

KEY RISK MANAGEMENT PROCESSES IN PROJECT DELIVERY:

Pre-Project Planning; Contracts; Scope Definition & Control

Cobb Strecker Dunphy & Zimmermann

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AGENDA

- The Pre-Project Planning Process
- The Contracting Process
- Scope Definition and Control Process
- Questions & Answers

Learning Objectives

At the end of this program, participants will be able to:

1. Participants will be able to explain what the pre-project planning process is and what steps are involved.
2. Participants will be able to explain what requirements, constraints and contexts are involved in deciding on how or whether to proceed with a project
3. Participants will be able to explain the architecture law and what liabilities come with their contracts.
4. Participants will be able to explain the definition of scope, scope control and the implications it has on the services provided on a project.

KEY RISK MANAGEMENT PROCESSES IN PROJECT DELIVERY

A set of processes designed to minimize the probability of an unfavorable outcome at the lowest long-term cost to the organization

PART ONE

THE PRE-PROJECT
PLANNING PROCESS

THE 90 / 10 RULE

"90% of the success or failure of a project is determined in the first 10% of effort."

RISK MANAGEMENT MODEL

Requirements (program)

INPUTS: Constraints (budget, schedule, etc.)

Context (legal, economic, etc.)



- Identification
- Assessment
 - Probability
 - Severity
- Short list

- Retain & mitigate
- Transfer
 - Insurance
 - Contract
- Avoid

- Plan implementation
- Monitoring/mitigation
- Dispute/claims Management

RISK MANAGEMENT MODEL

Requirements (program)

INPUTS: Constraints (budget, schedule, etc.)

Context (legal, economic, etc.)

Phase 1

RISK ANALYSIS

- Identification
- Assessment
 - Probability
 - Severity
- Short list

Schinnerer's Risk Management Matrix

Can help you assess:

- The Client
- The Project
- Consultants
- Other Parties
- The Fee
- Your Firm
- The Contract
- Overall Assessment

RISK MANAGEMENT MODEL

Requirements (program)

INPUTS: Constraints (budget, schedule, etc.)

Context (legal, economic, etc.)

Phase 1

RISK ANALYSIS

Phase 2

RISK RESPONSE

- Identification
- Assessment
 - Probability
 - Severity
- Short list

- Retain & mitigate
- Transfer
 - Insurance
 - Contract
- Avoid

RISK MANAGEMENT MODEL

Requirements (program)

INPUTS: Constraints (budget, schedule, etc.)

Context (legal, economic, etc.)



- Identification
- Assessment
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PRE-PROJECT PLANNING

The process of developing sufficient strategic information for owners to address and decide to commit resources to increase the probability of a favorable outcome.

PRE-PROJECT PLANNING PROCESS

- Select team and, collaboratively, define pre-project planning objectives.
- Identify and assess sources of risk.
- Evaluate and select project alternatives.
- Document project scope and design criteria.

PRE-PROJECT PLANNING PROCESS

- Define project execution strategy
- Establish project control guidelines
- Prepare project summary report; update as required
- Decide how or whether to proceed

PART TWO

THE CONTRACTING
PROCESS

FIRST LAW OF CONTRACTS

"You get what you negotiate...not what you deserve."

- Anonymous

SOURCES OF DUTY

→ COMMON LAW

- JUDGE MADE LAW THAT HAS PRECEDENT OVER TIME

→ STATUTORY LAW

- CODES AND REGULATIONS

→ CONTRACT LAW

- WHAT THE PARTIES AGREE TO DO

PURPOSES OF A CONTRACT

- Define the project scope
- Establish and clarify relationships
- Allocate responsibilities
- Confirm mutual understanding in writing

Types of Contracts

- Oral Agreements
- Letter Agreements
- Purchase Orders
- Standard Form Agreements
(often with extensive modifications)
- Custom Agreements

CONTRACT PROVISIONS EXPANDING DUTY

- Indemnification Obligations
- Express warranties and guarantees
- Language that creates unfulfillable expectations

PART THREE

THE SCOPE DEFINITION AND CONTROL PROCESS

THE 90 / 90 RULE

"The first 90% of the design takes 90% of the time and the last 10% takes another 90%"

WRITE-OFFS ARE ONE CONSEQUENCE OF THE 90-90 RULE

"A/E firms give away a third or more of profits in WIP write-offs – 4.5% of net service revenue."

Zweig White & Associates
2008 Finance & Accounting
Survey of A, E & P Firms

SCOPE DEFINITION AND CONTROL

SCOPE DEFINITION

- SCOPE is the sum of the services and deliverables to be provided as a project
- SCOPE DEFINITION involves dividing the services and deliverables into smaller, more manageable components.

SCOPE DEFINITION AND CONTROL

SCOPE CONTROL

→ SCOPE CONTROL requires that all changes go through a formal change review process integrated with other project control processes (e.g. time, cost, and quality)

THE SCOPE DEFINITION AND CONTROL PROCESS

- Develop a Project Work Plan that:
 - Defines and communicates the scope of services at the task level
 - Assigns, schedules, and budgets each task
 - Integrates a group of individuals into an efficient, effective team

THE SCOPE DEFINITION AND CONTROL PROCESS

- Conduct regularly scheduled, documented progress meetings
- Document all deliverable submissions and all client comments, change requests and approvals.
- Institute a formal change review & authorization process
- Maintain well-organized project records

CONCLUSIONS...

KEY SUCCESS FACTORS

- Seize each opportunity to establish & reinforce appropriate owner and contractor expectations.
- Know the requirements of the contract documents; act affirmatively in fulfilling your responsibilities
- Document your performance – systematically, contemporaneously, and objectively
- Don't delay in asking for help when you need it

Resources to Help Identify and Manage Risks

These resources are available to Schinnerer and CNA insureds

www.PlanetRiskManagement.com

From Risk to Profit: Benchmarking and Claims Studies

Risk Management Matrix

Online Benchmarking Study

Library of Claims/Case Studies

Managing Risk Through Contract Language

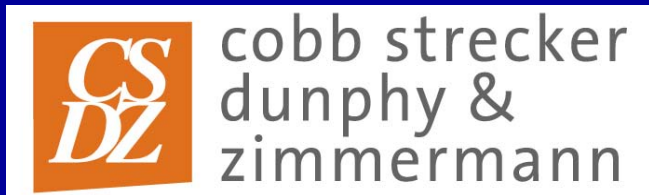
The VEP

Many Other Resources

Thank you for your time !

QUESTIONS?

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