

Managing project risk – Questions boards should be asking



In collaboration with the
Institute of Corporate Directors

National webinar for directors
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For today's discussion

- Introduction
- Starting off on the right foot
- Risky business - Considerations for directors
- Factors for board decision making
- Questions
- Wrap-up

Introduction

Moderator

Dave Forster, FCA, ICD.D

Leader, DirectorConnect Program

Managing Partner, Greater Toronto Area, PwC

Dave is the Managing Partner for the Greater Toronto Area region for PwC and leads our DirectorConnect program. In addition to his management responsibilities, Dave is the relationship partner for a number of the region's significant clients. Dave currently serves as a Director of the Institute of Corporate Directors, the Canadian Opera Foundation and the Corporation of Massey Hall and Roy Thomson Hall. He is also active with the United Way of Greater Toronto, including serving on its Major Individual Gifts Cabinet and with DiverseCity serving on its Steering Committee.

Introduction

Guest speakers

Robert Belsey, CMC

National Leader, Program and Project Services Partner,
Consulting & Deals, PwC

Rob Belsey is a Consulting partner in the Toronto office of PwC. He has 28 years of experience, with a particular focus on helping organizations in Canada, the US and internationally formulate, assess and manage large scale transformations and projects with both business and IT Telenets. Rob works directly with senior executives or the Board, on strategy definition through to implementation management. He has previously served as a Director on several Boards within PwC, and in his current role as leader of our Program & Project Services is advising a number of client Boards on their large scale initiatives.

Introduction

Guest speakers

Donald Hathaway, FCMC, ICD.D

President & CEO, Global Risk Institute in Financial Services

Donald Hathaway is currently the President and Chief Executive Officer of the Global Risk Institute in Financial Services, a public-private partnership in Toronto, Ontario. He is currently a member of the Independent Review Committee for three mutual funds and serves either as a director or advisor of four businesses.

Donald is the Vice Chair of the Ontario Chapter of the Institute of Corporate Directors. He has strong skills in board operations, the board-management interface and board committee work, particularly audit, governance and compensation. Donald has sat on over 30 boards, including private and public companies as well as not-for-profit organizations. He is Chair of CRS Electronics and also chairs REfficient's Board of Advisors.

Introduction

Guest speakers

Michael Garvey, F.C.A., ICD.D

Audit Committee Chair, Sherritt International Corporation

Since 2006, Mike Garvey has served on the boards of several public and private companies, including Sherritt International Corporation, on which he currently serves as chair of the audit committee. Mike has also served as chair of the boards of The Donwood Institute, the University of Waterloo, The Michener Institute of Applied Health Sciences and The Friends of Ontario Universities. He was an active member of the boards of the Canadian Association for Adult Education, the Centre for Addiction and Mental Health and The Canadian Club of Toronto. He is currently on the boards of the World Wildlife Fund – Canada, the Friends of Canadian Broadcasting and Hospital Diagnostic Imaging Repository Services.

Mike is a chartered accountant and former partner with PwC Canada. During his tenure with the firm, he worked in London, England and the Middle East. He also managed PwC's Cuba audit practice between 1995 and 2005.

Polling question #1

For your most significant board, how much time do you spend on the oversight of critical projects?

- a) Significant discussion time is set aside at each board meeting
- b) Updates are provided at selected board meetings
- c) Projects are only discussed when there are issues
- d) Never

Starting off on the right foot

Project performance statistics show that
50% of projects end up late or over budget.
Twenty-five percent fail completely.
And only 25% actually succeed.

Starting off on the right foot

What is project risk management?

- Project risk management is not limited to one specific activity or task.
- It formalizes the risk monitoring process by providing a framework for measuring project risk and milestones.

Why is it so difficult?

- It focuses on future implications rather than existing challenges.
- It deals with *likelihood* and *probability* of a project related event.
- Many boards find that their ERM framework is not well suited to assessing and managing project risks.

Starting off on the right foot

The role of the board

- One of the board's roles is to provide oversight on major projects.
- With large transformational initiatives, boards may need to provide more insight and oversight – based on the relative risk of the project and the concerns the board has for project success.
- To provide appropriate oversight, boards should:
 - Understand the objectives of identified projects.
 - Monitor project implementation.
 - Review project progress and risk mitigation strategies on an ongoing basis.
 - Monitor the metrics being used to measure a project's success.

Starting off on the right foot

Providing effective oversight

- Determine how different the new project is from previous projects conducted by the organization (and whether there is a track record of success).
- Determine if you have the right people to provide effective oversight. You can do this by asking the following questions:
 - Does the board have the right background and experience to understand the project and provide good governance?
 - Do you need to find an alternative means to obtain the right project experience and background?
 - What is the most effective way to obtain the right skills – restructure the board composition, identify a project committee, identify an external advisor?

Starting off on the right foot

Risk management principles for boards

- Identify potential trouble spots at the outset to reduce the risk of problems down the road.
- Experience suggests challenges come from three primary areas:
 - Business environment – external, other internal functional areas and divisions.
 - Project framework – team structure, composition and vendors.
 - Execution – legacy systems, products chosen for the project, interfaces.

Starting off on the right foot

Risk management principles for boards

- Boards should provide ongoing risk management oversight throughout a project.
 - Boards typically receive status updates on key projects.
 - Some boards have a separate and explicit conversation on risks and mitigation plans.
- The level of ongoing risk management should be dependent on the amount of risk associated with a project's success.
- Ask yourself what level of comfort you have with the project approach and achieved outcomes – do you need a more involved risk approach – one that includes more frequent project reviews?

Polling question #2

In your role as a director, how confident are you that the large-scale projects being undertaken within your organization will achieve their objectives?

- a) Very confident
- b) Somewhat confident
- c) Uncertain
- d) Somewhat skeptical
- e) Very skeptical

Risky Undertakings

Every project, large or small, two days or two years, is a risky undertaking – because we cannot know the outcome and since the project owners expect an outcome:

probability x effect = risk

Considerations for directors

Before a director approves

- Project approval: What is the material effect?
- Who is the “customer”?
- Is the project properly constructed?
- Am I comfortable about project leadership?
- Resources: time, budget, people, information, tools, equipment
- Interdependencies: other contracts, suppliers, financing criteria/staging, etc.
- Am I comfortable with project reporting?

Considerations for directors

Red flags

- Customer (un)certainty about project goals
- Multiple, interactive phases or stages
- Any lengthy downtime in the overall plan
- The *smallest* indication of “scope creep”
- Any answer that is less than forthright
- Unexplained schedule/budget deviations

Polling question #3

What is the most challenging aspect of providing oversight to the projects that your organization undertakes?

- a) Evaluating the risks associated with a project
- a) Ensuring your board has the right expertise to provide oversight
- b) Providing ongoing project oversight
- c) Determining when, or if, to stop a project

Factors for board decision making

Boards need to be pragmatic in their approach toward providing project oversight – focusing on the project aspects that matter most.

Factors for board decision making

- Board oversight
- Large-scale projects
- Capital projects committee
- Planning and estimation issues
- Project management structure
- Accountability

Questions



For more information, please contact

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