


How independent should
your risk team members be?



A government's perspective.

The wonderful world of risk

- Latest and greatest MTO initiative
- It is here now and consultants must get up to speed quickly

Difference between VE and RA

□ VE

- New ideas
- Alternative evaluation methods
- Alternative solutions
- No bias vs. work already created

□ RA

- Analyze current ideas
- Identify risks
- Identify strategy (mitigate, accept, transfer, avoid)

Purpose of Risk Assessment

- ❑ ACCURATE COSTS
- ❑ MAINTAIN COMMITMENTS (i.e. schedule)
- ❑ What could go wrong?
- ❑ Get rid of optimism bias

Optimism Bias

- ❑ Cost estimates are historically low
- ❑ Assumptions that everything will be as planned

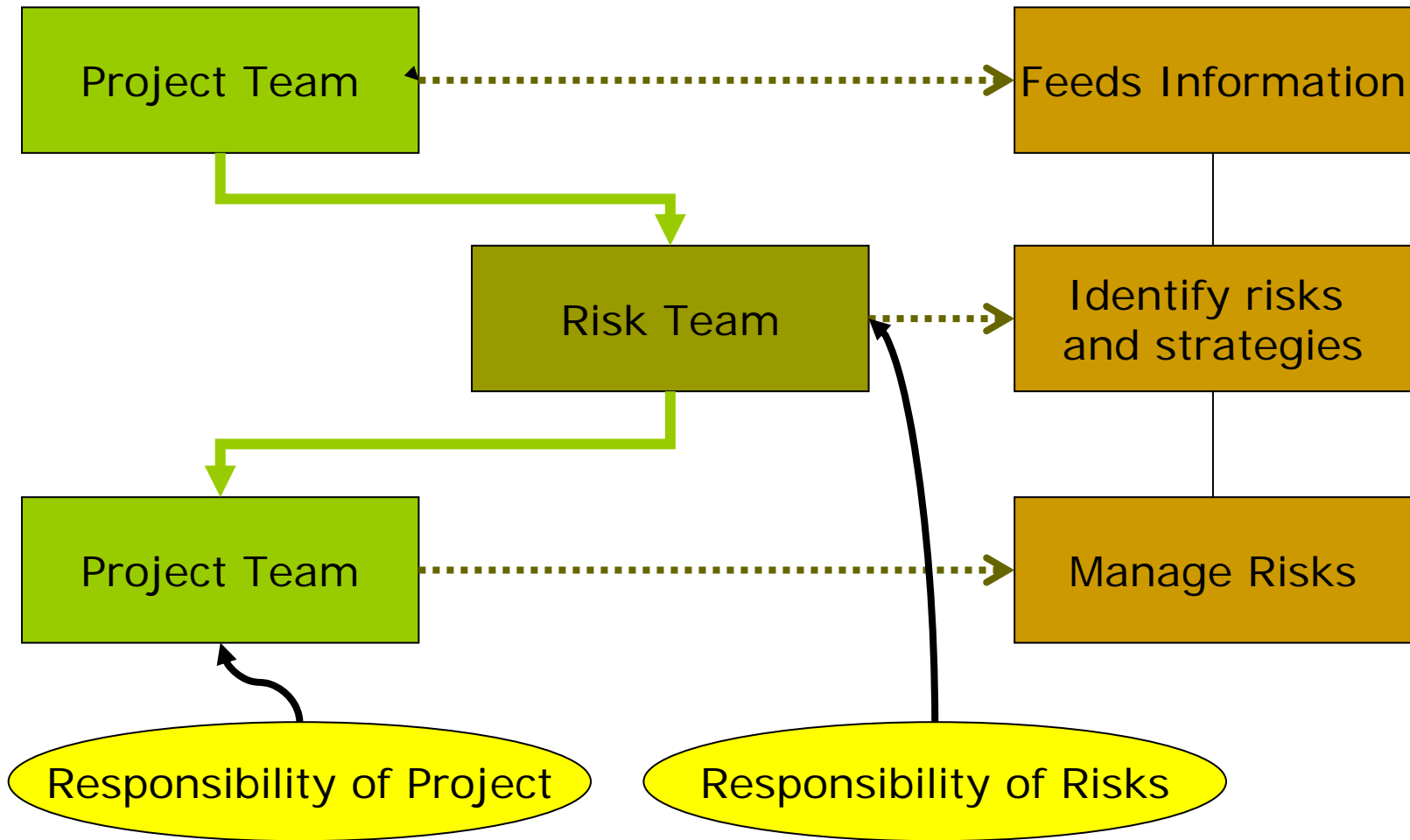
Advantage of Independent Team

- No bias towards existing design
- New risks with existing design
- No fear to identify high risks

Disadvantage of Independent Team

- ❑ Significant amount of info to digest on complex projects – provided by project team
- ❑ Reasons of design may not be fully understood
- ❑ Progress of the project and future direction could not be clear
- ❑ Mitigation strategy – reasonable?

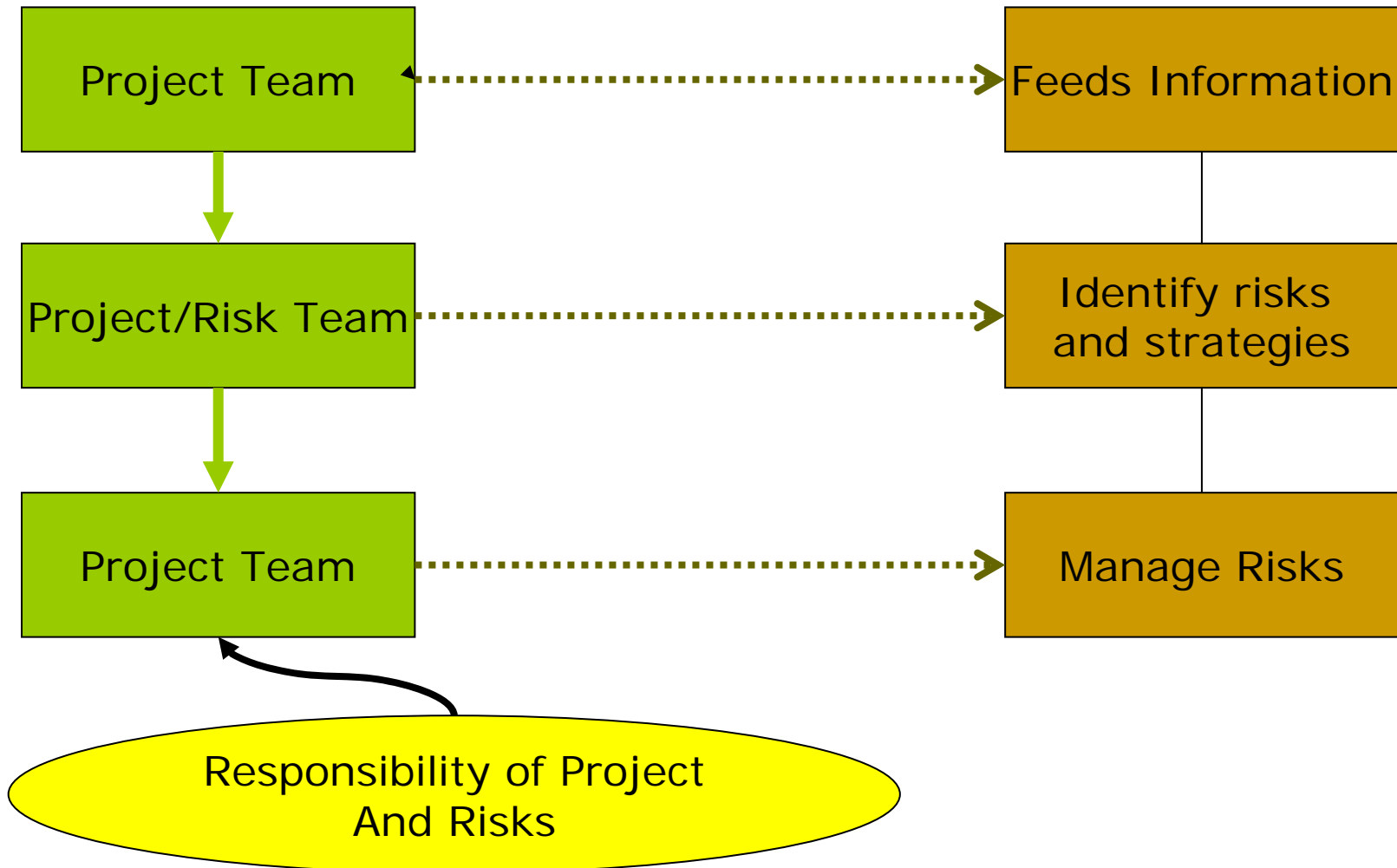
Independent Team



Issues for Project Team

- ❑ What if they don't agree with risks?
- ❑ How will they perform updates?
- ❑ Responsibility for risk identification still relies with team.

Project Team



Advantage of the same team

□ ACCOUNTABILITY

- Risks identified by project must be dealt with
- They need to identify ALL the risks or their estimates for cost and schedule will be wrong
- Efficiency of workshop

Risk Elicitor (RE)

- Does the RE need to be independent?
- Affiliation with same firm could create some bias towards work that has already been completed.

At this time...

- ❑ MTO has no preference for independence of the Risk Elicitor
- ❑ A risk team composed of project team members is preferred for accountability and responsibility of management of risks
- ❑ However, we are new at this and other options could be proposed with clear benefits

What we want is...

- ❑ ALL risks to be clearly identified and quantified with a response strategy to minimize them
- ❑ Risks to be managed throughout the life of the project
- ❑ Accountability for the cost and schedule estimates

Discussion

- Give us your thoughts