

# Leveraging the power of information to achieve Portfolio Risk Management

INCOSE Virginia Chapter

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# Agenda

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- Portfolio Project Management
- Portfolio Risk Management
- Leveraging the power of information
- Portfolio risk management system
- Common keys to success
- Q&A

# Portfolio Project Management

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- PPM is ideal for:
  - Engineering centric companies
  - Coordination and standardization between projects
  - Centralized resource management
  - Higher level reporting about project & resources

## Portfolio Project Management (PPM) Defined

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*Portfolio Project Management is the ability to collectively manage an organizations collection of projects / programs for the purpose of supporting the overall business goals of the organization.*

# PPM Benefits

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- Reduce costs by identifying low-value, non-strategic, redundant or poorly performing projects
- Increase return on the portfolio through improved selection, prioritization, sequencing and governance of investments
- Optimize the use of limited resources to balancing risk and focusing on programs that are the most valuable to the business
- Achieve competitive advantage by reducing the time required to realign the project portfolio with rapidly changing business needs

# What is Portfolio Risk Management? (PRM)

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- First lets define “risk”
  - Risk = Variability
  - Threat (Negative Consequence)
  - Opportunity (Positive Consequence)
- *Portfolio Project Management is the ability to collectively manage an organization’s collection of projects / programs for the purpose of supporting the overall business goals of the organization.*
- Portfolio Objectives
  - Are they risk adjusted?

## PRM Defined

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- *Portfolio Risk Management is the ability to collectively manage an organization's collection of program/project risks for the purpose of assuring that the organization successfully achieves its business objectives.*

Or simply stated:

- *A decision making discipline that manages variation from the portfolio's objectives*

## What are the benefits of PRM?

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- Increase the likelihood of achieving strategic objectives
- Increases your customer's confidence of delivery
- Increased bid-win ratios



# PRM Characteristics

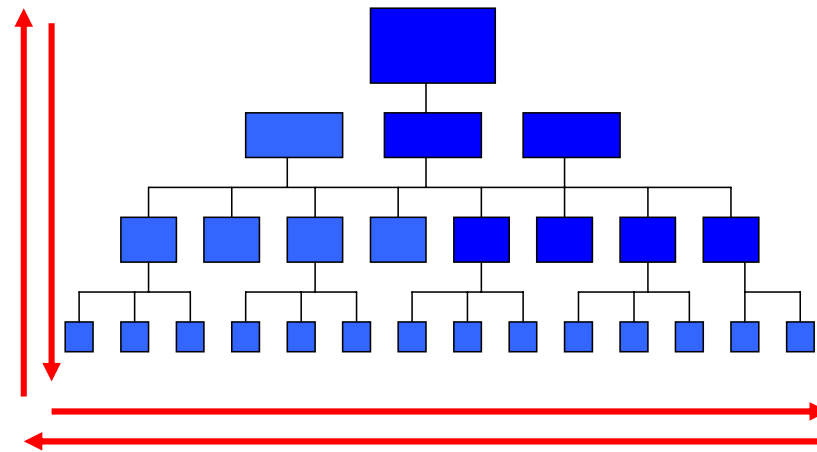
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- Includes risks from all programs (large, small, R&D etc)
- Includes risks from all phases (bid & execution)
- Facilitates communication across programs
- Coordinates all risk management strategies
- Treated as a continuing loop or process
- Focuses on impacts to organization's objectives
- Recognizes upside, as well as, downside risks (positive mental attitude)
- Team facilitator at the corporate level

# Risk Information Challenge

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- Collecting
- Organizing
- Analyzing
- Communicating
- Reporting



How can you manage all this risk information in a way that decisions can be made in a proactive and real-time fashion at all levels in the Portfolio?

# How? - The Power of Information

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- Portfolio Risk Management System:
  - Collect, organize, report & communicate risk
  - Multiple views into the organization
  - Standardized risk process
  - Adherence to that process
  - Multiple views into the organization
  - Creation of a knowledgebase of information
  - Alerts to key events in the risk process



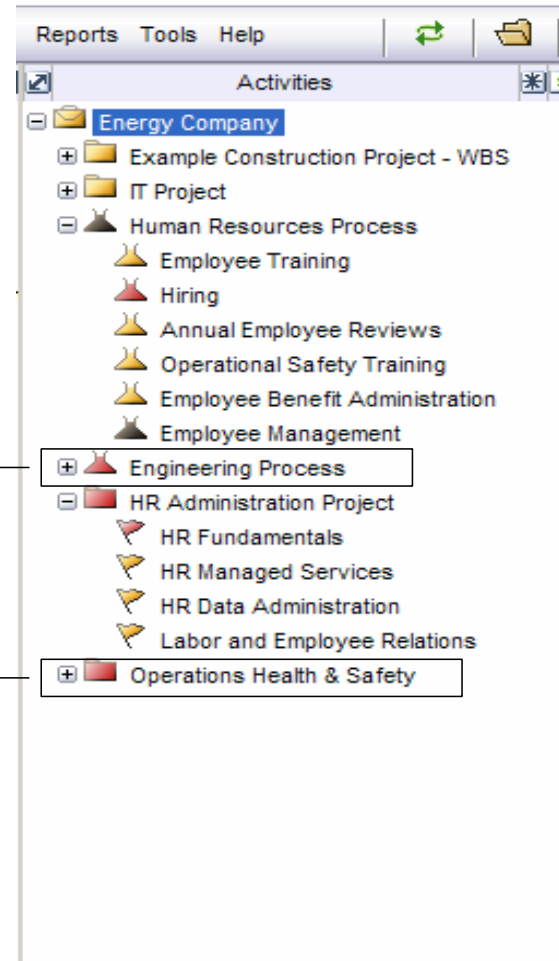
# What are the benefits of Portfolio Risk Management System?

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- Quickly Identify projects / programs with high risk issues
- Knowledge base of lessons learned
- Identify cross program / business unit risks
- Determine the total cost exposure at different levels in the organization
- Increase Risk Awareness / Risk Maturity
- Benchmarking to show the value to the risk management program

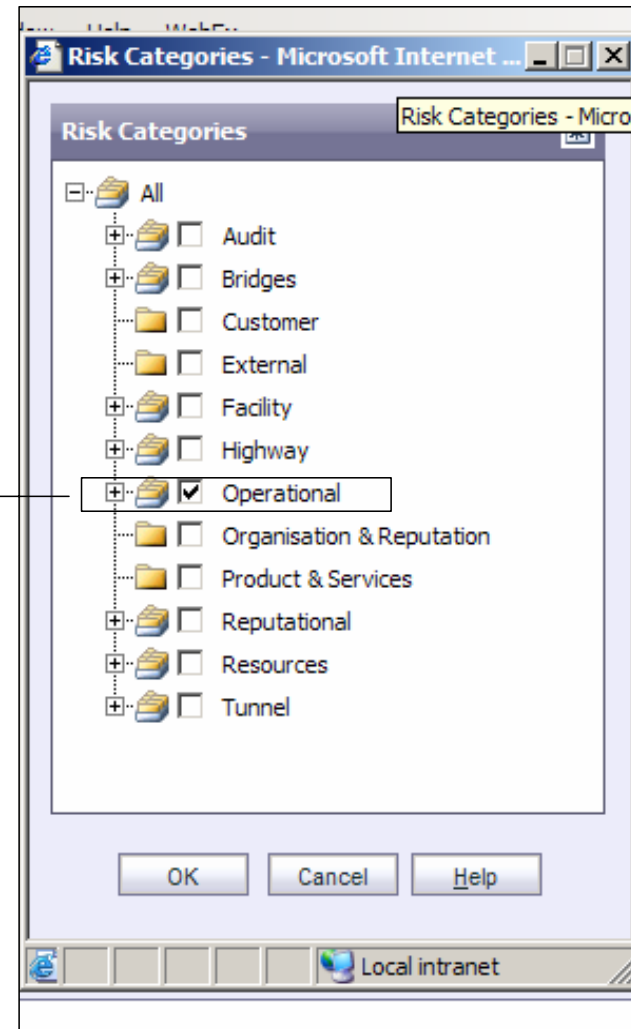
# Identify Projects with high risk issues

-Visual clues to identify changes in status



# Risk Knowledgebase

- Common Categories
- Share Risk & Mitigation Strategies
- Identify “Risk Experts”



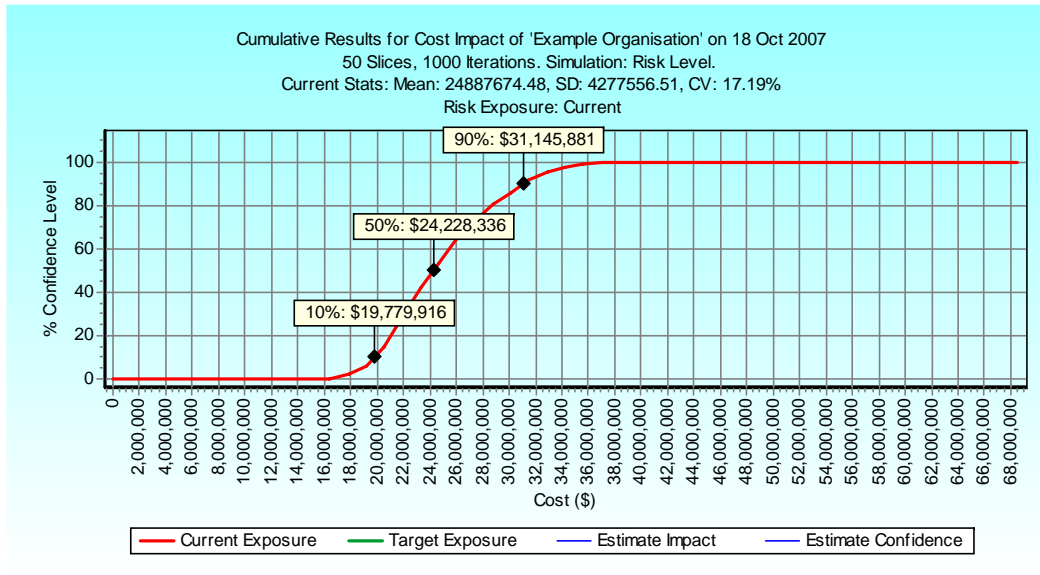
# Identify Cross Program Risks

The screenshot displays the Active Risk Manager (ARM) interface. On the left, a tree view shows the organizational structure with 'Project Management' highlighted under 'Design Phase' for two different projects. On the right, a table lists risks with columns for ID, Risk Title, Risk Owner, Status, Risk Level, and Related. Risk ID 14 is highlighted in blue, and risk ID 23 is highlighted in a darker blue. A table below the main list shows details for ID 14 and 23.

ID	Tree Node	Tree	Trigger	Scoring Scheme	Risk Level
14	Project Management	Activity		Default	High: 0.7
23	Project Management	Activity		Default	Nil

-One risk  
-Multiple Impacts

# Identify cost exposure at different levels

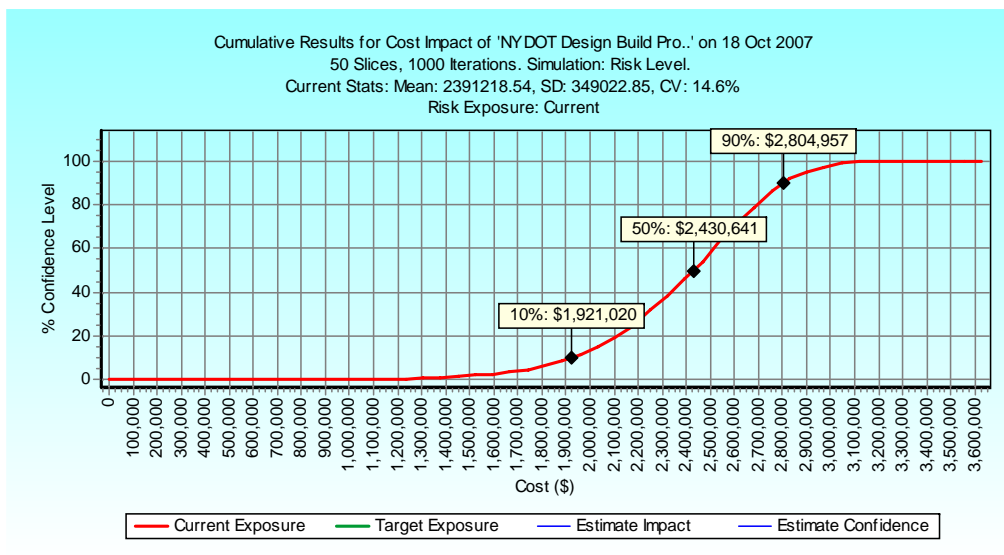


-Identify exposure at multiple levels

- What is the ROI for mitigation?

-Optimize your mitigation \$\$

-Trending



## Increase risk awareness

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- Physical interaction with the process
- Key element in change management strategy
- Stakeholders need to see value
- Executive sponsorship & support
- Non-Intrusive & easy to use

# Showing value in the risk management program

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- Benchmark key indicators
- Hard data to prove value
- Examples:
  - Cost exposures more predictable
  - # of risks reported has increased
  - ROI for mitigation has increases
  - Etc...

## In summary

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- Summary:
  - Definition of Portfolio Risk Management
  - Value of PRM
  - Process & Enabling System
  - Value of the system
- How do you get started?

# Common Keys to Success

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- Development of a Risk Maturity Model for the organization
- Development of a deployment strategy for the process and supporting information system
- Defining the incremental business value for each step in the risk maturity mode
- Establishment of executive sponsorship and business value

# Example Risk Maturity Model



# Q&A

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# STRATEGIC THOUGHT GROUP/RISK MANAGEMENT

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