

A Risk Management Framework for Selling a Mega Power Plant Project in a New Market

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Abstract

The origin of most risks of a mega project usually takes place in the phases before closing the contract. As a practical point of view, using project risk management techniques for preparing a proposal is not a total solution for managing the risks of a contract. The objective of this paper is to cover all those activities associated with risk management of a mega power plant project sale's processes; from entrance to a new market to awarding activities and the review of contract performance. In this study, the risk management happens in six consecutive steps that are divided into three distinct but interdependent phases upstream of the award of the contract: pre-tendering, tendering and closing. In the first step, by preparing standard market risk report, risks of the new market are identified. The next step is the bid or no bid decision making based on the previous gathered data. During the next three steps in tendering phase, project risk management techniques are applied for determining how much contingency reserve must be added or reduced to the estimated cost in order to put the residual risk to an acceptable level. Finally, the last step which happens in closing phase would be an overview of the project risks and final clarification of residual risks. The sales experience of more than 20,000 MW power plant projects alongside this framework, are used to develop a software that assists the sales team to have a better project risk management.

Keywords:

Project Marketing; Risk management; Tendering; Power Plant;