

A NEWSPAPER FOR  
PROJECT MANAGERS

# Project Post-Gazette

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## TOP BILLING

- **Risk Management Issue**
- **Introduction to the P-G staff: Editor PH Lohnes**
- **Quality: how is it best defined for projects?**
- **The Risk Line**
- **The PPPM Roadmap**
- **PMBOK® Guide 5th Edition is here!!**



## INSIDE THIS ISSUE:

- P-G Staff** 1
- Editorial** 2
- The Risk Line** 3
- PPPM Road** 4
- Risk vs. Issue** 5
- PMBOK 5th** 5
- Future Issues** 6

## Project Management 2013

Alexandria, VA USA

As any beginning, a new year will bring both opportunities as well as challenges. This holds for the project management discipline as well. Let's look at the opportunities first.

The most significant opportunity right on January 1st was the release of the new Project Management Body of Knowledge (*PMBOK® Guide*), in its 5th Edition 2013 by the Project Management Institute of Newton Square, PA USA — the appointed standards development body of all things PM. The PMI's *PMBOK® Guide* has been assigned standards status by both the ANSI and IEEE.

This latest edition offers minor updates to the Guide's 4th Edition by increasing the number of

process from 42 in the 4th Edition to 47 in the 5th Edition while adding a new Area of Knowledge (AOK), its 10th, named "Stakeholder Management" which serves to corral the important stakeholder processes into its own separate AOK.

The AOKs of Scope, Time, and Cost



Management all added an additional process while the Communications AOK lost 2 dealing with stakeholders to the new AOK.

The most significant challenge will be the continuing lackluster state of the US economy. This has a direct impact on the number, size, and complexity of projects instantiated both in the commercial and public sectors. If the economy continues to fall behind that of the BRIC nations (Brazil, Russia, India & China), PMs may find their best chance for improving engagements overseas. This parallels the engineering drain of the late 80's and 90's as the East ramped up their demand for engineering talents.

Regardless, 2013 is shaping up to be a very interesting and confusing year for Project Management.

## Who is the Post-Gazette?

Each month we will highlight one of the staff of the Post-Gazette and their contributions to this growing news and informational source for the entire PPPM (project/program/portfolio management) discipline.

The first introduction is by no means the most important, but

you should know the pilot of the boat: Paul H. Lohnes, PMP. He has had over 28 years of hands-on PPPM experience mostly running his own PM company from the upstate NY area. Recently he has moved to the Washington DC metroplex to serve his clients in both the commercial and

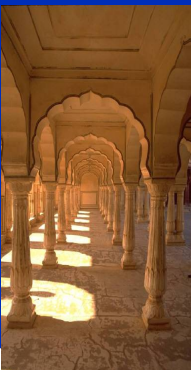
US Government arenas. He has held academic positions at both UC Berkeley and the SUNY Institute of Technology. He has significant experience and joys in writing, course design, and PM plan development. He writes the P-G editorials and PPPM sections.





Post-Gazette Editor-in-Chief:  
PH Lohnes, PMP

*“Quality can only be defined by the project’s customer, no one else.”*



## Editorial

Please excuse the second use of my image; however, from now on it will only be here and on my column for PPPM. My business partner, Cheryl, is much more appealing to the eye as you can see at her column dealing with Risk Management.

I would like to spend my small space in the editorial section talking about the new PMI *PMBOK® Guide*, 5th Edition released on the first. This “every four years” effort while laudable, only appears to be a

small update to the Guide representing the entire PM Body of Knowledge which is comprised by thousands if not millions of pages of PM discipline and techniques for PM activities. In their own words, the Guide is not all the knowledge, just a guide.

The point I want to make concerns the lack of changes to the Risk Management area in particular. The risk management discipline has matured while the PMI continues to hold to outdated, and mostly

stagnant concepts of project risk management. This is illustrated by the continued use of “risk response” and “risk response planning” when one knows that you cannot respond to something that has not occurred. All risks are uncertain future events. It is about time the PMI updates their risk management ideas; however, it appears that will not happen for another 8 years. Here’s to the 6th Ed!

## Quality is “fit-for-use”

In support of a client several years hence, I remember having to explain the definition of project quality. While in the audience there were several quality analyst and managers, none seemed to be able to distinctly or definitively describe quality for the customer’s representative who had asked the question—how do we define project quality?

After about 45 minutes of almost doctoral level discussions of precisely what was quality, how quality could be measured, or what constituted quality with respect to the customer’s project, the now confused and somewhat frustrated questioner turned to me and asked if I had a different take on the subject. The looks on the QM crowd was

evident that the question had been misdirected.

I simply stated that project quality is simply the customer defined condition of the deliverables as “fit-for-use” for which he would sign off at the project’s completion.

He stood up, shook my hand, and ended the meeting. I guess he understood quality now.

## Comments Welcome

As the Project Post-Gazette continues to publish each issue, and hopefully to improve its offerings and content, we must ensure that you, the readership, has the opportunity to respond and comment on the articles, columns, and editorials published with each issue. Therefore, we have

established several email addresses that you can use to accomplish this feedback.

They are:

Letters to the editor use—[letters2editor@projectgazette.com](mailto:letters2editor@projectgazette.com)

For general comments and

responses to content use—[comments@projectgazette.com](mailto:comments@projectgazette.com)

We will posting a letters to the editor as well your comments and our responses each issue, so please feel free to make your thoughts and ideas known. We want you to join us often.



# The Risk Line: Project Risk Management



**Cheryl A. Wilson**  
PMP, PMI-RMP, CCEP

**CA Wilson,  
Featured Columnist**

Ms. Wilson has an impressive resume and work history both in and around the Washington, DC area. She is a USAF veteran and a graduate of the University of Maryland with a Bachelor of Arts. Ms. Wilson is also a holder of a Master’s Degree in Management Information Systems from Strayer University.

Being one of the first women to obtain the Risk Management Professional certification from the Project Management Institute, Ms. Wilson is in high demand both as a project risk consultant and risk analysis team leader. She has held several, high-profile portfolio/program/project management and business analyst positions at firms contracting with the US Government. She is a sought after risk management speaker in both the portfolio risk and project risk research areas.

In 2009, Ms. Wilson joined her research partner, Mr. Paul Lohnes, in establishing their own management consulting firm, MCL Management Group, in support of their clients in providing risk analysis and advanced project management services for sophisticated organizations realizing the value of proactive project and risk activities. Cur-

rently, Ms. Wilson and Mr. Lohnes are completing an innovative project management approach called “Deliverable-Centered Project Management” which serves as their company’s core management offering.

**Overview of Risk Management**

We have not seen an increase in the success rates of projects for some time now. A project should be considered a failure only when it has not delivered the quality “fit for use” deliverables that were contractually promised. So doesn’t it make sense that the earlier in our project’s life cycle we identify the road blocks are that will increase the likelihood that our deliverables will not be what were promised. Key information about project constraints: cost, performance, quality “fit for use” and schedules are often unknown until late in the project. Risk management started at the conception of the project is critical to the successful completion of any project. However, risk is probably the most misunderstood project constraint for two reasons: 1) it is the newest constraint to be described as important to most project successes, and 2) risk deals with unidentified future event (UFE) for which many consider a waste of project resources. The risk constraint, however, is usually the constraint that must become the de-stressor once one of the other constraints is modified without managing the result.

For example, in many projects, the budget is reduced by a certain amount, say 15%, but none of the other constraints are allowed to de-

-stress the budget reduction. Project sponsors simply tell the project team to make do with the current scope, schedule, and quality, but with 15% less budget resources. While this mandate can be made without taking into account the other constraints, if nothing is allowed to take up the budget cut, it will ultimately fall to the risk constraint to restore equilibrium by increasing the risk profile – meaning the risk of an unsuccessful outcome increases accordingly.

**Importance of Risk Management**

Many project managers start the risk process too late in the project. A proactive organization understands that risks are identified, discussed, investigated, understood, and mitigated to reduce their risk equivalent value (REV) while they are still an UFE. Many times, the first time a problem arises, the risk process is introduced into the project. What is worse is there is no risk plan, no risk training to provide the support to start managing risks. At this time the risk is actually already triggered into an issue. Once a risk potential has triggered into an issue, any chance of mitigation has evaporated; the only activity that makes sense is the response to the resulting issue.

Simply put, risk management is the process of identifying these uncertain future events as risk potentials that have the probability of a negative impact on the successful production of the project’s deliverables. All risks except those that source from a systemic environment should be tied to a project’s deliverables. The reason for this requirement is that risks can dis-

*“All risks except those that source from a systemic environment should be tied to a project’s deliverables.”*

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The Risk Line: (cont)

[← previous page](#)

turb the normal project activity flow if they trigger into an issue distracting both the team’s attention and the project’s resources in resolving the issue’s impact. Thus, the best approach in dealing with risk potentials is to correctly identify, score, and prioritize them within the scope of the project in order to apply scarce resources to the highest potential return on investment for mitigation activities.

As said before, the risk management process must start very early in the project. A risk management plan implemented, tools and templates developed, enterprise level and compliance requirements considered.

Over the next few issues, we will be dealing with these very important risk management concepts and activities. Join us each month for a more in-depth discuss of the topics raised in this initial RM column – you will not be disappointed.

# The PPPM Roadmap

By PH Lohnes, PMP

In this column, we will be discussing the concepts and knowledge surrounding the Project/Program/Portfolio Management (PPPM) disciplines in use today. Join us each issue to read about an important topic to PM practitioners.

Starting this column will be the dissection of an important topic that is coming of age — the concept of portfolio management. My last two client engagements involved organizations struggling with the issues of how to implement portfolio level management. One was attempting to make portfolio management another hierarchical management plane where program managers reported to the portfolio manager. The other client really did not have the required prerequisites in place to support portfolio management of any type or form.

So, what is portfolio management?

In a distillation,

*portfolio management are the activities an organization envisions to create, plan, manage, and monitor investments oriented towards achieving the strategic goals of the organization.*

This may not sit with many in the project management realm or with some standards setting bodies, but that is portfolio management in a

nutshell. Portfolio management is distinctly different from project and program management. It has differing focus, goals, objectives, and artifacts. Thus, it should NOT be seen as another managerial layer placed on the already bloated project management structure in use of most organizations today.

Portfolio Management should be seen from the value that it can provide to an organization’s PM environment — the strategic alignment perspective. In Figure 1, the differences between the PPPM levels is illustrated using their characteristics of:

- Focus
- Component
- Objective
- Goal

The portfolio level focuses on the strategic investment view with risk minimization for benefits generated as its goal & objective. These characteristics are foreign to most project and program managers, I have discovered, but are in the prevue of the Senior Leadership Team (SLT) members. For this point alone, the best candidate for being a portfolio manager is a member of the SLT. WHAT???

This is the advice I give to all my PPPM engagement clients — can your organization handle this?

**“The best candidate to be a portfolio manager is a member of the SLT.”**

	Project	Program	Portfolio
Focus	Execution	Tactical	Strategic
Component	Deliverable	Resource	Investment
Objective	Optimization	Efficiency	Risk minimization
Goal	Quality (“fit-for-use”)	Constraint alignment	Benefit generation

Figure 1: PPPM Level Characteristics



# Risk vs. Issue



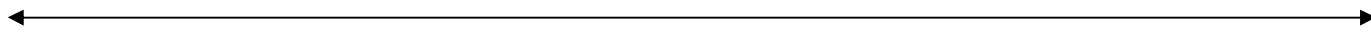
By CA Wilson

Risks and issues are often confused in the risk environment. Managing risks and issue differently, understanding of the difference between the two is critical. Many organizations manage their risks and issues using the same tracking register or log. One of the main differences between a risk and an issue is the probability of its occurrence.

We define risks as uncertain future events (UFE). The event is a potential FUTURE likelihood, as it might not happen. That is why we give all risks a probability of occurrence to determine the likelihood of the potential occurrence. To be a project risk, it must be something that might negatively affect the cost, schedule, scope, or quality of the project. If the risk potential is an event external to the project or will not happen until the project is over, it is not a risk to this project. Once a risk manifests itself or is “triggered” by some associated event, it becomes a reality and is tracked as an issue. Risks are managed by “risk mitigation plans” to look for ways to reduce the risk to a tolerable level or reduce the overall impact of the risk. This is the primary purpose of a risk mitigation plan – to manage the potential before it becomes reality.

An issue on the other hand is a problematic event that is impacting the project right now – it is reality. There is no probability of happening, this event has triggered, or occurred! Organizations manage issues through “issues response plans” which are different from mitigation plans as they are steps taken to resolve the current event. This becomes the foundation for why risk management is proactive while issues management is reactive: risks have not occurred and issues are occurring.

In short, you cannot resolve a UFE while you also cannot mitigate a reality. It is important the risk discipline begins to use the correct wording and actions to reduce this confusion in project risk management surrounding these concepts.



## PMBOK® Guide: 5th Ed Review

Over the next coming issues, the staff at the Project Post-Gazette will be taking a detailed and critical review of the newly released Project Management Institute, A Guide to the Project Management Body of Knowledge, (PMBOK® Guide), Fifth Edition, Project Management Institute, Inc., 2012 referred to as the *PMBOK® Guide* assumed 5th edition.

As a prelude to these reviews, the significant changes to the new 5th Edition come in the form of some process housekeeping, and rearrangement of the Areas of Knowledge (AOK). In the 4th Edition, there were 9 AOKs, there were:

- Integration management
- Scope management
- Time management
- Cost management
- Quality management

- HR management
- Communications management
- Risk management, and
- Procurement management

With the 5th Ed, the PMI has now added and 10th AOK of:

- Stakeholder management

This AOK is really a container of what was previously a process of the Communications management area of Identify Stakeholders with the addition of the standard management AOK processes of Plan/Manage/Control (P/M/C).

The use of this new AOK will be discussed in a future issue of the Post-Gazette, but for now, it would appear that this addition may not be us much use since the P/M/C processes with respect to stakeholders are activities that seasoned project managers seek to ac-

complish throughout their projects without special attention or separation of work efforts.

Finally, the 5th Ed standardizes the P/M/C structure for the other AOKs of scope, time, and cost with quality, HR, risk, and procurement AOK's unchanged. Communications and Stakeholder AOKs just split the difference for 47 processes in the 5th Ed as opposed to only 42 processes in the 4th. Our review will show how significant, if any, these changes will be for the PM discipline. Join us.



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For the Project Management Discipline

## Future Issue Content & Schedule

The Project Post-Gazette will be having annual themes that our readers can look forward to on a regular basis such as:

- January: Risk management
- February: Portfolio management
- June: Training & Education
- July: Project scheduling
- September: Project planning
- November: Careers & Skills

The other issues, for now, will be dealing with general project, program, and portfolio management news and issues. As our readers provide the Post-Gazette with more content or topics to investigate, the P-G will add additional pages, columns, and sec-

tions necessary to meet the needs of our readers.

Please feel free to comment on the format, content, and/or focus of the Post-Gazette. We welcome your responses, and will be publishing as many as we can each issue.

For those of you that would like to try your hand at becoming a columnist, or just an author of an article, please contact us with your idea or article abstract. We will be glad to contact you about your submission.

Wishes for a profitable and exciting 2013 — as the old Chinese proverb about living in interesting times goes.

The Post-Gazette Staff

