

Everyone's Smart University

Project (Spring 2021)

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Section

Master

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(PMG510)

Project Risk Management

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Project Title	Enterprise Resource Planning System (ERP) Implementation Project
Risks in IT Projects	Project Risk management helps in identifying potential risks that may affect project implementation. It depends on knowledge about the factors affecting the project success. Project managers face significant challenge in managing and controlling risks, so, it is important to identify risks and draw solutions to prevent and solve these risks. Most of Information Technology (IT) projects are considered an interesting area for action and potential development of risk management practice since this kind of projects are complex.
ERP Project Risks	Project risk factors that may affect the project implementation and execution are: • Poor project team skills • Low top management involvement • Ineffective communication system • Low key user involvement • Inadequate training and instruction • Inadequate IT system maintainability • Budget exceed • Time exceed • Poor business performances • Inadequate system reliability and stability • Low organizational process fitting • Low user friendliness • Low degree of integration and flexibility • Poor financial/economic performances

Risk Matrix	Risk	Impact	Probability	Risk Mitigation
	Poor project team skills	H	L	Avoidance: Project manager should select and identify project team effectively and assign roles and monitor project team performance
	Low top management involvement	M	H	Transferring: This risk can be transfer to project sponsor to handle along with submission of periodical reports by the project manager
	Ineffective communication	H	L	Avoidance: The project manager should plan communication plan effectively and monitor it to avoid any potential risk and delay.
	Low key user involvement	L	H	Acceptance: The project manager should accept this risk since the end-users don't have IT background and they can't understand technical details.

Inadequate training and instruction	M	M	Controlling: Project manager should design along with end-users training plan and monitor it effectively
Inadequate IT system maintainability	L	L	Monitoring: Since the project manager has IT background, this risk can be monitored by her.
Budget exceed	H	M	Monitoring: The project manager should monitor and review change requests to control budget exceeded.
Time exceed	H	M	Monitoring: The project manager should monitor and review change requests to control time exceeded.
Inadequate system reliability and stability	L	L	Monitoring: Since the project manager has IT background, this risk can be monitored by her.
Low user friendliness	H	M	Avoidance:

Low degree of integration and flexibility	H	L	Since this risk is related to project deliverables, it should be matching user need and avoid such risk. Avoidance: Since this risk is related to project deliverables, it should be integrated efficiently and risk should be eliminated.
Poor financial /economic performances	H	M	Monitoring: The project manager should monitor and review change requests to control low and poor performance.

EMV

Risk	EMV Calculation
	(multiply the value of each possible outcome by its probability of occurrence)
Poor project team skills	$(25\% \times \$300,000)$ $= \$75,000$
Low top management involvement	$(85\% \times \$100,000)$ $= \$85,000$
Ineffective communication	$(25\% \times \$1,000,000)$ $= \$250,000$
Low key user involvement	$(90\% \times \$50,000)$ $= \$45,000$
Inadequate training and instruction	$(55\% \times \$500,000)$ $= \$275,000$

Inadequate IT system maintainability	(15% x \$1,000,000)
	= \$150,000
Budget exceed	(50% x \$2,000,000)
	= \$1,000,000
Time exceed	(45% x \$500,000)
	= \$225,000
Inadequate system reliability and stability	(10% x \$100,000)
	= \$10,000
Low user friendliness	(20% x \$500,000)
	= \$100,000
Low degree of integration and flexibility	(25% x \$1,000,000)
	= \$250,000
Poor financial /economic performances	(65% x \$400,000)
	= \$260,000

ERP system is integrated application with that has impact on the entire organization financially and operationally. ERP is implemented to improve firm performance and reduce operational cost and help in managing the efficient and effective use of resources such as materials, human resources and finance. The most important purpose often occurs in IT software project failure is that managers do not properly assess and manage the risks involved in the project.