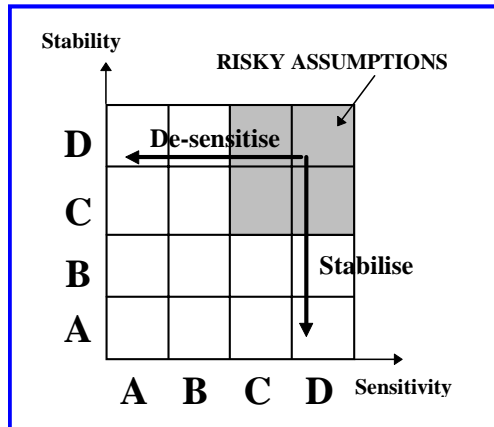


## De-Risk ABCD Assumption Management

### - Advanced Programme Risk Management that works!



It is a fact that most large, complex projects and programmes fail to meet their planned objectives – either failing to deliver what was promised, sliding the timeframes or exceeding the budget – or all three! Most organisations are undertaking one or more aggressive, “must do” programmes at any point in time. These may fundamentally change the way the company conducts its business and failure to meet objectives on time may have a catastrophic impact on business.

#### *Why doesn't traditional risk management deliver?*

Many programmes and projects will use some form of risk management process to try and improve delivery performance. This may range from very informal approaches, where the lack of process means that it ultimately has little impact, to formal documented processes, which deliver varying degrees of benefit. Very often these “traditional” risk management approaches are sound in theory but disappointing in practice due to:

- Tendency to focus on today's issues rather than tomorrow's risks
- Generic risk statements that communicate very little
- Over- analysis using unsubstantiated quantified data

- Under- analysis using misleading HML type scales
- Inappropriate prioritisation so you “can't see the wood from the trees”
- Inability to get anyone to actually do anything about the risks!

#### *What can be done to improve this?*

Once we have clear objectives and plans, programme and project managers must ultimately control two fundamental factors if they are to successfully deliver their objectives

1. The assumptions that underpin the business plan must be clearly identified and **communicated**
2. The assumptions made by the individuals in the implementation of the programme must be made explicit and **communicated**.

Therefore the capture, analysis and communication of assumptions are critical to the success of the project or programme, and this forms the basis of the De-Risk ABCD process. ABCD has been applied to help many diverse organisations to deliver large, complex projects and programmes on time, to budget and meeting the expectations of demanding users.

#### *Why is ABCD effective?*

Assumption Based Communication Dynamics (ABCD) is highly effective risk management process that captures the collective knowledge and viewpoints from those involved on the project. By dramatically improving communication of key assumptions, risks are avoided or managed proactively and project objectives are delivered on time.

De-Risk ABCD works far more effectively than traditional risk management processes because it:

- Naturally forces people to look to the future (i.e. their assumptions) and therefore ensures true risk management
- Captures specific root-causes of risks (i.e. the assumptions) that gives pin-point fixes
- Uses meaningful analysis that provides true insight
- Provides clear prioritisation at both project and programme levels

# De-RISK

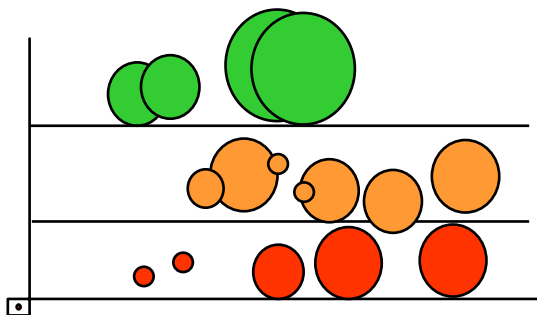
- Ensures follow through on actions via simple but effective roles and governance structures

At the most basic level ABCD works because it is an intuitive process that takes a positive rather than negative view of the enterprise (i.e. what do you need to achieve your objectives i.e. your assumptions, rather than what might go wrong i.e. your risks).

## Assumption Analysis

At the core of ABCD is Assumption Analysis. This uses structured techniques to analyse project plans and identify the most sensitive assumptions that are potentially unstable, and therefore the source of greatest risk.

Assumptions are rated on an ABCD scale; where A is always “good” and D is always “bad”. This provides a meaningful assessment on each assumption (i.e. there is no “medium!”) This also guides the mitigation plans by indicating how best to attack the risk (i.e. stabilise the underlying assumption or desensitise the project to the effects of the assumption). Snapshot “risk profiles” are provided that facilitate communication with senior management on risk management progress.



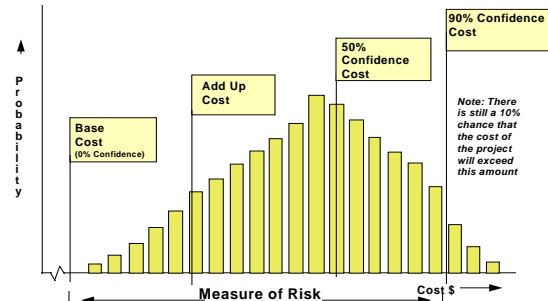
## Quality Based Costing

How can we avoid the budget of the programme spinning out of control? Quality Based Costing is a process within ABCD that can be used to define the cost risk within a project or business area from as early as the proposal stage. It works by adding a “quality” dimension to the estimating process so that high quality estimates, based on relevant experience, are treated differently from low quality estimates that are little more than guesses.

The output takes the form of a probability distribution diagram and a referenced set of assumptions that need to be managed in order to move the curve to the left and squeeze it

(i.e. reduce the likely final cost and the uncertainty).

Quality Based Costing has proved particularly useful in the early stages of a project when the final cost of the project is subject to great uncertainty eg competitive proposals.



## ASSURE Risk Administration and e-Learning toolkit

Assure™ is a web-based tool that allows the ABCD data captured to be easily managed and reports (eg Assumption/Risk Registers) to be produced. The information is viewable through any browser so that communication is made more effective across your intranet or secure internet.

For example, all stakeholders in the programme may review each other’s assumptions on-line. In this way risks that would be missed by any traditional risk management approach are captured through the identification of inconsistent or contradicting assumptions.

Assure also supports the ongoing use of the ABCD process by providing e-Learning capabilities that include multiple levels of training materials and an On-Line Coach facility for more complex questions. Knowledge Management facilities are also provided so that best-practice can be shared across the organisation.

## Case Study: Global Bank Merger

A client in the financial sector was undergoing the largest merger integration ever attempted in the World. This included merging all aspects of its global business, IT and operations.

At the start of the Merger the client had a traditional Risk Management system that contained approximately 20,000 issues globally. There was little or no focus or

prioritisation and a general tendency to listen to those who shouted loudest.

Initial assumption analysis proved the value of the ABCD approach and a team was established to capture and analyse all key assumptions across all significant merger projects. Approximately 6000 key assumptions were identified of which 600 were considered to be at risk. From these, 50 “showstoppers” were identified that provided the initial focus.

The achievement of the first major milestone in of integrating all Global Markets IT systems was met through rigorous and ongoing application of the ABCD process to all the critical IT projects across the globe. The second milestone was achieved in by extending the process to cover key business projects and hence achieve a single payment system and the legal merger of the banks. The process was extended to ensure that the key post merger projects were established and Quality Based Costing was used to ensure that the merger saves were ultimately realised.

The client has publicly acknowledged that the ABCD process was a major factor in ensuring that the merger was a success and has embedded the process as part of its on-going programme management activities. The Wall Street Journal described it as the “test book merger integration programme”.

**Specific risk examples: HR Strategy** - At the start of the merger there were many “issues” regarding re-organisation and roles and responsibilities. These were generally ignored as “moans” due to their non-specific nature. Thus the agreed strategy, of not announcing the new organisation until near to the end of the merger integration, was not challenged. The idea behind this was to encourage competition between individuals in the merger integration teams. Following the initial Assumption Analysis, several contradicting assumptions were identified in this area that showed that this strategy was not working. The result was that the strategy was changed to early announcement of the new organisation and carefully constructed “stay-bonuses”. The effect was that the un-healthy competition within the merger teams was significantly reduced and the teams moved forward much quicker.

**IT Platforms-** At the start of the merger there was considerable concern regarding the integration of the IT platforms in Asia. This

was taking a lot of senior management time. Following the initial Assumption Analysis it became clear that the Asia business was a manageable risk. Further, when prioritised against all the assumptions globally, a policy of accepting risk and setting contingency was the most appropriate. This allowed the scarce IT resources to be focussed in Europe and the USA where proactive management was essential due to the critically (and visibility) of the objectives and the impracticality of contingency plans.

## ***Case Study: Government Change Programme***

A government department was outsourcing a significant part of its business to a contractor. The project involved massive financial data migration, new business processes and new software development. Four months before scheduled project completion (ie data migration and business transfer) the contractor was considering pushing for a 6-month delay and the government department was considering contract termination.

ABCD was introduced into the project and all key stakeholders agreed to participate. The initial assessment showed that there was considerable risk caused by the lack of communication of assumptions between stakeholders. After one month plans were established to manage communications more effectively, leaving a hard-core (but relatively small number) of risks to be addressed. After two months the risk profile had improved dramatically and this progress continued such that by the go/no-go decision day there were no significant risks perceived by any stakeholders. The migration was conducted on time and the business transitioned smoothly.