

Altex corporation



Risk Is Inherent In any project today, and project managers need to constantly assess risks and continually develop contingency plans to address them.

In project management risk management plans are an essential part of project planning, and can often time occur well into the execution phase of a project. In the case of Altex Corporation the project manager is faced with the decision to develop a risk anagement plan on his own, or not at all. In this paper we will explore and summarize the case surrounding Altex Corporation and answer a few questions regarding a risk management plan, which are: Why was a risk management plan considered unnecessary? , Should risk management planning be performed in the proposal stage or after contract award, assuming that It must be done? , Does the customer have the right to expect the contractor to perform risk analysis and develop a risk management plan if it is not called out as part of the contractual statement of work?. Would Altex have been more Interested In developing a risk management plan if the project were funded entirely from within? , How might the Army have responded if they were presented with a risk management plan early during the R& D activities? , Can risk management planning be Justified on almost all programs and projects?.

Altex Corporation, mentioned above, is an advanced arms research and development company from the early days of the cold war. They have been awarded and contract by the US Army for their Advanced Tactical Missile Program (ATMP). This two year multimillion dollar project specifies in the contract that Altex submit their formal project plan, which during this time did not require a risk management plan. However, a meeting was held

between the Altex project sponsor and the project manager of R& D to discuss assessing risks associated with the ATMP project. In this conversation the project manager wants to know if he should begin developing a risk management plan.

The project sponsor tells him not to because the Army isn't really concerned with the risk and that Altex would be fortunate if they could deliver 60-70% of the contract specifications anyways. Although the project manager is concerned that Altex would not be meeting their end of the contract, the sponsor tries to convince him this is the way business is conducted in order to obtain follow on projects. The sponsor goes on to state that Altex engineers and scientists are highly optimistic, and that new technological breakthroughs occur when this happens. The project manager of course is further concerned about the lack of planning stating the following: "The problem with letting your engineers and scientists be optimistic is that they become reactive rather than proactive thinkers.

Without proactive thinkers, we end up with virtually no risk management or contingency plans. When problems surface that require significantly more in the way of resources than we budgeted for, we will be forced to accept crisis management as a way of life (Kerzner, 2005 pg. 254)". The sponsor suggests that they wouldn't be penalized as long as they met 60 - 70% of the specifications. The conversation goes on like this for a little longer, but there comes a point where the sponsor gives in a little. Here the sponsor tells the project manager that if he is dead set on performing a risk management plan that he would need to do it on his own and not share it with anyone inside or outside of the company.

The sponsor believes that if the Army found out all of the potential risks prior to project kick-off they would kill the project altogether. However, if the Army decided to cancel the program prematurely then they could use the risk management plan to try and keep it alive. Now that we have a little better understanding of the situation surrounding the Altex Corporations ontask award. Let's begin addressing some of the questions stated in my opening statements. First, why was a risk management plan considered unnecessary? There are a number of reasons why the project sponsor feels that a risk management plan is not necessary. One reason why is that it isn't required by the contract stipulations, and he feels that if the Army knew all of the risks up front it would probably kill the project.

Further the sponsor believes that the best that Altex could hope for is to meet 60-70% of the specifications. The risk management plan might highlight that point or even show a lesser completions percentage should one of the risks occur. The second question to be answered is: Should risk management planning be performed in the proposal stage or after contract award, assuming that it must be done? Risk management plans start with a plan that defines the scope and processes to identify, assess, and manage any risk that could impact the execution of a project. Here we are defining the strategy to manage these risks in such a way that there will be minimal impact on time, cost, and quality/performance (otherwise known as the Triple Constraint). Since portions of the risk planning will influence the project scope and strategy, I believe that some of the initial interactions can occur during the proposal stage.

However, after the contract has been awarded to on specific company a much more in-depth risk plan would need to be developed. This of course leads us to our third question, which is tied to in part to the previous one. Does the customer have the right to expect the contractor to perform risk analysis and develop a risk management plan if it is not called out as part of the contractual statement of work? Risk management plans are essential to the success of any project no matter how big or small. A company with good project management skills would want to conduct a risk management plan as part of the initial planning phases.

So yes a company could expect to see one included in the project plan, although they cannot enforce it if it is not included. As a safe guard a company that is issuing a contract award should include this in the statement of work in order to ensure that one is completed prior to execution of the project. Further they should include some stipulations urrounding the risk levels, and what is considered acceptable risks. The next group of questions that we need to answer pertains specifically to the Altex case. So, Would Altex have been more interested in developing a risk management plan if the project were funded entirely from within? I think Altex would definitely be more inclined to perform a risk management plan if it were funded from within.

At that point they would be working with a fixed amount of resources that would not include a massive budget, and the expectation of meeting specifications would be much higher than 0-70%. When you begin to consider what it could cost the company internally becomes more important to understand the risks before entering into a project. However, in this

particular case if the Army truly doesn't want to know, and they are providing a massive budget. There is no major push from them to enforce it. Of course I still believe that the project manager is doing the right thing as a safe guard. Another question to consider is, how might the Army have responded if they were presented with a risk management plan early during the R; D activities? I personally think if they knew at least some of the higher level risk prior to awarding a contract they could pick a more suitable contractor, which is what occurs today in government contracts.

Further they would probably have written in some safe guards and penalties into the contract award if specifications were not met. Knowing and understanding the risks prior to a contract award and even after changes the entire approach to a statement of work. This of course brings us to our last question to be answered; can risk management planning be justified on almost all programs and projects? Being someone that has worked on many projects either as the lead or as a team member, I feel that risk management planning is essential to all new programs and projects. If risks are not identified, planned for, and mitigated correctly they can cost a company a great deal of money or even worse. The whole point of project management is to create value through new or refined processes, new developments in techniques, processes, procedures, or technologies, or really anything that needs a systematic approach to accomplish. Risks, if not identified and planned for, can be very harmful to a project and will ultimately decrease value of the project if not mitigated appropriately.

One thing you don't want to get wrapped up in is being forced into crisis management on a daily basis. A proactive approach to risk, rather than a

reactive approach, can save a project from falling subject to the triple constraint and increase value. This leads to a winning approach and a successful project.