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New Models of Collaboration
A Guide for Managers

Risk management in new models of collaboration

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Introduction

> *"When a promising project doesn't deliver, chances are the problem wasn't the idea but how it was carried out."*
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> Matta and Ashkevas, "Why Good Projects Fail Anyway",
> Harvard Business Review, September 2003

In any project, risk is linked to the probability of attaining a specific outcome. Risk is thus very closely intertwined with uncertainty -- uncertainty about delivering on time, uncertainty of keeping within the budget, and uncertainty of meeting expected performance, quality standards, and client needs. And if the project is also innovative and complex, risk is dramatically multiplied.

Collaboration within government or between the public and private sectors for the delivery of public services involves partners from different organizations pursuing different, sometimes conflicting, objectives. The participating organizations are usually engaged in large-scale projects that address very visible problems, making significant use of new processes and technologies. All these components are potential sources of risk. Fortunately, most risks can be managed if they are identified and understood early in the process.

The first step in managing risk is to identify potential risks in order to plan an appropriate response. Once a risk and its associated uncertainties and negative consequences are identified, managers can respond in a variety of ways:

- **Avoidance:** proactively taking specific steps to change the course of action to avoid or and prevent the risk;
- **Mitigation:** adopting measures to react to the risk to lessen its impact; in this case, the project or the organization or both can be modified to adapt to the risk;
- **Externalization:** either transferring or sharing the risk with a third party, usually a funder, an insurer, a partner or the clients;
- **Acceptance:** assuming the consequences and putting in place the proper resources to deal with them;
- **Refusal:** simply abandoning the project or restructuring it in a different way.

Inspired by the work of many authors and by the specific collaboration projects we studied, we offer a typology of risks associated with the delivery of public services by multiple partners. Risks can be usefully categorized by their source, either external or internal. External risks come mainly from the socio-economic, political, and technological environments. Internal risks come from the nature of the project, the participants, and their relationships. The following table offers some categories and examples of external risks.

External risks associated with collaboration projects	
Socio-economic risks	*Competition*: the service is offered elsewhere or a substitute service exists, for instance one offered on a private basis. *Changes in demand*: a sudden event creates or changes the demand for the service, either increasing or decreasing it *Changes in citizen expectations*: better informed citizens become more demanding about the quality and cost of government performance
Technological risks	*Obsolescence*: rapidly evolving technologies cause the technology chosen for a project to become obsolete. *Innovation*: the technology to be used has never been used in the planned way before.
Political risks	*Competing goals:* different parts of the government seek different or conflicting objectives or support different or competing means for achieving them. *New or modified law or regulation*: the environment or the project itself is affected by new legal requirements or rules. *Election of a new leader or majority party or change in political priorities*: because these projects tend to unfold over a number of years, such changes in leadership and political focus are inevitable.

Coping with external risk

All the projects we studied, whether American, Belgian, German or Canadian, encountered at least one type of external risk and the majority faced two or more. Cross-analysis of the case studies showed that all projects were subject to political risks of some type. Technological risk ranked second, while socio-economic risk was encountered least often.

In the **Service Canada Initiative** (SCI) for instance, an integrated government service delivery network was to be put in place, bringing together many independent ministries who were also seeking financing to further develop their own individual forms of service delivery. One director described the political risk in this way:

> "*Based on what we learned, the concept makes sense. Now we need to convince the deputies and ministers and we need funding for the next few years. If we don't get it, we will go down*".

Reflecting on this problem, the project manager acknowledged that delivering the project on time took so much of their energy and resources that the "political marketing" of the project was neglected. This political risk could have been avoided, that is, it had been identified but it was given low priority because of the lack of resources. After several years of work, the project team was not able to gather the political support needed to maintain funding for the integrated service program. Consequently, the initiative was abandoned. Members of the team were assigned to other projects while the service was disaggregated and specific activities were transferred to separate agencies.

Ontario Business Connect (OBC) developed an added value one-stop service system for business entrepreneurs. Since many public and private sector partners were involved, choosing an infrastructure and the software was an important decision:

> "*We were happy because we are building things in components so if technology changes, you have the ability to use the most recent without throwing out everything else that came before. It's the concept of plug and play. So our model has changed and it's ok.*"

The OBC technical team managed the risk of technology obsolescence by using a mitigation measure: developing a modular infrastructure. It was more costly in the short run but it soon became clear that the solution adopted was the right one because it allowed for flexibility and wide participation.

While the foregoing external risks are important, the most common risks come from the internal environment. These stem not only from the characteristics of the project itself, but also from organizational factors that can hinder a project's progress and outcome. In the case of collaboration projects, relationship risks also exist because multiple partners must share work, costs, resources, and rewards. The table below presents and illustrates these three categories of internal risk.

Internal risks associated with collaboration projects	
Risks associated with the project itself	*Characteristics of clients/users of the service*: resistance to change, lack of involvement, inadequate education level, difficulties in communicating, unrealistic expectations. *Scope of the project*: universality or specificity of the service, number of partners involved, number of clients, size of budget. *Complexity of the project:* especially organizational and technological complexity. *Definition and structure of the project:* unclear objectives, ill-defined specifications and functional requirements, changes in the scope or the reach of the project, difficulties in integrating data or processes.
Organizational risks	*Lack of resources:* uncertainty of funding, inadequate resources, lack of expertise in complex resource management. *Project team competencies:* lack of experience, expertise, stability, and communication skills. *Management strategy:* inadequate or inappropriate organizational support and control, absence of a champion, lack of leadership, unavailability of tested management tools and processes. *Technological know-how:* absence of an adequate technological infrastructure and of in-house technological competencies.
Relationship risks	*Form of collaboration:* inadequate or inappropriate type of agreement, misunderstandings regarding the content of the agreement; inappropriate selection of partners. *Collaborative process:* problems occurring with coordination, communications, culture differences, inertia, dependency, mistrust, lack of consensus or involvement.

Coping with internal risks

Internal risks come mainly from three sources : the project, the organizations involved, and the relationships among partners. All fifteen projects encountered one or several of these risks. Most projects suffered, at least temporarily, from a deficient project structure: many were launched even though objectives were not clear, a business case had not been completed, and milestones were only vaguely defined, if defined at all. On the organizational side, lack of project control mechanisms was the factor that most impeded many projects. Finally, risks associated with the relationships among partners was present in all projects, cultural differences being mentioned as the most important problem for collaboration.

The **Cadastre Quebec** project (real property tax mapping) encountered many problems in getting the project started, mainly because of project planning deficiencies. On the second try, a team of experienced project managers was brought in from other agencies. As the project manager put it:

> *"... you work out operating agreements and service level agreements. Then you know who needs to call who. So one of the things I can take credit for is that piece, setting it up so that we have things like project charters, project plans, weekly meetings ."*

On completion, the project was evaluated as a full success: budget, schedule and specifications had been met. Even though a competent project management team cannot resolve all problems, in this case, it was decisive. The main partner, the Ministry of Natural Resources, had first refused the risk and gave the project a second life by restructuring it. Bringing in new and competent managers on the second round was a critical factor in the eventual success of the project.

The Canadian project **Partners in Change** aimed at reorganizing the delivery of social support for unemployed persons. The reengineering focused on an electronic case management system that was to simplify the paperwork and enable workers to spend more of their time to develop a significant and helpful relationship with clients. As expressed by a case manager:

> *"I think that naturally people are scared, they were worried with their future, in terms of their jobs and their classification, if they had education and the desired training to stay and to be competitive in the new organization. When you take a service delivery model and you change it, people are nervous."*

The project managers first accepted the risk and then took specific measures to cope with this resistance to change. They invited union representatives to participate in an implementation committee so that all steps taken would be understood and approved by the union and employees would be properly informed. In addition, the project team traveled around the province, meeting all employees in local agencies to convince the social workers of the utmost importance of adopting this new philosophy for helping unemployed people become self-sufficient. They emphasized how putting in place these

innovative work processes would enhance their jobs and the quality of the service they offered. These efforts contributed to a highly successful result.

The **New York GIS Coordination** project first encountered a very slow rate of local government participation in its data sharing cooperative because of local bureaucracies and legal authorities that needed to understand and approve the data sharing agreements. Some were skeptical because no overt costs were involved. Consequently, they feared there were hidden costs.

> *"There was a lot of skepticism at the beginning. Local governments were looking for the hook: [They asked] 'What are you going to hook me with later, are you going to come and take my data?' There was also a lack of understanding for the usefulness of the data beyond ones borders."*

In order to overcome these organizational and relationship barriers, a mitigation response was put in place: the program managers devised a standard data sharing agreement oriented towards user needs, with clearly written clauses, and easy termination for those wishing to withdraw. These features encouraged reluctant localities to try out the cooperative and all who did decided to stay.

When the **FirstGov** project was launched to put in place a portal for the U.S. federal government, it had only 90 days to reach implementation. The ambitious goal was to enable government-to-citizen (G2C), government-to-business (G2B), and government-to-government (G2G) information access and transactions. No single agency could deliver such a system and meet the challenge of the schedule put in place by President Bill Clinton. It took a broad partnership to meet that goal:

> *"FirstGov is a unique example of a public-private partnership among the U.S. General Services Administration, the Federal Chief Information Officers Council, Vice-President Gore's National Partnership for Reinventing Government, the Government Information Technology Services Board, private sector information industry companies, and the Fed-Search Foundation created by Dr. Eric Brewer, Chief Scientist at Inktomi."*

Externalization made it possible to share among these partners the political risks associated with the project, as well as the organizational risks. This shared risk-taking was essential because no agency had the resources, the competencies, and the technological know-how to undertake such an ambitious and complex project alone.

Managing risk in new models of collaboration

Most of the projects in our study involved both public and private sector organizations. Governments and private organizations react differently to risks. Firms in the private sector manage risk using a financial logic: most risks necessitate adding more resources, therefore increasing costs and lowering profits. Businesses will cope with risk only up to

a certain level of cost. Beyond that point, they will close a project down because it is judged to be unprofitable.

The public sector, on the other hand, is guided mostly by the general interest of its citizens, but also by the need to be perceived as a responsible and responsive service provider. Its risk calculation has more to do with failure in either of these goals than with financial formulas. Thus, when a project has been approved through the political process and is deemed crucial to the public interest, government will very seldom abandon it. Public organizations will usually restructure a project if they encounter significant problems, and will keep adding more resources until the project is completed.

The public-private collaborations in this study had to accommodate both views of risk and risk management. How did they do it? In some cases, the contract between them served as a regulation mechanism since its content included both financial and quality level milestones. In other cases, the business plan specified each deliverable and levels of service required. In still other projects, committees were put in place to resolve problems encountered by the public or the private partner. Overall, open communication channels helped in developing trust and where there was thrust, very few problems remained unsolved.

Increasing responsiveness and maintaining transparency and public accountability are high priorities for public organizations. So is the ability to produce high quality services efficiently and at reasonable cost. Given these goals, and the inevitable complexity of most service environments, risk management has become an essential process to be mastered by public managers.

Useful sources of information on risk management

Project Management Institute: *http://www.pmi.org/*

With over 112,000 members around the world, the Project Management Institute (PMI®) is the leading non profit professional association in the area of project management.

> *"PMI provides global leadership in the development of standards for the practice of the project management profession throughout the world. PMI's premiere standards document, A Guide to the Project Management Body of Knowledge (PMBOK$^®$ Guide), is a globally recognized standard for managing projects in today's marketplace. The PMBOK$^®$ Guide is approved as an American National Standard (ANS) by the American National Standards Institute (ANSI). PMI is committed to the continuous improvement and expansion of the PMBOK$^®$ Guide, as well as the development of additional standards."*

The PMI website also hosts a specific interest group on risk management where professionals exchange practical ideas, real life solutions and lessons learned (http://www.risksig.com/).

Organisation for Economic Co-operation and Development: http://www.oecd.org/
The OECD home page offers a search engine that will lead you to reports, surveys and other documents that hold very interesting information on risk management specific to many sectors. You can browse through, download or buy papers of interest.

US federal government: http://firstgov.gov/
With the search engine from the US government portal, you can consult more than 1,000 documents on risk management including reports, guides, related sites, and best practices. For instance, if you are interested in the implementation of risk management practices in your organization, you can consult "*Information Risk Management: A Roadmap to for the Federal Government,*" a guide produced by the Federal Chief Information Officers Council.

> *"This document focuses on an initiative sponsored by the Chief Information Officer Council to identify effective practices for implementation of Risk Management in today's e-government environment. Using the enclosed survey, the project team is seeking information from your key personnel involved in information assurance and risk mitigation in order to capture accurate concerns from both a policy and technical standpoint."*
> http://cio.gov/spci/spci/security/IRM_Survey.html

Treasury Board of Canada Secretariat: http://www.tbs-sct.gc.ca/
If you want to know how governments from other countries support risk management, a visit to the Canadian Treasury Board website offers information on policies and publications on risk management.
(http://www.tbs-ct.gc.ca/pubs_pol/dcgpubs/riskmanagement/siglist_e.asp).

A very good book on risk management
Finally, if you want to examine this topic in more detail, *Project Risk Management: Processes, Techniques and Insights* by Chris Chapman and Stephen Ward (1996 Chichester: John Wiley & Sons, 322 pages.) will be very helpful.

> *"In the estimating, planning, implementation and realisation of any project, large or small, an understanding of risk management is critical. The central aim of Project Risk Management is to set out the key issues and concepts involved in effective risk management in a clear and accessible way. The methodology is applicable to all kinds and all sizes of project, whether this warrants detailed, quantitative analysis or a "quick and dirty" approach using only qualitative analysis. Project Risk Management meets the growing need for a generic methodology employing a systematic approach to project risk management. A central concern of the authors is to provide a comprehensive discussion of risk management processes set firmly in the context of the project management task as a whole, with a view to improving*

project performance. Its emphasis is risk management rather than risk evaluation and it treats risk management as an "add in" (rather than as an "add on") to project management."
(http://www.wiley.com/WileyCDA/WileyTitle/productCd-0471958042.html)