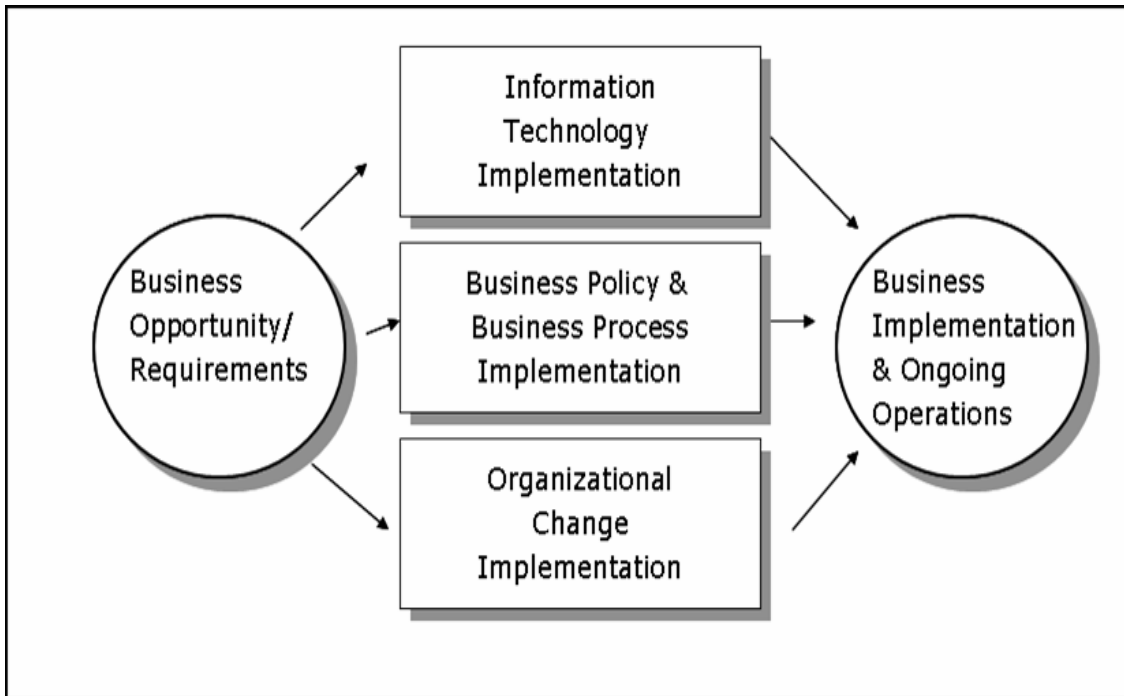
# A Simple Question: How do you define success?

## Dealing with Risk in Early Stages of a Project has huge payback

Large capital projects, including business automation implementations, have huge associated risk. Not only is there potential loss or ineffective use of capital dollars expended, but an even more dire consequence is that the organization may not reap their intended business benefits. We implement automation to increase operational efficiencies and utilize our scarce human resources effectively. In this era of global economy, more and more, we are implementing automation just to survive and compete in our marketplace. These large capital projects must be implemented effectively with little rework. They must be delivered to an organization ready to accept and embrace the new way of doing business. Risk issues start to develop when the organization is asking the initial questions – before defining a project - of “how much is this worth to us to solve this business problem?” and “what is the impact of solving this problem on our ongoing operations?” and “how will I know I am successful if the business problem is solved?”

As a senior professional, I have lived on both sides of the fence with large business automation implementations – both as the business customer receiving the automated solutions, as well as an IT professional managing the solution implementation team. In my experience, effective risk management starts at the conceptual stage of the project, long before the implementation team is assigned. Effective risk management is mandatory. What facilitates an effective risk management discipline is shared accountability and good communication between the solution providers and the business stakeholders.

I have found the diagram below an effective tool in communicating the dependencies and components of a large automation project. It is important for all stakeholders to understand that automation is usually only one component in the overall project. A project scope that includes only automation, and excludes business process and policy changes, as well as organizational changes, will limit the business return on the project. This helps with stakeholder discussions of risk at the early stages of the potential project.



I describe these risks below from the perspective of the program manager or the business owner of the business opportunity project, and also suggest a process or tool for risk mitigation:

- 1) **Proper definition of the business problem or opportunity.** Proper definition gets to the root cause of the business problem and defines the opportunity to resolve it explicitly and thoroughly. Proper definition includes discussions and agreement among various stakeholder groups on the definition of the business problem. For example, ensuring finance and audit stakeholders understand an operational problem at the conceptual stage may be critical if there are shared business processes and policies that each silo business unit may not be aware of. Proper definition also includes an evaluation by the senior leaders within the organization as to alignment of the opportunity to the strategic plan of the organization.
- 2) **An accurate analysis of the impacts to the organization.** If the impact to the organization of solving the problem is underestimated, there will be an inadequate baseline for risk mitigation strategies. This is a very simple concept, but is the area where most organizations have difficulties. For stakeholders participating that have had limited experience with large capital projects, this is a more profound risk issue. Some examples of changes:
  - Defining new or changed functions within the organization,
  - Changing business policies internal and external to the organization
  - Changing underlying business processes
  - Creating new channels /changing existing channels to reach the customers or the suppliers

At the project concept stage, I would recommend a readiness assessment that would involve the stakeholders and promote awareness within the organization as to the potential impact to business policies, process, organization, culture, governance, technology, and customer or supplier relationships. This assessment will be an excellent input to the business case of the project. Sizing and costing of the business and technology implementation strategy will rely on an effective impact assessment. It also helps with key stakeholder dialogue as to their commitments – resources, intellectual capital, and other investments – for the project.

- 3) **Assigning business justification and priority to each business requirement.** This is a step often missed in completing the business case for an opportunity. If this information is missing, or if there is no clear consensus of the stakeholders on priority of business requirements, effective risk management will not be possible. Decision making and trade-offs in scope, strategy, and schedule will be aided throughout the project with this info. There are many excellent techniques for gathering business requirements, including business architecture, business rules and process modeling, business use case modeling. Business analysis is becoming a well-established competency in most organizations – both in information technology and business areas. Business analysts can facilitate stakeholders through this process.
- 4) **Measuring success and setting milestones along the way** – survey your stakeholders to gather their expectations – how they will measure success both at the end of the current phase of the project implementation, and also when the project is implemented into ongoing business operation. This is yet another tool to assist with managing expectations, and works toward creating commitment along the way.

Addressing these issues – through a dialogue with your stakeholders - provides a foundation for successful project implementation. It works to improve the sense of partnership and commitment between the service provider and the business stakeholder. This is the most effective form of risk management – risk avoidance!