

EFFECTIVE OPPORTUNITY MANAGEMENT FOR PROJECTS : EXPLOITING POSITIVE RISK

Dr David Hillson, Risk Doctor & Partners david@risk-doctor.com, www.risk-doctor.com

Published by Marcel Dekker, New York. November 2003. ISBN 0-8247-4808-5

PREFACE

Projects are undertaken in order to gain business benefits, involving achievement of objectives in a world characterised by uncertainty. Some of that uncertainty is negative, representing threats to the project's objectives which must be avoided or minimised. But other uncertainties are potentially beneficial opportunities which need to be captured and exploited. While threats can be managed through the routine application of project risk management, there is currently no widely accepted approach for dealing with project opportunities.

This book helps to fill the gap, by extending the familiar threat-based project risk management process to include opportunities explicitly. It provides readers with clear-thinking rationale, and practical techniques for identifying, capturing and managing opportunities proactively.

Other books on risk management reflect traditional thinking that "risk equals threat". This ground-breaking book is the first to provide a comprehensive and structured framework for opportunity management within projects as an integral part of the risk process. It captures part of the current debate on the future direction of project risk management, unequivocally making the case that definitions of risk must include both opportunity and threat, and risk processes must deal with both equally effectively if project objectives are to be achieved successfully.

The underlying theme of this book is the need for all uncertainty affecting achievement of project objectives to be recognised and managed proactively. Project managers are familiar with the traditional concepts of risk management, and a structured approach to managing risks within projects is increasingly being adopted across a wide range of industries. While precise details of specific methodologies may differ, most project management professionals would recognise a risk process including phases for Definition, Identification, Assessment, Response Planning, and Monitoring, Control, and Update.

There is however a systemic weakness in risk management as undertaken on most projects. The standard risk process is limited to dealing only with uncertainties that might have negative impact (threats). This means that risk management as currently practised is failing to address around half of the potential uncertainties – the ones with positive impact (opportunities).

The implications for project success are clear. Without proactive management of opportunities, the only alternatives are to achieve the plan or to succumb to threats. Risk management becomes a one-way street, with the only option being to travel away from the objectives. However when opportunities are recognised and addressed effectively, this introduces the "roundabouts and swings" effect where upside risks balance downsides, and it even creates the possibility of improving on the project plan to deliver enhanced benefits.

This book presents the case for extending the traditional risk management process to deal with opportunities explicitly. Starting from an accepted risk process, the reader is introduced to tools and techniques which expose and explore opportunities alongside threats. Project risk management is broadened to address all types of uncertainty, building on the familiar threat-based approach to create an integrated holistic process that includes opportunities. Taking a generic risk management process, each phase is discussed indicating where modifications are required in order to cover opportunities as well as threats.

The result is an approach to project risk management which reflects the current understanding that risk can be good for you as well as bad. The techniques described in this book will give project management professionals the capability to deal with all types of uncertainty on their projects, both minimising threats and maximising opportunities.

All project management professionals will benefit from this book, as well as managers wishing to understand risk management in more depth. The approach is applicable to projects in any industry or country, and will prove valuable to students and practitioners alike. Risk management specialists will find the discussion particularly helpful as they seek to resolve the current debate over the definition of risk and the scope of the risk process.

For all readers, the aim is to extend awareness and offer an approach that allows upside uncertainty to be managed, so as to capture as much of the available benefits as possible. By applying the simple process, tools and techniques described in this book, each reader should be able to prove that "risk can be good for you!" And a new proverb might be coined: "May all your risks be opportunities!"

Dr David Hillson Petersfield, Hampshire, UK September 2003