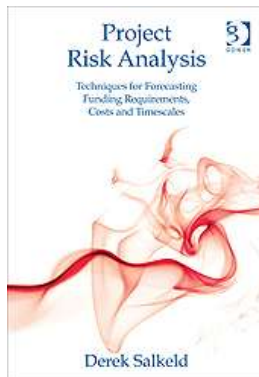


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## PM WORLD BOOK REVIEW



Book Title: ***Project Risk Analysis: Techniques for Forecasting Funding Requirements, Costs and Timelines***

Author: **Derek Salkeld**

Publisher: Gower Publishing Company

List Price: \$29.95      ISBN: 978-0-566-09186-5

Format: Hard cover; 295 pages      Publication Date: 2013

Reviewer: **Ira S. Barash**      Review Date: August 2013

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### Introduction to the Book

The book covers many topics about risk management and its importance in determining an accurate budget and schedule for a project. The book points out failures in the past on large scale government infrastructure projects in London. The stakeholders who finance the project would be the primary beneficiary of a more accurate budget and schedule. The project management and risk management professions may get a better reputation because of projects getting completed at a higher rate and on time and within budget.

The book provides a multitude of aids to help with determining risks, identifying costs, and how the risks affect the schedule. These aids include examples, areas to address and checklists. Finally, it stresses the importance of tying risks to people through assignment of ownership and risks to the project budget through allocation of contingences.

### Overview of the Book's Structure

Chapter 1 describes why risk analysis should be a necessary component of budgeting for a project in terms of money and time. Chapters 2 through 4 are concerned with evaluating the cost and timescales of a project taking into account the risks for the stakeholders who are funding the project. Chapter 5 looks at how to determine who should take ownership of the myriad of project risks that are determined. Chapter 6 through 7 look at managing risk through the project in a practical manner. Chapter 8 summarizes all of the arguments and concludes. Appendices provide more checklists and charts.

## Highlights: What's New is this Book?

The idea that risk needs to be looked at in a very detailed and structured manner during the budgeting process.

In Chapter 2, the author lists 14 primitives that must be addressed to insure that all risks are identified in large scale construction projects. Chapter 3 and 4 give examples of risk in relation to cost and time, respectively. Chapter 5 looks at ownership of risk in three ways – Cost of Prevention; Cost of Containment and Cost of remediation. Then, it looks at the ownership in three ways: Expertise, Resources, and Obligations. This is not new but it shows an easy way to think about risk and how to seek ownership. The table below is copied from the book:

For each risk:	Prevention	Containment	Remediation
Expertise?	Party Name?	Party Name?	Party Name?
Resources?	Party Name?	Party Name?	Party Name?
Obligation?	Party Name?	Party Name?	Party Name?

Chapter 6 shows a chart of allocation project management charges by accounting period for risk. These funds highlight that the potential for risk is there and has a real cost that must be allocated ahead of time. Then, a table is provided that breaks down the charges by risk.

Chapter 7 proceeds to presenting the risk plan to the stakeholders. The author lists 24 tips before and during the risk management meeting and 20 points after the meeting that the risk manager needs to do to adequately cover risks through this critical process.

Risks must be reviewed and mitigated through analysis in order to insure that the stakeholders who fund the project have assurance that the funding that they are asked to provide will cover the project and the timeframe that is specified is accurate. In addition, the risk manager and the project manager must work together to expend large amounts of energy to identify the people who are responsible to mitigate the risk, the probability of occurrence and the proper amounts of money and potential schedule risk that is involved if a risk happens.

## Highlights - What I liked

The book covers analysis of risk at a level of detail that I never dreamed was necessary. It made studying for the risk section of the PMI exam look like a cake walk. The good news is that the depth of coverage makes sense, if the project merits the examination. The author went to great depth because he feels that project estimation on both cost and schedule basis has been done poorly in the past and would benefit from this type of analysis and level of thinking. Once the project begins, the failure of this analysis causes the project manager to ask for more funds and additional time because risks

that occur must be mitigated. This leaves the stakeholders who fund the project two choices: provide more funds or cancel the project. For most of the book, the author used large governmental infrastructure projects as his examples.

### **Shortfalls - What was Missing?**

Warning: this book is not for the lame at heart. The overriding risk is that it may act as a cure for any form of insomnia. As an IT project manager, the level of analysis covered in this book would sap the entire budget for most the projects that this author has managed. In addition, this type of analysis would be a hard sell to management who already have limited budgets. Finally, the author did not prove to me that the proposed level of analysis would help the budgeting process versus the cost and time to do the analysis on most projects. I would think that the better approach for this author would be to have presented a framework to use that is dependent on the size of the project.

Second, the book is too long and intense for most people to read.

Third, the political nature of the book and the derogatory comments made about government officials and project and risk management professions at the level presented was unnecessary and did not add to the important message that the author was attempting to address.

Finally, the checklists provided assume that either the risk manager or the project manager have the time, educational background and the interest to go through them. As mentioned above, the checklists are so long and cumbersome, most project managers would not use them.

### **Who might benefit from the Book**

Any project manager who is dealing with complex projects that require extensive estimation and have a large amount of risk as far as budget and schedule overruns. The book dealt with construction projects. This type of analysis could work for large IT projects that are being developed under a portfolio or program management office.

One simple example of an IT project would be the risks associated with the costs of technical labor. The plan is to hire contractors at an average rate. If the supply of labor is short supply for a myriad of reasons, it may be unavailable or more likely at a price higher than the average. A risk and risk mitigation strategy may be created. A budget allocation in the planning stage of the project to the cover the risk may be provided.

### **Conclusion**

The book is okay. It is hard to read and the story line is boring and trite especially the continuous use of disparaging comments. There is too much time spent by the author

covering political issues and worrying about the reputation of the project management profession. This takes away from the real value of the book. In addition, the book makes the assumption that the reader has a background in project management, accounting, finance, statistics and mathematics. This author has this background and still finds the book and concepts difficult to follow and understand especially during the first reading of the book.

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*Project Risk Analysis: Techniques for Forecasting Funding Requirements, Costs and Timescales; by David Salkeld; published by Gower; April 2013; hard cover, 310 pages; ISBN: 978-1-4094-7237-7; List price: US\$134.95; more at <http://www.ashgate.com/isbn/9781409472377>.*

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## About the Reviewer



### **Ira Barash**

Plano, Texas, USA



**Ira Barash** is married and employed by VisionIT in a contractor role working at HP as a project manager. Previously, he worked for two years as a contractor at Capital One Financial through Strategic Staffing in the mortgage application and infrastructure areas. Barash received his PMP® from the Project Management Institute (PMI®) (2012), a certificate in Project Management from the Graduate School of Management at the University of Texas at Dallas (2007), a Masters of Business Administration (MBA) in Finance from Wright State University (1989) and a Bachelor of Business Administration (BBA) in Quantitative Analysis from the University of Cincinnati - Carl H. Lindner School of Business (1976).

From 2010 to 2012, Barash was Volunteer Commissioner for the City of Plano on Community Relations Committee. He and his wife actively support the Plano (Texas) Symphony Orchestra through volunteering and financially as a Virtuoso Member. He is a member of PMI, the PMI Dallas Chapter and Toastmasters. He recently presented a paper, *Use of Agile with XP and Kanban Methodologies in the Same Project*, at the 7<sup>th</sup> Annual University of Texas Dallas Project Management Symposium on August 15, 2013 in Richardson, Texas.

Ira's passions are to be a terrific husband, have challenging work assignments, live a healthy lifestyle including traveling, exercise, writing and supporting of non-profits financially, and by volunteering.

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