

# Congruence between risk management theory and practice in Hong Kong vendor-driven IT projects

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## Abstract

This paper reports the findings of an exploratory study comparing risk management practice of project managers from Hong Kong IT vendor firms, with theoretical prescriptions. Prescriptions and practice were closely aligned at pre-sales stages, but there was substantial variation during project implementation. The hand-over from pre-sales to implementation teams was often a weak link, with project managers failing to follow-up risk management plans prepared at pre-sales stage. In particular, gaps in the management of contingencies added to schedule and budget to address specific risks suggest that firms may not be fully benefiting from the contingency planning prepared at pre-sales stage. The importance of ensuring that risk assessors at pre-sales stage were independent of the implementation team was highlighted, but it was noted that this practice might compound the problem of ensuring on-going risk monitoring by removing the implementation manager's sense of ownership of the risk management plan.

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## 1. Introduction

Reports about problems with IT projects have appeared regularly in the popular and academic literature for over 30 years, including several well-publicized major failures [1,2]. Risk management practice has been identified as one critical factor for project management success [3,4], and with the growing demand for high quality of service and delivery in IT projects, appropriate practice for management and containment of risk in these projects has become increasingly important.

One stream of research in IT project management has focused on providing guidance on how to manage risk processes for IT projects. Risk management researchers [5–10] have provided frameworks that build on standard project risk management prescriptions such as those provided by the Project Management Institute [11]. Typ-

ically these frameworks prescribe five risk management stages (1) *risk management planning*, (2) *risk identification*, (3) *qualitative and quantitative risk analysis*, (4) *risk response planning*, and (5) *risk monitoring and control*. Some of the writers in the prescriptive risk management stream, for example [5], also recommend a contingency approach of matching the risk management approach to the level of risk exposure in a project. However, in spite of such clear prescriptions on risk management processes, reports of troubled IT projects continue. While there is a presumption that this is at least partially due to the risk management techniques recommended in the literature not being applied in practice [8], there is little research on whether this is indeed the case and little is known about how project managers in the field actually apply risk management prescriptions in their projects [3].

The research reported in this paper examines current risk management practice of vendor project managers in software package implementation projects. Software packages are especially interesting in the context of IT

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risk management practice, in that their use is increasing [12,13] and is purported to ameliorate or avoid many of the risks associated with custom developments [14–16]. While some recent research has addressed risk issues related to outsourced custom IT projects from the customer perspective [17–19], there is little research addressing the particular practices of vendor managers of software package projects [20,21]. Thus, the aim of this study was to explore how experienced vendor project managers approach the management of risk in the implementation of software packages on client sites, and to compare these risk management practices with IT project risk management prescriptions in order to identify key areas of congruence and variance.

## 2. Method

The study involved an in-depth exploratory investigation of Hong Kong vendor project managers' risk management practices, with the aim of extending our understanding of the extent to which standard risk management prescriptions are applied in IT software package implementation projects. In particular, the study aimed to draw out what *actually* happens in practice, rather than simply reporting what respondents thought they *ought* to do in practice. This distinction between theories of action and actual practice is critical in identifying gaps between theoretical prescriptions, and their application in the field [22,23].

Respondents were interviewed using a critical decision interview approach, which has been demonstrated to be effective in enabling experts to verbalize difficult-to-articulate tacit knowledge, particularly knowledge related to actual practice rather than theories of action [24–27]. A loosely defined interview protocol was developed, with a range of cognitive probes to encourage respondents to reflect on their own risk management practices. Respondents were asked to focus on a particular recent project they were involved in so that they were reporting on events that had actually occurred rather than talking about their general conceptions of rules and procedures. Respondents were first encouraged to 'tell the story' of the project from a risk management perspective. Then a series of probe questions was used to elicit details of specific incidents from various stages of the project that were interesting or challenging

from a risk perspective. Once respondents had exhausted their recall of key incidents for the specific project chosen, they were invited to discuss one or two other projects in their experience that might provide contrasting information.

### 2.1. Participants and projects

Twenty two experienced project managers participated in the research from 12 different organizations within Hong Kong. As shown in Table 1, the organizations ranged from very small 'boutique' software houses, mainly focused on local clients, to Hong Kong branches of large multi-national vendor and consulting firms. All of the respondents had trained or worked abroad for part of their careers, and all had experience working with team members from a wide variety of cultures.

The respondents described experiences with a very wide variety of projects, ranging from small local projects with a team size of one to five people, budget of \$US20,000, and duration of three months, to very large, complex, multi-national projects with a budget of millions of US dollars, team size of 70+ people and a duration of more than two years. Most (80%) of the clients of these projects were commercial organizations, with the remaining 20% being carried out for government and semi-government clients. While most (80%) of the projects fell into a broad category of package implementation project, only two were described as straightforward package implementations with little or no customization. More typically, the projects included extensive customization, front-end web development work, and/or major infrastructure upgrades. The remaining projects involved mainly custom development and some consulting work. Ten of the projects discussed by respondents were 'troubled' projects which the managers had been called in to 'rescue'. These projects in particular highlighted some key contrasts in respondents' risk management practices.

### 2.2. Coding and analysis

Interview transcripts were analyzed with a qualitative content analysis procedure, using the software package NVivo version 2.0, to support and manage the detailed coding and analysis process. Each transcript was coded into sections corresponding to each of the projects discussed by the respondent, plus a section for the respon-

Table 1  
Organization details

Type	Organizations	Respondents	No. of Projects
Local 'boutique' s/w houses	4	5	10
Mid-range vendor firms (local HK and some mainland China projects)	3	5	8
Large multinational vendor firms (HK branch, Asia-Pacific projects)	5	12	34
Total	12	22	52

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