

Risk Driven Project Management In Political Environments

Closing down a public agency
and paying back the public 350 million Dutch guilders
during the period of the Millennium transition

Preliminary Version

Karel de Bakker

deB Project & Risk, E-mail: karel@debee.nl

Ed de Roode

Ministry of Finance, E-mail: E.de.Roode@hccnet.nl

Abstract

Risk Driven Project Management uses the general risk management process (1) as a starting point. It adds some important aspects to it: a strong link with project management, direct impact on project planning and budget, psychological aspects of risk, organizational learning and implementation. These additions make Risk Driven Project Management a very powerful concept for managing high risk projects. Risk Driven Project Management has been successfully applied to the project "Closing down DOB", the close down of a public agency during the time of the millennium transition.

Introduction

Dutch public television has been financed from a TV licence fee ("Omroepbijdrage" in Dutch) from the 1940's until January 2000. This fee was collected by the DOB (2), a public agency with 275 employees. Paying this fee of about 100 Euro a year was mandatory for almost every household in the Netherlands. Total revenues, almost 635 million Euro in 1998, have been used for financing the Dutch public broadcasting system of television and radio.

Central government decided on December 21, 1999 to abolish this fee and replace it by a general raise in the income tax of 1.1%. Because this fee was paid for in advance by every household, the DOB had to pay back about 160 million Euro (350 million Guilders) to almost 5 million households (3). Politicians decided this had to be done within three months after January 1, 2000.

This very political project was carried out during the period of the change of the Millennium. In the months prior to the actual transition the IT department was busy building and testing all systems in relation to the closedown, after the systems had been evaluated extensively for Millennium problems.

To make the project "Close down DOB" to a success, we used the concept of Risk Driven Project Management (4).

Focus and aim of this article

This article focuses on the project preparation and project execution problems, related to the IT aspects of the project concerned with closing down DOB. Important elements are the continuity of the IT systems, controlling the regular production, and monitoring and executing the process of reimbursement. Other extremely important aspects of the project, e.g., the outplacement of the DOB employees, are not within the scope of this article.

The aim of this article is to show that risk, being an uncertain or unknown situation or event and creating a potential danger for either time, cost or quality of the project:

- Is able to largely define the project plans and planning of both the preparation phase and execution phase of a project,
- Can be managed, controlled and structurally reduced,
- Determines the way in which project members and environment have to be managed.

Risk Driven Project Management

Project Management and Risk Management

Doing projects is taking risks. Because projects always are partly new, do and deliver things that have never been done or delivered before and are often under the pressure of time and money, there's always the chance of failure. "Risk management is project management vice versa". We have to take risks to achieve our results and to create the new world we dream of (or the ugly world we want to get rid of).

Robins states it as follows: "Risk management involves deliberately taking every risk that you *should* on terms that you can afford, and then proactively managing that risk to maximize company (stakeholders) advantage" (5).

The risk management process consists of a number of steps a project manager has to take several times during a project. In short: identify, assess, quantify, plan response, monitor & control. On this level there is a common understanding on what risk management is or should be (6). But this rather deterministic approach does not use the power of risk management fully. Some additions have to be made to make risk management a powerful concept.

Risk is dangerous, risk is fun!

In daily life, not everybody likes to take risks, but some really do like it. The situation in daily life is no different from projects! Some project members like to take risks, others don't. To have a successful project, we need both types of project members within the same project organisation. It's the task of the project manager (what type is he or she?) to match all individual project members with the risky or non risky activities they perform on the project, and create balance between team members.

It's also the task of the project manager, being responsible for the project, to create the necessary environment to make risk management possible. In practice it means to create and facilitate open communication processes in a result driven organisation where there is respect for "the home team" as well as "the opposition" (7).

Starting to use risk management on a project (implementing it) often is a project by itself. An organisation with no history of open communication will have a longer way to go when implementing risk management than an organisation with open communication structures (8).

At last, it's everybody's responsibility to participate in the risk management process by:

- Bringing up risks whenever they are detected
- Actively working on assessing the risks
- Acting responsibly to prevent risks from becoming problems

In short: give people their own responsibilities and at the same time ask for responsible behaviour.

The environment in which information is being processed is important, so is the information itself (it is the focus of the general risk management process). Risk Driven Project Management however focuses strongly on registering knowledge about risks and re-using it in new projects, or if possible, in the same project (don't make the same mistake twice). It is important to realize every project member is a source of valuable information for risk management.

The implications and consequences of the application of risk driven project management for the project “Closing down DOB” are discussed after the description of the case.

The case: Closing down DOB

The eve of the project

In the middle of 1999, when the decision was taken by the Cabinet to close down DOB, DOB was an effectively working public agency (9). Effective and efficient ways of checking for non-paying viewers by DOB inspectors resulted in less than 5% non-paying viewers. The central computer system used for registration, billing and monitoring accounts receivable had recently had a major functional update.

In the agreement which was presented by the three political parties forming the Cabinet at the start of their four year term in 1998, there was a footnote that said more or less the following: “The Minister of Education, Culture and Science will start an investigation to decide upon the possibility of a general (tax) financing of the public broadcasting system”.

The following political milestones have been important for the project:

- June 25, 1999: Decision by the Cabinet
- November 25, 1999: Decision by the Dutch House of Commons
- December 21, 1999: Decision by the Dutch Senate to abolish the TV licence fee on January 1, 2000. As a result of this decision, the agency “DOB” had to be closed down on short notice.

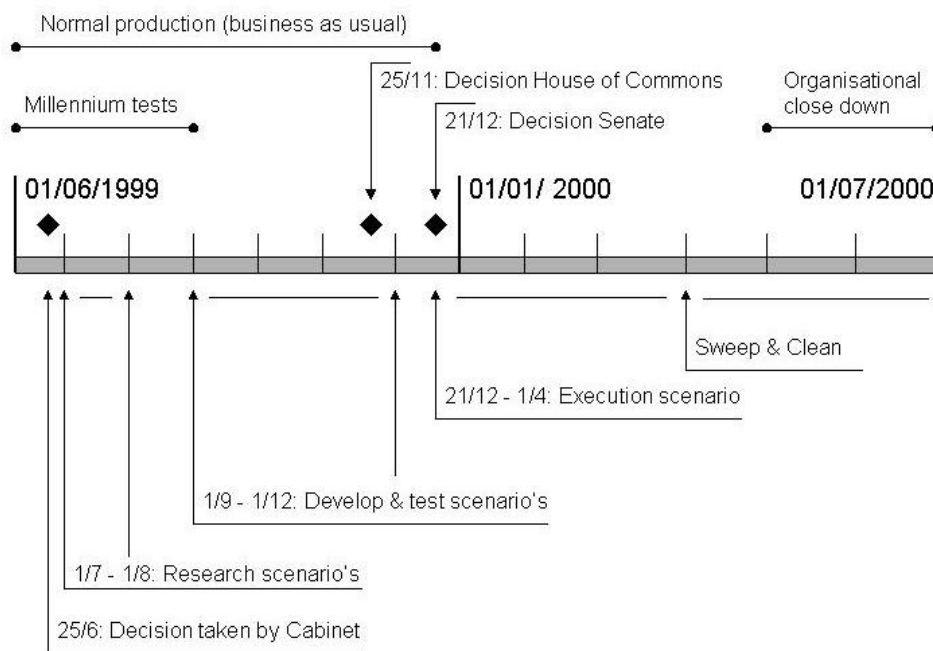


Figure 1: Time frame for the closedown process of DOB

Project preparation

After the June decision by the Cabinet, DOB started an investigation to determine how to close down the public agency. On September 1 there already was a general strategy for closing down all the computer systems and the production processes. The strategy had been worked out in four scenarios because at that time it was not clear when the final deadline would be. At that point, it was even possible that politicians might decide to abolish this fee not by January 1, 2000, but much later (10).

Crucial elements in the structure of all of the scenarios were the following:

- Every scenario was based on “business as usual”, which meant that the technical planning of a scenario was as close as possible to a normal production situation.
- As a design principle, differences from a normal production situation were limited to changes that focus on data control (either input, process or output control). This means the production process itself was not changed.
- Re-use existing computer routines for as far as possible (e.g., the calculation module used in batch for 6.5 million calculations originally was an on-line function).
- A real “Big Bang”. Extremely important in the planning is the moment at which the regular production process changes into the closedown process (the start of the scenario). This is *the point of no return*; from this moment on it is no longer possible to continue or recover the regular production process (11).

Conclusion: all scenarios had a focus on the minimisation of risk. Because it was clear that the regular production was stable and without major problems, all scenarios were as close as possible to a regular production situation.

Project execution

An important reason to work with scenarios is the fact that there is major interference between the closedown process and the regular production process. Until decided otherwise by the Senate, DOB has the obligation to run business as usual. After the moment the Senate has decided, the process switches from “business as usual” into “closedown” (a scenario).

The start of the closedown process was only half an hour after the Senate made the decision on December 21. The decision on December 21 meant that the project started executing “scenario 2”. Extremely detailed activity schedules were available for the first hours and days, less detailed schedules were then available for the following weeks, until April 1.

Directly after the calculation process (about 3.5 hours, backup procedures before and after excluded), the results of the process were checked in co-operation with the external accountant using several control lists specially developed for this purpose. Everything went well the first time (12).

Getting an approval by the external accountant was one of the stakeholders demands. The external accountant gave its approval for the process and the process’ execution.

Role of the test environment

All of the four scenarios have been tested thoroughly with the help of the DOB Test & Simulation Environment (T&SE). DOB T&SE was a small scale, highly controlled and fully functional copy of the production environment (13). DOB T&SE focussed on three topics:

- *Quality control*; all new and renewed computer programmes were tested in this environment.
- *Decision support*; during the detailed planning of the scenarios different alternatives were simulated in the environment. DOB management decided based on the results of DOB T&SE.
- *Risk reduction*; because all programmes, processes and procedures were tested before, DOB was almost sure that nothing could go wrong during project execution.

DOB T&SE was step 3 in the quality circle, after the programmers check and the check by a fellow programmer or team leader. Testing had become an accepted step in the delivery process (14).

Typical project issues

In this project, some typical issues played an important role:

- The political process never paid any attention to the practical side of the project. No Minister, MP, Senator or even civil servants from the Ministry of Education showed any interest in the question: "We want it, but can it be done by DOB?" In political decision making, the focus is hardly ever on efficiency or effectiveness.
- The presentation of information to the general public. The behaviour of the public was very important for the success of our scenario. We had no support from the newspapers, and not enough experience with this kind of communication.
- The role of the service provider. They hosted all DOB software on their mainframes and seemed unable to work in this kind of politically controlled projects. Instead of creative thinking, their standard reaction was: "Everything you do, you do at your own risk". It took a long time for them to understand that we only could do the things politicians had decided upon a priori.
- The role of (other) suppliers. After a political decision to close down an organisation, there is a tendency with suppliers to withdraw their "best men" from that organisation and to engage them with customers who have more future potential. A commercially valid reason, but a real risk for the project because knowledge is flowing away.

These issues appeared during the project and were at first no part of the risk management process, mainly because nobody had any experience with this kind of projects. All four items are input for a risk register, and present vital information for next projects (organizational learning).

Risk Driven Project Management for "Closing down DOB"

Time, money & quality

In the project "Closing down DOB", money was not a real issue. There was not an unlimited budget for the project, but a plausible story was good enough for additional funding. But what does one do with the money? The project needed experienced programmers with business knowledge, and that is more a matter of time than of money.

Time was the main issue. This project was more or less a millennium project within a millennium project with one complicating factor; "January 1" (or D-Day) could be a moment somewhere in December or maybe in March. The project realises it is "January 1" very shortly *after* that day has started.

The Senate took its final decision on December 21 (December 21 becoming D-Day), and at that moment the project had 3 months and 10 days left for project execution.

As a result, quality became the issue. At the start we already knew there would not be enough time to perform all activities we thought were necessary to reach the level of acceptable quality. So we used the concept of Risk Driven Project Management, which had the following consequences.

Consequences

At the management level we worked on "open communications" ever since the start of DOB T&SE. As a result and after the Millennium testing period, there was a team. Cultural differences, people coming from several (software) companies as well as a government agency have been used to strengthen the team.

We focused everybody and everything on the final result, deployed the "perfectionists" of the project team in the control of the production process and used the creativity of our "thrill-seeking" project members fully in risky activities. As a result, all members felt responsible. They were actively looking for risks without creating a stressful situation.

We used quality circles as much as possible. We went for the perfect result, being 100% quality, even though we knew from the start it was almost impossible.

We used a very clear and open planning, using scenario's and blocks of activities. This planning was known by everybody and very visible (it was on everybody's office wall). The planning focused on performing activities that reduced risk. Completing an activity successfully meant that person had

reduced the risk on the project (and gave the project a higher chance of success). It was clear to everybody time was the issue (as was quality).

In controlling the close down production situation we:

- used control and monitoring lists wherever we could
- implemented control variables and programs in our close down production process
- used what was available and minimised new developments
- focused only on things that could go wrong, and not on things that always had been right

In controlling the daily production situation we:

- tried to control the standard production process completely
- closed down every part of the production process we did not need
- used control and monitoring lists wherever we could
- focused only on things that could go wrong, and not on things that always had been right

In short, we tried to minimize the risk and maximized the flow of relevant information for controlling the process.

Summary and conclusions

In political decision making, the focus is hardly ever on efficiency or effectiveness. Project boundaries and objectives set by politicians form a major risk to a project.

Closing down an organisation is not an every day event. It leads to unexpected and unpredictable behaviour of suppliers, employees and their managers. This behaviour is potentially dangerous for the project objectives and results.

A “Big Bang” strategy is rarely chosen by project managers. But in the case of DOB, forced by the circumstances to do so, it provided an opportunity to let every member individually focus on D-Day.

Fighting risk demands unconventional ways of thinking and acting. Not every project member is suitable for that job. It is the project managers job to select the right people for the right job and to support them in the right way. Selecting the wrong people for the job increases the risk.

A well developed test and simulation environment is able to support decision making on a strategic level, because simulation results predict what will happen when certain policy measures are taken.

The use of quality circles, in this case at least 3 independent checks for every project deliverable, reduced the risk in this project significantly.

Because of the heavy use of a sophisticated DOB Test & Simulation Environment during the preparation period, the incorrect payments to the public totalled less than 0.003 percent (1228 incorrect calculations out of more than 6.5 million calculations). The reimbursement process got an approval from the external accountant of the DOB.

Notes

1. As described e.g. in Chapter 11 of the PMBoK, PMI, 2000.
2. DOB: Dienst Omroep Bijdragen, Agency of the Dutch Ministry of Education
3. Number of calculations to be done: 6.5 million. Number of reimbursements: 5.1 million. Number of households with a zero balance: 1.1 million. Number of final statements: 300,000.

4. This concept has been described in: Introducing RiskMan methodology, Carter, B. et al., 1996.
5. Ned Robins, Presentation February 20, 2001, Amsterdam.
6. The essence of the risk management process always consists of the phases: identification, assessment, taking action, control.
7. An excellent story on leadership and risk management is "Risking a last stand", by A. Schock-Smith, PMI Conference Houston, 2000.
8. It's possible cultural differences play an important role. This would mean there is no such thing as a general risk management process.
9. Total operational costs in 1998 were 4.4% of the total revenues.
10. "Majority Senate against abolition TV Licence fee", headline of the largest Dutch newspaper "De Telegraaf" on December 21, 1999, the morning before the final voting in the Senate.
11. Recovery was possible, but only at very high cost and only for a limited period following the point of no return.
12. A scenario within "scenario 2" told us that we had an opportunity window with 3 possibilities for running the calculation process (the duration of this process in total: 14 hours).
13. DOB T&SE worked with TestFrame, a CMG test concept and Winrunner, a Mercury tool.
14. Starting DOB T&SE two years earlier, there was much scepticism. Programmers did not look upon test members as an extra step in delivering good quality.