

Risk Management and EVMS

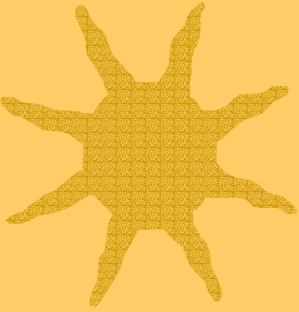
Gay Infanti

NDIA PMSS

San Diego, California



Agenda



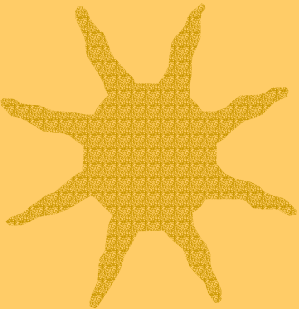
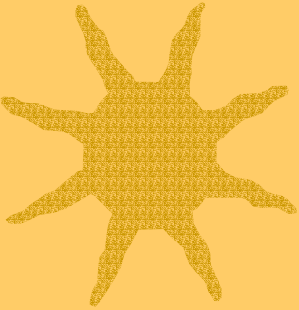
- ★ Provide brief update on team activities and accomplishments

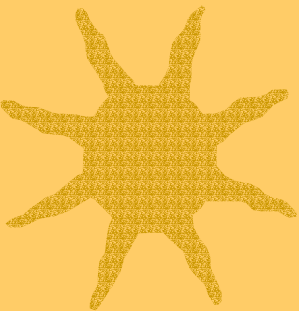
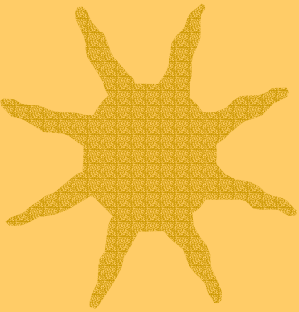
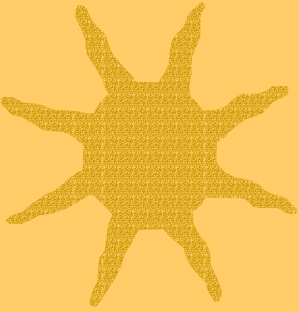
- ★ Share risk management - related information/resources

- ★ Share best practices

 - Creaghe Gordon – Risk Analysis Cost Model

 - Richard Coleman – Predicting Final CPI





Risk Management Team Members

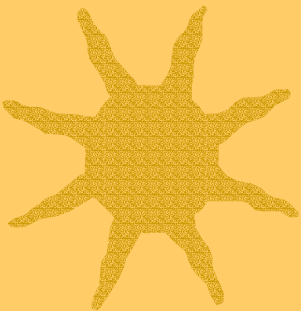
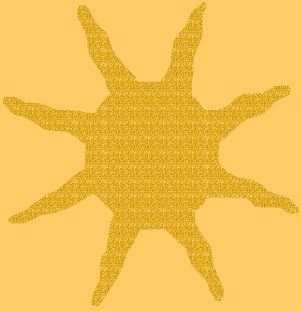
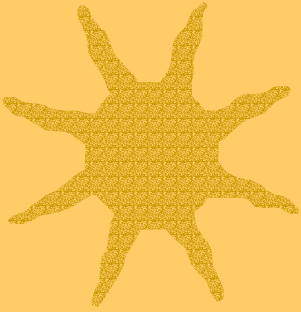
- ★ Ivan Bembers, NIMA
- ★ Gary Christle, Center for Naval Analysis
- John Driessnack, DAU
- ★ Jim Henderson, NASA
- ★ John Hogrebe and Dr. Steve Van Drew, NAVAIR
- ★ Kathy Llewellyn, USN
- ★ Debbie Tomsic and Willie Smith, OSD
- ★ Wilma Uribe, DCMA HQ
- Wayne Abba, Dekker Ltd.
- ★ Gene Adams, Northrop Grumman Space Technology
- Dick Coleman, Northrop Grumman Information Technology
- ★ Gay Infanti and Steve Waddell – Northrop Grumman Information Technology
- ★ Joe Houser
- Craig Peterson, Mitre
- ★ Ellen Udell

1/21/2004

NDIA PMSS Risk Management
Team



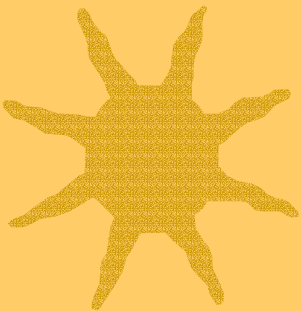
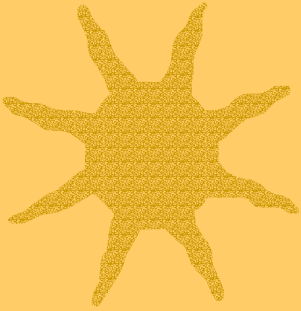
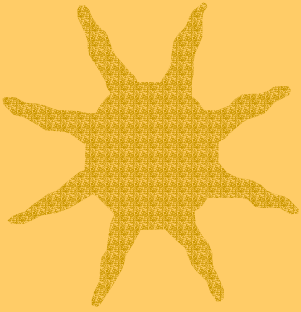
Risk Management Team Activities



- ★ Presented workshop at fall IPM Conference
- ★ Began survey 9/8/03; distributed flyer at conference and solicited participation of everyone in attendance
- ★ DAU currently summarizing responses for team evaluation at next meeting
- ★ Next team meeting planned for either 2/27 or 3/1/04
 - Review and evaluate survey responses
 - Distribute contact information for team member follow up on best practices



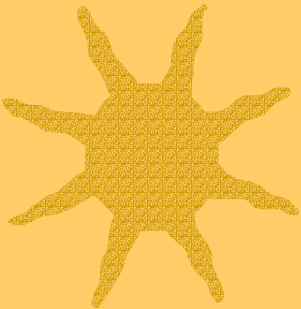
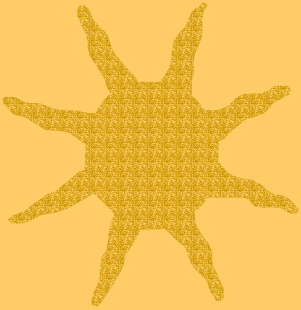
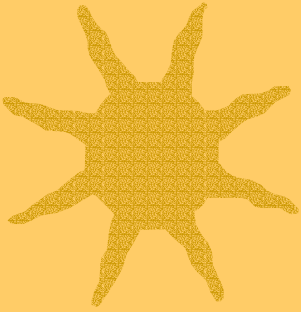
Risk Management Guide for DoD Acquisition



- ★ http://www.dau.mil/pubs/gdbks/risk_management.asp
- ★ Created by DAU, the USD(AT&L), and acquisition management organizations throughout DoD
- ★ Edition 5, Version 2.0 reflects the DoD 5000 series changes as of May 2003.
- ★ Revised acquisition process may introduce additional risk
- ★ OSD recognizes risks inherent in any acquisition program and considers risk management essential responsibility of PMs
- ★ Section 4, Risk Management and Program Management, provides risk management guidance for PMs



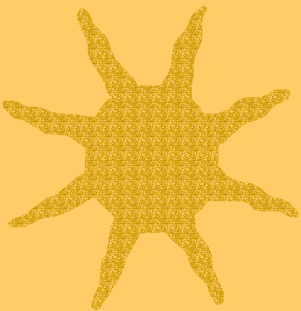
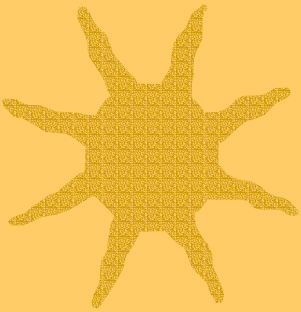
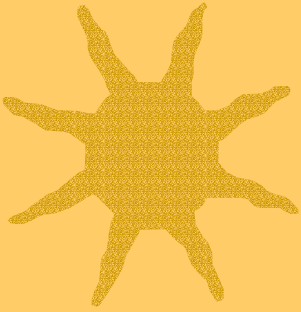
Risk Management Guide for DoD Acquisition (Continued)



- ★ Section 4.7 addresses post-award risk management and says that contract risk assessment builds on pre-award work; initial validation of pre-award assessments/risk management plans performed jointly beginning with the IBR
- ★ Specifies IBR purpose
 - Ensure program plan reliable
 - PMB captures entire scope and consistent with schedule
 - adequate resources available
- ★ Further - provides guidance to PMO to initiate program's post-award risk management plans and activities



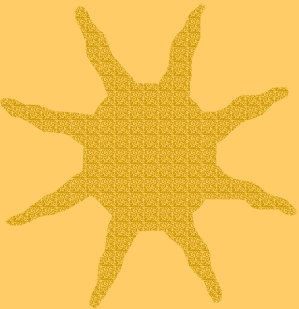
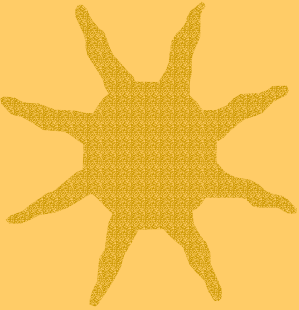
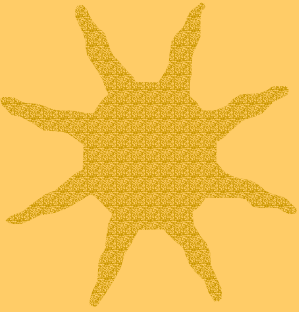
Risk Management Guide for DoD Acquisition (Continued)



- ★ Earned Value Management addressed as follows (Section 5.7.2):
 - EVM useful in monitoring effectiveness of risk-handling actions using PMB, as evaluated during IBR, when work packages are reviewed to ensure specific risk-handling actions are included
 - Subsequent to IBR, periodic EV data can provide indications of risk and effectiveness of risk-handling actions, isolate causes of problems, and identify need for risk management plan modifications
 - References Acquisition Deskbook Section 2.B.2.1 for more detailed discussion of EV and the IBR, however Deskbook transferred to DAU replaced by the AKSS
 - <http://akss.dau.mil/jsp/default.jsp>



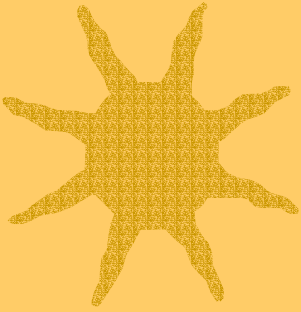
Defense News Article



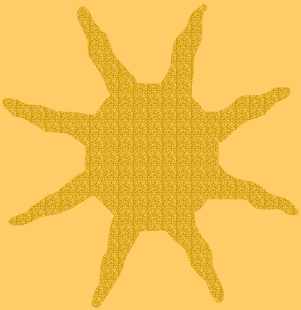
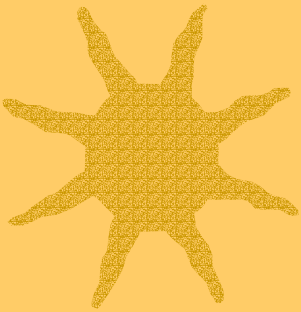
- ★ Editorial pleading for realistic budgets to save the F-35 in *Defense News* (12 January 2004, relayed by DoD's Early Bird 13 January) – excerpts below:
- ★ Problem: .."U.S. military's unwillingness to admit the risks associated with developing complex systems is why most major programs go over budget and fall behind schedule. A chief culprit? Major acquisition programs are budgeted on a "50-50" basis, meaning that officials assume there is a 50 percent chance that the effort will come in on time and cost."
- ★ Solution - Come clean about risks
- ★ .."Now, Defense Secretary Donald Rumsfeld is starting to say it is better to assume a program will cost more and take longer to develop than to guess wrong in the other direction. He's right, but the shift is easier described than done."



Risk Management Research – Survey on Meaning of Risk Probability Terms

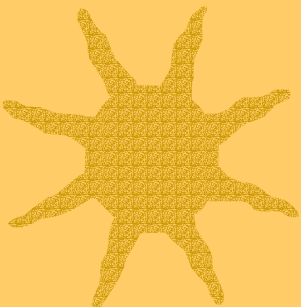
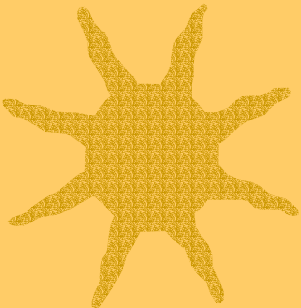
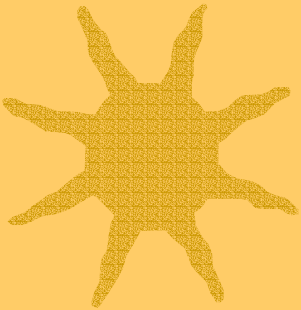


- ★ Dr. David Hillson and Dr. David Huelett are collaborating on a study through the Risk Doctor Network (Risk Doctor and Partners, UK)
- ★ Results to be published in a paper they will present at the PMI Global Congress in April; a copy will be provided and shared with NDIA PMSS
- ★ Paper focuses on problems with describing and assessing risk probability
- ★ Survey focus is on the range of meanings associated with terms commonly used in risk management





Risk Doctor Research – Probability Terms



Descriptive phrase	MIN %	MAX %
A good chance		
Almost certain		
Better than even		
Definite		
Highly probable		
Highly unlikely		
Impossible		
Improbable		
Likely		
Possible		
Probable		
Quite likely		
Rare		
Seldom		
Unlikely		

Please respond, by indicating a range of probability values you associated with each phrase (0-100%), and email to: [research @risk-doctor.com](mailto:research@risk-doctor.com)