



Professional Development Day 2018
October 30, 2018

Taking a Step Back – an Interactive Review of the Basics of Risk Management

Elliot H. Berman, Principal
BOWTIE ADVISORS, LLC



What are we going to talk about?

- ✓ Basic Elements of Risk Management
- ✓ Case Study



Basic Elements of Risk Management

- ✓ Identify Risks
- ✓ Risk Assessment
- ✓ Development of Risk Responses
- ✓ Monitor and Control Risks





Identify Risks

The question: What can go wrong?

Sources of Insight:

- ✓ Risk Profiles
- ✓ Historical Data
- ✓ Interviews
- ✓ Discussions

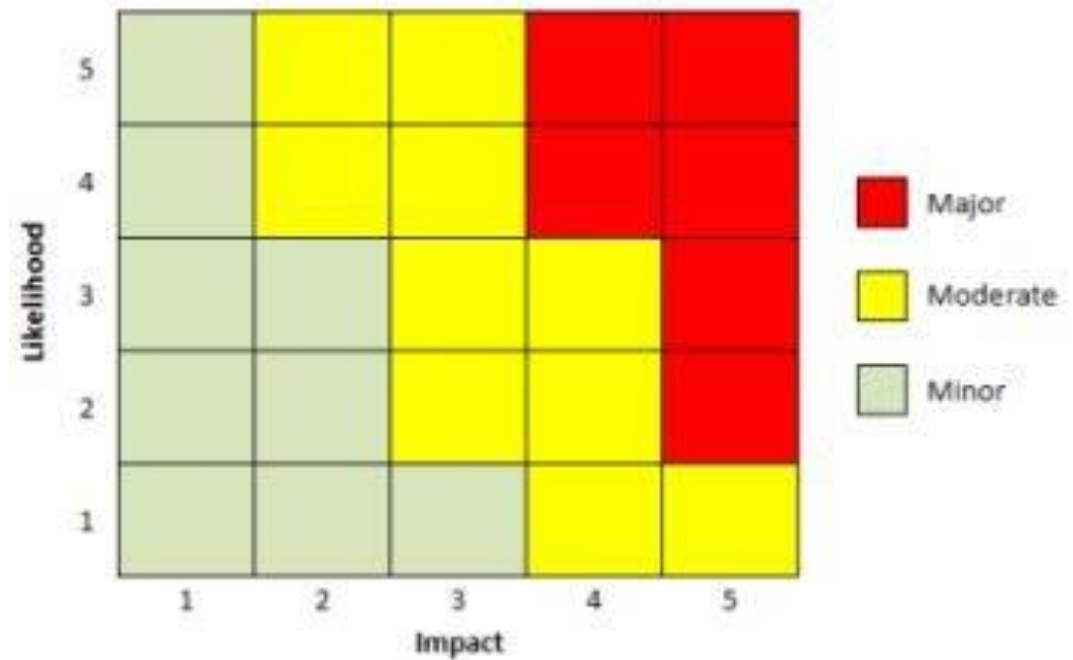
Revisit this question throughout the project

Risk Assessment

The question: What risks need to be managed?

Qualitative Analysis – likelihood and impact – “*what if...?*”

Quantitative – Monte Carlo; sensitivity analysis; etc.





Development of Risk Responses

- ✓ Avoidance – change the project plan (shorten or lengthen the schedule); change project strategy; etc.
- ✓ Transfer – move to 3rd party (insurance, performance bonds, warranties, fixed price contracts, and guarantees)
- ✓ Mitigation -- reduce the probability and/or impact of a risk event (training; process changes; etc.)
- ✓ Accept – don't change plan (active – contingency plan; passive – response if risk occurs)

Monitor and Control Risks

- ✓ Implement your risk response strategies
- ✓ Track identified risks
- ✓ Monitor triggering events
- ✓ Identify new risks

Revisit these processes throughout the project



Milwaukee / Southeast WI Chapter



Levi Strauss &
Co. IT
Network
Consolidation
/Update 2003

Case Study – When Project Risks are Higher than Assumed

Background

LS & Co.

- ✓ \$4 billion in sales
- ✓ \$1.6 billion in pre-tax profits
- ✓ Operations in > 110 countries
- ✓ IT Network -- Old, disparate conglomeration of country-specific systems



Initial Project

- ✓ Engaged Deloitte
- ✓ Initial project budget \$5 million
- ✓ Chose SAP solution





How It Went

- ✓ Immediately after launch major customer added new system requirements
- ✓ Poor procedures for internal controls and financial reporting nearly cause restatement of financial results
- ✓ In 2007 at system cut-over problems caused closure of US distribution centers for a week (no goods shipped)
- ✓ Financial impact \$192.5 million charge to earnings
- ✓ CTO was forced to resign

So What Happened?

- ✓ Lost focus – project vs customer?
- ✓ Testing?
- ✓ Budgeting before requirements?
- ✓ Clear identification of stakeholders



Questions?

Thank you
elliott@bowtieadvisor.com

