Portfolio, Programme and Project Risk Management

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Why Portfolio, Programme and Project Risk?

- BoK (V6) will include Portfolio, Programme and Project (P3) Risk Management.
- PRAM (Edition 3) to include P3 Risk Management.
- I support it since I’ve been pushing for years to include Risk Management in early stage of projects (all product life cycle).
Project Life Cycle

Concept → Definition → Implementation → Handover and Closeout → Operation → Termination

Product Life Cycle

(Source: APM BoK)
APM Body of Knowledge:

Programme. A group of related projects, which may include related business-as-usual activities that together achieve a beneficial change of a strategic nature for an organisation.

Programme Management. The coordinated management of related projects, which may include related business-as-usual activities, that together achieve a beneficial change of a strategic nature for an organisation.
Programme Management

OGC Managing Successful Programmes:

Programme. A temporary flexible organisation structure created to coordinate, direct and oversee the implementation of a set of related projects and activities in order to deliver outcomes and benefits related to an organisation’s strategic objectives.

Programme Management. The coordinated organisation, direction and implementation of a dossier of projects and transformation activities (i.e. the programme) to achieve outcomes and realize benefits of strategic importance.
Portfolio risks result from change in the economic, commercial or political conditions. This could be driven by changes in Market trends, Banking and Financial practice, Public perceptions, Environmental views, Regulation or change of Government or changes to their policies. Privatisation, Nationalisation or diversity of Industries will have risk associated with it as will adoption of new technology, working practice or production methods.

Example:

Due to changes in Safety regulations our production plant may need refurbishment or replacement. This will be costly and require the closure of the production facility for many weeks. Estimated loss of revenue is £5M with refurbishment cost of £2M.

(Source: Peter Campbell)
Business Strategy and Objectives

Investigate situation
Consider perspective
Analyze needs
Evaluate options
Define requirements

Risk Management
Risk Management Process

Escalation Process
P3 Risk Management

Programme
Funding
Legislation
Environmental
Technical
Health & Safety
Reputation
Regulation
Legal
Operational
Corporate
Fuel
Delivery
Logistics
Business
Licensing
Socio-Economic
Stakeholders
Supply Chain
Business Continuity
Project
Risk
Project and Programme Risk


Project and Programme

Project objectives focus on **deliverables** and **outputs**.

Programme objectives focus on **benefits** and **outcomes**.

For example:

**Project:**

Construction of a new building is an example of a Project and provides an output, a facility to:

- Sell goods.
- Store items.
- Provide business accommodation.

**Programme:**

Once in use the building can now deliver benefit through revenue stream.
What is Risk?

Objectives:
- To compete?
- Complete the course?
- Be the Best?

What are the problems?

Success Criteria:
- Risk Controlled.
- Objectives Achieved.
- Deliver the Project.

What are the advantages?
Clear Objectives

Make me a means of transport to the village

How do I get back?

It doesn't say anything here about getting back.

PROJECT MANDATE
Strategic Risk

In Projects we tend to concentrate on Tactical or Risk Events: finding hazardous material, ground conditions, resource availability etc. These are all related to project activities.

When applying risk management at a strategic level there is likely to be less clarity of outcomes i.e. more uncertainty as we are now taking either a high level, or long term view. For example; changes in economic conditions, effects of regulation changes, supply chain availability are not related to specific activities but can still impact on project outputs.

Not considering the affect of Strategic risks can have extreme consequences.
Typical areas of uncertainty (Strategic) within the programme perspective include:

- Clarity of expected benefits.
- The impact of working across organisational boundaries.
- Interdependencies between programmes and projects.
- Programme funding.
- Organisational and cultural issues.
- Quality of the benefit-enabling deliverables from projects within the programme.

Programmes focus on delivering benefits to the organisation and often affect stakeholders from many different internal and external organisational units.

Risk management for a programme must be designed to work across appropriate organisational boundaries in order to accommodate and engage stakeholders.

(Source: OGC Management of Risk)
Risk Management Process

1. Initiate
   - Risk Management Plan.
     - What is required from the Risk Management Process.

2. Identify
   - Risk to Objectives. (Threat and Opportunity).

3. Assess
   - Structure.
     - Ownership.
     - Estimate.
     - Evaluate.
   - Risk to Objectives. (Threat and Opportunity).

4. Plan
   - Response.
     - Action dates.
     - Owners.

5. Implement
   - Effect the Plan.
     - Monitor result.

6. Manage the Process

(Source: Adapted from PRAM)
Risk Taxonomy
Because of <cause> a <risk> may occur, which would lead to <effect>.

Example:

Cause: Loss of specialist staff through Company budget constraints........

Risk: May lead to greatly reduced product output........

Effect: Many clients may not receive deliveries which could lead to loss of contracts with significant financial and reputational damage to the Company.

Can be used for both Tactical and Strategic Risk

(Source: Adapted from PRAM)
Strategic and Tactical Risk

Portfolio

Programme and Project

Project

Strategic Risk

Tactical Risk

Idea

Definition

Implementation

Handover and Closeout

Operation

Termination

Programme
Risk Transfer

Portfolio

Programme

Project
Risk Management Process

Escalation Procedure
Risk Exposure

Cost

Time

Baseline Budget

Risk Control Cost

Unidentified/Uncontrolled Risk

Specific Risk Reserve

Non-Specific Risk Reserve

Risk Exposure
What can go Wrong?

- Same Risk addressed by many:
  - Environmental conditions appearing in 5 Project Risk Registers all with control action funding. This was on same site.
  - Project trying to control a Risk not within their authority.
    - Risk of Regulation change funded in Project.
  - Insufficient Management Reserve as full risk exposure not known.
  - Projects/Programmes sanctioned when Strategic Risk not considered.
  - Risk identification limited to Tactical Risk.
People have different perception of Risk:

- **Safety Analyst**: the relevant risk is the potential for ending up with a system that can demonstrate a frequency of radioactive release that satisfies established institutional and regulatory goals (Focus on safety related risk).

- **Financial Analyst**: the relevant risk is the potential that the cost of the investment will not be recovered over the life of the investment (Focus on financial risk).

- **Operations**: the relevant risk is that the installation and operation of the new system may introduce operational difficulties or operational benefits (Focus on operational risk).

- **Programme/Project Manager**: the relevant risk is the probability that the project will be completed on schedule and within budget along with the associated cost impacts (Focus on budget and schedule risks).
“Only those who will risk going too far can possibly find out how far one can go”

TS Elliot
Questions

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