



White Paper 2012-16

Enterprise Opportunities and Risk Management for a Complex Projects Organization: a Great, Untapped Source of Value

Opportunity and risk management is the key to sustainable project success. There are also huge opportunities to gain to apply specific practices at the organizational level. Indeed, specific challenges need to be addressed at the organizational level for organizations that manage simultaneously several complex projects. In this paper, we go one step further than the paper [2012-11](#) "Take Risks, but Take Risks the Right Way: Reframing the Opportunities and Risk Process for Complex Projects" which reframes opportunity and risk management at the project level. We address what needs to be done further up, at the organization level, to further release significant value to the organization and its stakeholders.

Short reminder on the drivers of project-level risk

As exposed in other papers, for complex projects, the main driver of project risk is the schedule, and in particular, the project's critical convergence points. The convergence plan process provides a sound methodology for the early identification of potential critical convergence point issues and helps the project leadership prioritize and take action, so that the project stays back on track.

For project-level risk and opportunity, what support should the organizational level provide to the project level?

Several areas of action of the organization cannot be covered under a single project. The organizational level:

- Defines what are acceptable and non acceptable risks for the company;
- Can identify synergies, shared opportunities or risks between activities performed similarly in different projects and provide systems, support and methodology, allowing the projects to be more effective on these activities, opportunities or risks;
- Has got leverage on one particular item: resources. It can decide reallocations of resources between projects; takes strategic decisions regarding the development of certain types of resources; arbitrates problems of resource usage and define priorities.

How does that fit with the needs of a single project?

The organization should define the risk management policies and provide the necessary support to setup a project in terms of resources and systems.

It should be able to provide the project with the right level of resources (number, capability and skillset), as per the required resource plan. Yet this is not enough: the organization needs to maintain a resource buffer to cater for unexpected events.

The resource buffer, a major responsibility of the organization

Moreover, the organization should be able to provide the necessary support to a project to reinforce the team in the case where a particular deliverable is planned to be late, and is critical for a convergence point. In that case the project leader inside a large organization will generally expect temporary support. To achieve this, the organization as a whole needs to have some spare resources, which is in effect a resource buffer held at the organizational level. This buffer concept is applicable to people and skills as well as to equipment utilization.

This support is a very important contribution of the organization toward optimizing the project opportunities and risk. At the same time, the investment required to maintain the buffer of resources will be amply repaid by the lack of organization-wide disruption created by a failed convergence point and its consequences for the project and the organization. In particular, in case of a major problem in the execution of a project, the organization would anyway scramble to support the project; it is better to anticipate and avoid last minute disruption which would affect the other projects in the organization.

Further opportunity and risk processes that can be run at organizational level with great value

Several areas of action of the organization cannot be covered under a single project. The organizational level:

- Can decide, up to a certain point, which are the projects to be executed (or, at least, which are the projects that fit and will be bid);
- Can identify and act on common causes of project deliverables poor delivery.

The first point is vitally important for all organizations: it needs to pick and choose the clients and the projects it wants to execute. That's easier said than done, and tends to be forgotten in periods of meager activity. Yet picking up the wrong client or a project which is decidedly off the usual expertise of the organization will create considerable disruption and lack of focus. Except if it is a

well-thought investment in a new area, it should be avoided, however painful it might be in the short term.

The second point is where the organization can have a significant impact in terms of optimizing opportunities and minimizing risks. If the same type of dysfunction happens repeatedly, or if issues in different projects can be traced to a common root cause, the organization needs to act. It might be for example, difficulties in procuring a certain type of item or service; systematic under evaluation of effort for certain activities, etc. There needs to be resources in the organization to identify, analyze and address these common issues appropriately, as they can't be tackled at the level of an individual project.

The opportunity represented by these common causes is huge and vastly underestimated by most organizations. In most organizations, the functional side which is supposed to act on these issues is generally much too busy with solving problems in projects and, more generally, managing the disruption created by projects that fail to meet their objectives.

The extended PMO mission

Project management common knowledge promotes the creation and use of a Project Management Organization at organizational level. It is a kind of a functional role for supporting the project management community, developing processes and procedures for project management and training project management teams.

Project Value Delivery believes that the PMO role as considered traditionally is too restrictive when it comes to an organization that deals with complex projects. It should not just be a back office role.

In addition, the PMO should be in a position to:

- Advise whether a new project that is being considered does fit into the competency of the organization, and whether some special considerations need to be taken in that respect;
- Analyze the progress of the execution of all current projects;
- Recommend to the organization's leadership:
 - The deployment of resources, if needed, to tackle early warning signals

of an impending convergence problem on a project;

- The size and composition of the resource buffer to minimize disruption and allow the organization to react effectively to issues when they arise;
- Actions to act on possible common causes of events that have been observed across several projects, after having done the necessary analysis.

To achieve these objectives, not only should be PMO be adequately staffed, but it should be placed in an influential role in the organization so that action gets really taken on those items, when needed.

Organization-level opportunity and risk management, an investment with high ROI

The value that can be drawn from a systematic application of the principles of this paper is generally understated. It is because organizations have difficulties to measure the toll that organization-wide disruptions take when something does not go well on a complex project.

It is far better to invest upfront in:

- A reasonable buffer for resources (number of people or equipment utilization) that is available to intervene if needed
- A powerful PMO able to create significant value by analyzing common causes and taking action at the organizational level

Because the people involved in the PMO can also be the buffer, the investment in human resources is limited. More difficult but still necessary is to preserve enough breathing space in the utilization of equipment, even costly equipment, to minimize the spread of disruptions between projects.

This is an investment upfront; it requires discipline to say no to some projects and keep spare capacity available. Yet the much smoother ride of the organization of the whole that results from this investment is huge, and much greater than the investment itself.

Investing in buffers and a powerful PMO that can act is just the best investment decision you can do in your organization if you run complex projects.



We Empower Organizations to be Reliably Successful in
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