



Is There Truly a Devil in Those Details?

Assessing the risk effectively

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When proceeding along the path of securing a new project, there are a myriad of decisions to be made and hundreds of details to deal with. Identifying which details to pay close attention to and which ones to let lie can impact success.

For example, a contract clause of a few words can derail an entire effort to win a new major project. In one instance years ago, so the story goes, after expenditure of hundreds of thousands of dollars in pursuit and proposal costs, one company decided not to submit a company bid at the final hour. Significant company costs and efforts were expended only to have (at the last minute) the final decision be that there was a contractual risk the company could not accept.

Of course, it wasn't true that this risk was not identified earlier in the process and that the company did not attempt to resolve the issue with the customer. But, they were confident that the risk would be mitigated or fixed by the time the company made the commitment to allow the proposal to proceed. This was not a poor decision because it is often the case that troublesome issues do get resolved in time. Whatever the reason was - and that remains a mystery - this issue did not get resolved and the company ended up with a huge proposal for a huge project ready to go - but did not submit it.

The questions we would ask after the fact are:

- Should this issue have been identified even earlier than it was, or should more effort have gone into resolving the issue once the issue was identified?
- Should the company have stopped its proposal and pursuit effort and saved those costs to utilize all those resources towards work on another project or proposal that they could indeed win?
- Was the situation that this company could not

effectively manage this risk and other bidders could, thus indicating a major weakness in the company?

Details to be mindful of are many. Here are some examples:

- **The customer's true preferences.** Ask yourself the question: What are the true preferences of the customer? Determine if you know beyond a doubt what they are. If you have an idea but truly do not know, determine how you can decipher what they are.
- **The specifications.** What are the influential forces? When developed, are the specifications accurate? Is there consistency throughout? Are all the required elements included? Is there opportunity for misinterpretation? Do they contain elements that indicate a preference for one bidder's solution over that of others?
- **Competitors' approaches and moves.** Beyond the publicly available information, how can you decipher what the competition is thinking and what they will do?
- **Legal and contractual risks.** Are all the significant legal and contractual risks identified, and more importantly, assessed? What is it exactly that leads you to believe that you have identified all the significant legal and contractual risks? When assessing the potential impact of the risk, is the assessment conducted considering the full context of the project, being neither dismissive nor over the top?
- **Performance risk.** Identify all the potential significant performance risk components, such as schedule, cost, and technical certifications. After identifying these and once you've considered all elements needed to come together to achieve the required performance, what are the key elements that although are only a part of the equation, may pose a problem and need to be improved and managed in order to meet the performance requirements?
- **Evaluation.** A part of the evaluation that can be overlooked is that outside of any evaluation process, there is a risk assessment performed by the customer: What is your track record?

What is the customer's opinion of your company's performance? Are there any issues with your relationship with the customer, however small they may be?

- **Technical risk.** Are all the significant technical risks identified, and more importantly, assessed? What is it exactly that leads you to believe that you have identified all the significant technical risks? When assessing the potential impact of the risk, is the assessment conducted considering the full context of the project, being neither dismissive nor over the top? What are the possible workarounds for the risks, and what is the impact of the workaround on cost and schedule?
- **Cost assessment.** Because cost and price have a significant impact when winning new business, have you performed a detailed assessment of all costs that will be incurred? Is your cost assessment accurate and based on firm quotes and estimates that have been double-checked by historical references and experts, or is it merely an educated guess? Have you considered the risk of being unable to achieve the projected costs? Have you determined the mitigation to this risk and what that mitigation will cost?

The condition to achieve is having **considered and reasoned attention to detail**. The extreme condition in being too obsessed with details is being **irrational detail obsessiveness**. The other extreme condition of ignoring details is **whitewashing over the details**. In the latter condition, symptoms to watch out for include using rationale such as "this is the nature of the business," "everybody signs up for this," or "it will work out fine after contract award," and "we can negotiate our way around this."

During the pursuit of a major new piece of business, companies can take different approaches to assessing and managing the risk of the details. Examine your own situation; are you taking the most effective approach to assessing and managing the details?

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