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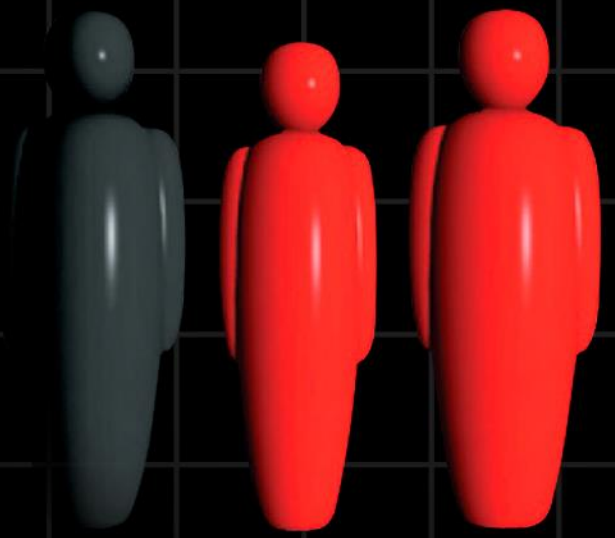
Benchmarking Risk Management



IT Sector

Dr Alicia Aitken
Managing Director Human Systems International

Topics for Discussion

- Who is Human Systems International
- HSI Benchmarking Trends
- Industry insights

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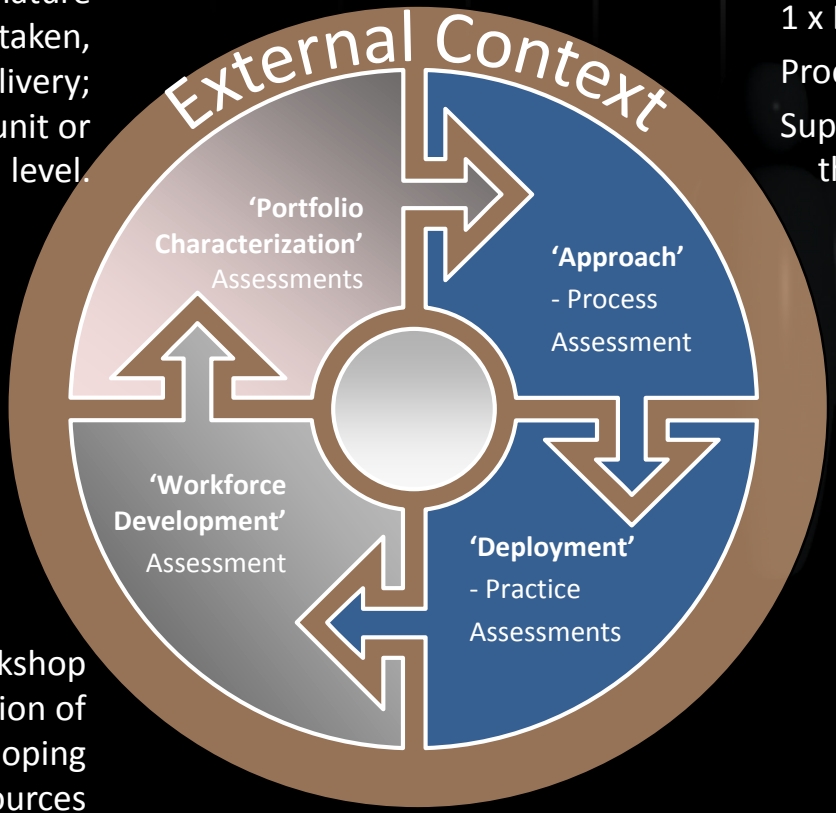
Who is HSI?

- Human Systems was established 1987 and has a global reach
- We are research based and link this to real-world delivery experience from our blue-chip clientele
- We address all industries and sectors and have over 20 years of comparative global data & metrics
- We know ‘what good looks like’ and understand why projects fail and organizations continue to under deliver
- We help organizations improve their project and program management delivery capability through assessment, benchmarking & sharing of best practice

Top 500 + Government Agencies

4Q – HSI PPPM Benchmarking

½ - working group session
Portfolio Characterization - of the nature and complexity of projects undertaken, and the degree of difficulty of delivery; conducted in multiple at business unit or divisional level.



1 x Desktop Audit
Processes & Procedures
Supported by information gathered fro
the interviews with Key Personnel

1 x Workshop
With Project Teams
Series of Interviews
With Key Personnel

1 x Desktop Audit & Workshop
Workforce Development – evaluation of the corporate approach to developing PPPM resources

PMI

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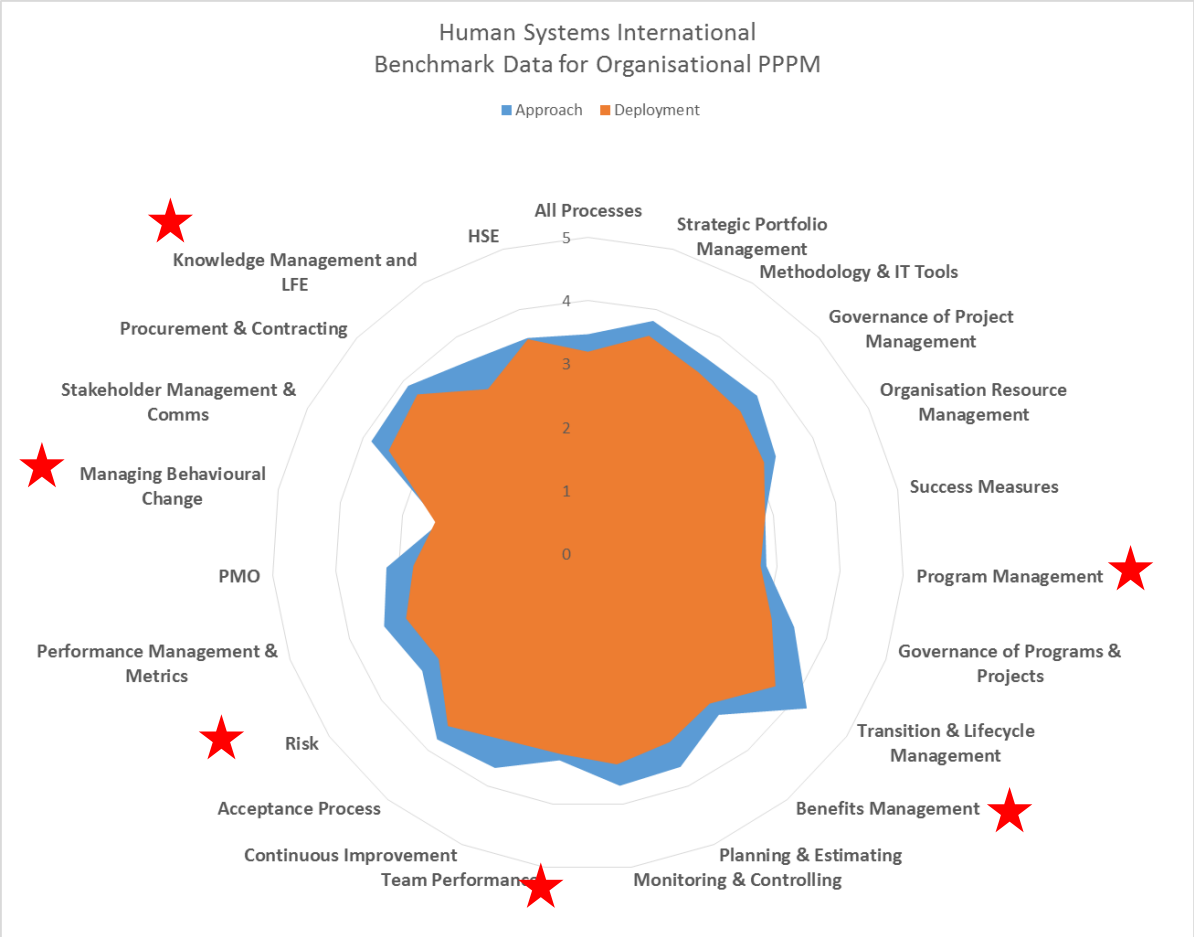
HSI Benchmark of PPPM Practice



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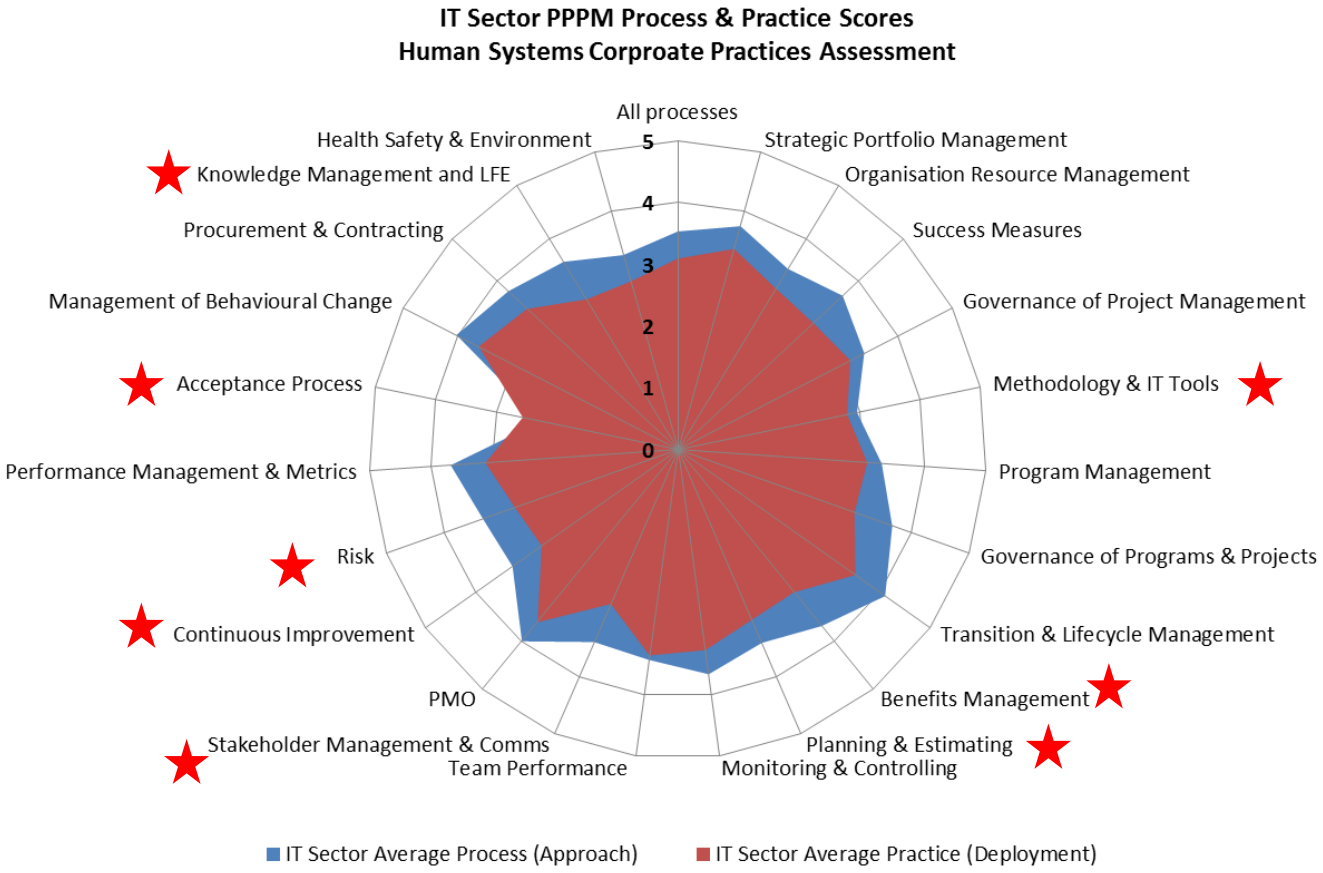
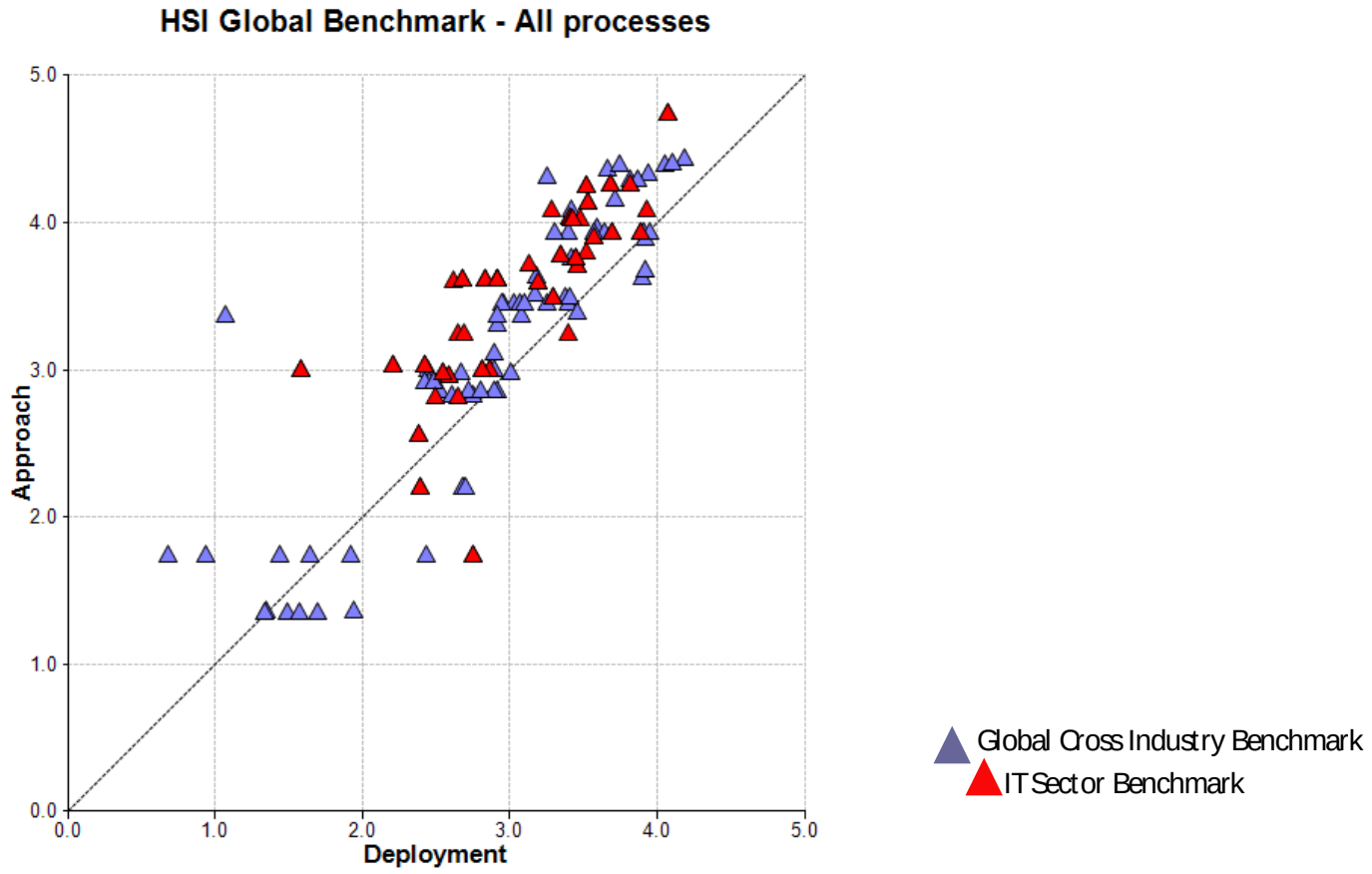
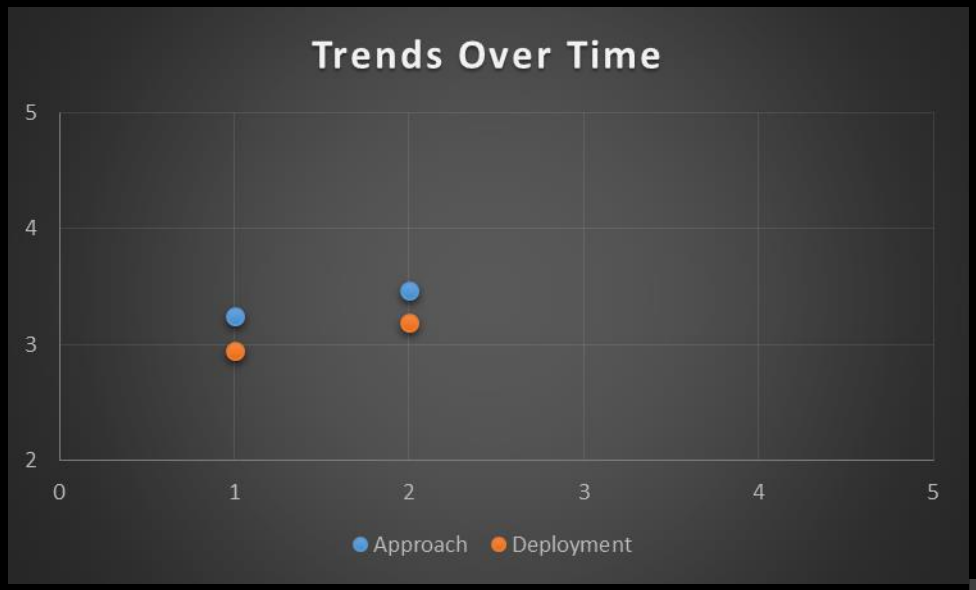
HSI IT Sector Drill Down



HSI Global Benchmark – IT Sector



Are we getting better?

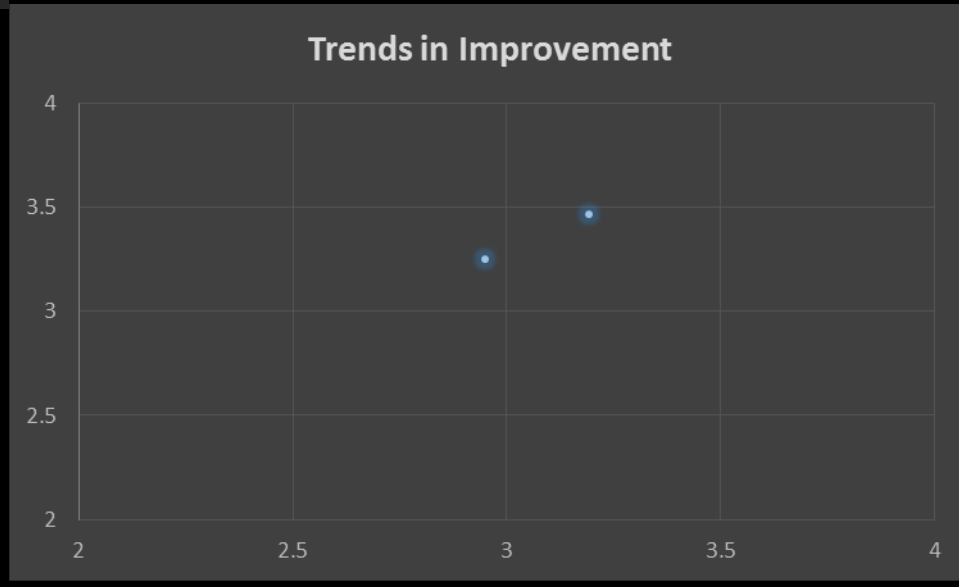


Most Improved Approach Topics

- Continuous Improvement
- Strategic Portfolio Management
- Planning & Estimating

Most Improved Deployment Topics

- Strategic Portfolio Management
- Organisation Resource Management
- Transition & Lifecycle Management
- Continuous Improvement
- Methodology & IT Tools
- Knowledge Management and LFE



What's Not Improving

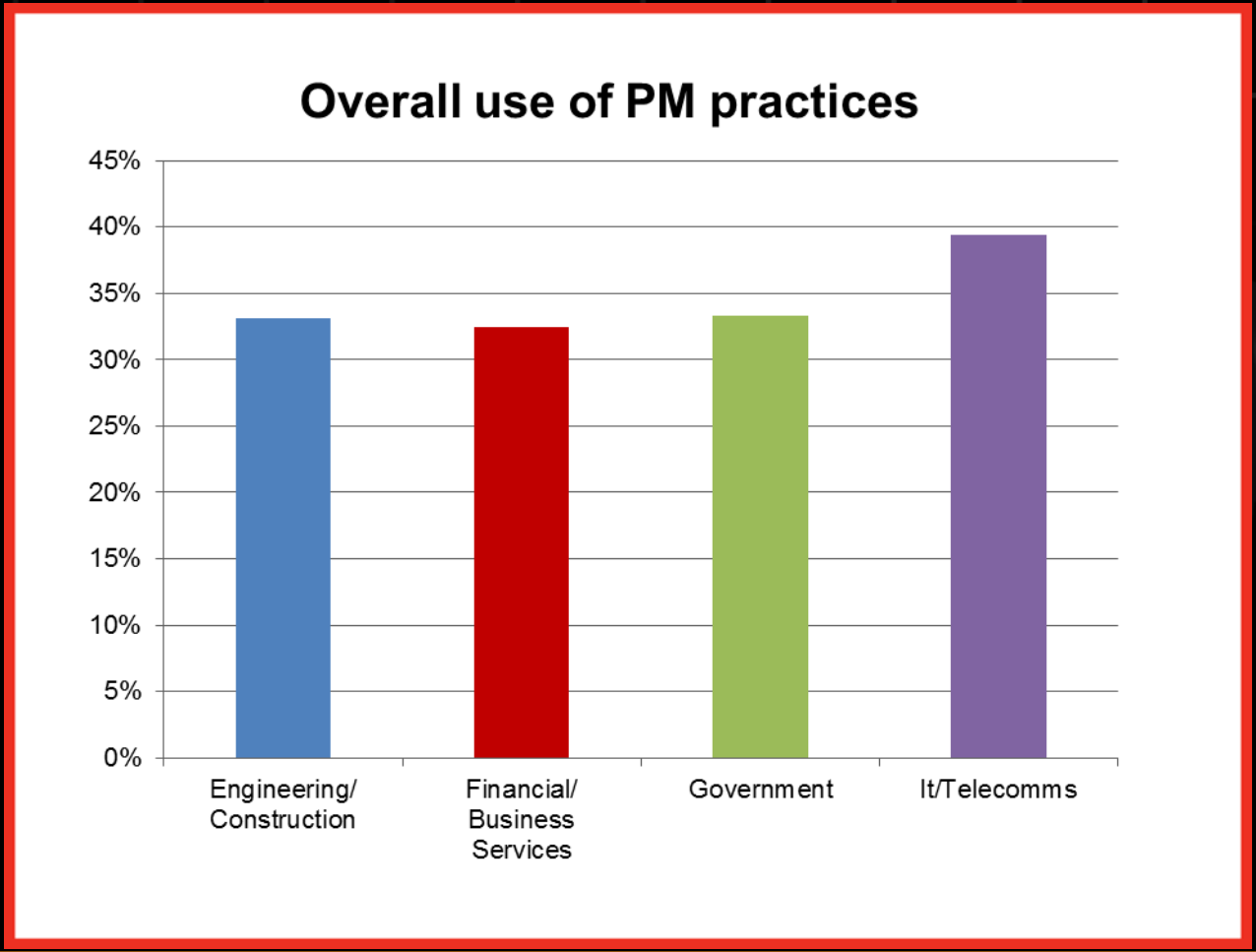
Least Improved Deployment Topics

- HSE
- Managing Behavioural Change
- Success Measures
- Program Management

Least Improved Approach Topics

- Program Management
- HSE
- Success Measures
- Managing Behavioural Change
- Team Performance
- Benefits Management
- Risk
- Stakeholder Management & Comms

Industry sector differences



Similar results overall

But different sets of practices in each sector

IT/Telecomms strongest overall

Crawford, L. H. & Cooke-Davies, T. J. (2012). *Best industry outcomes*. Newtown Square, PA: Project Management Institute

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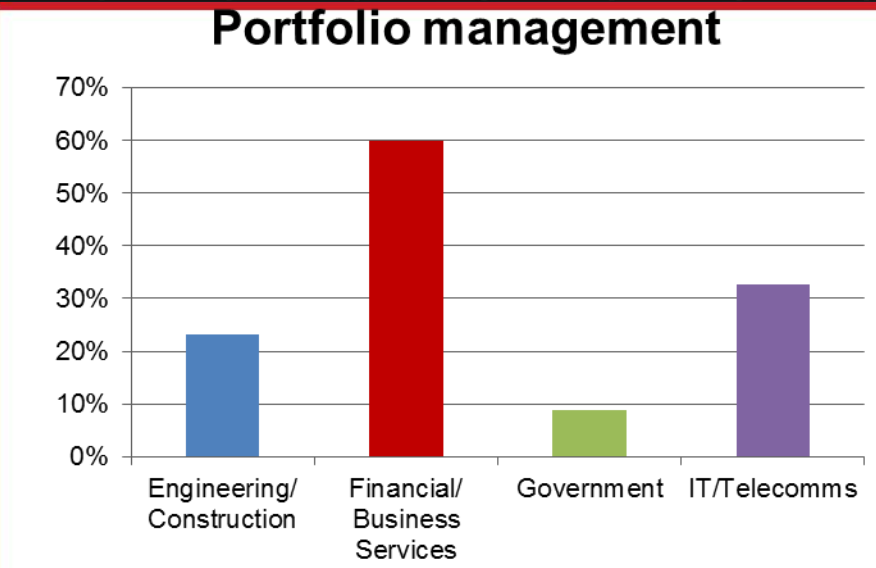
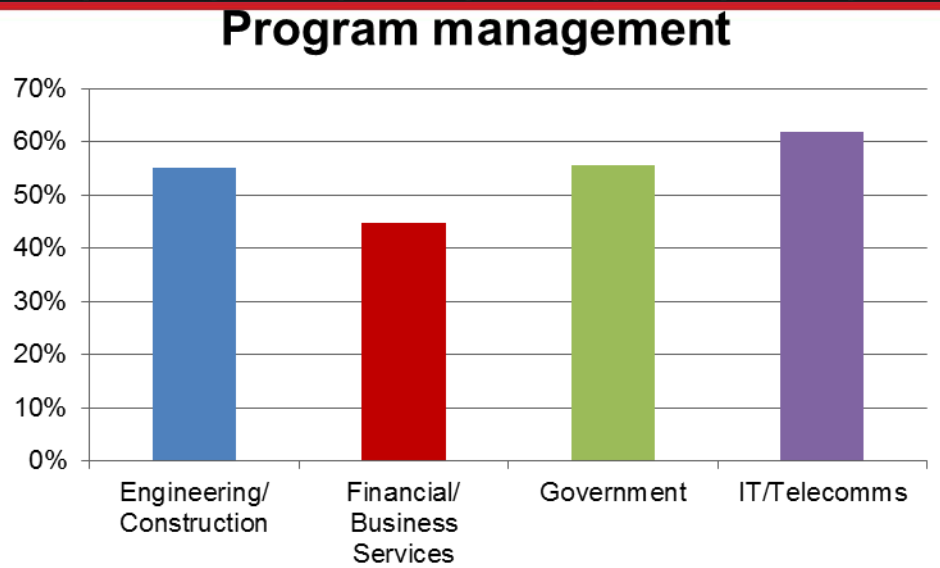
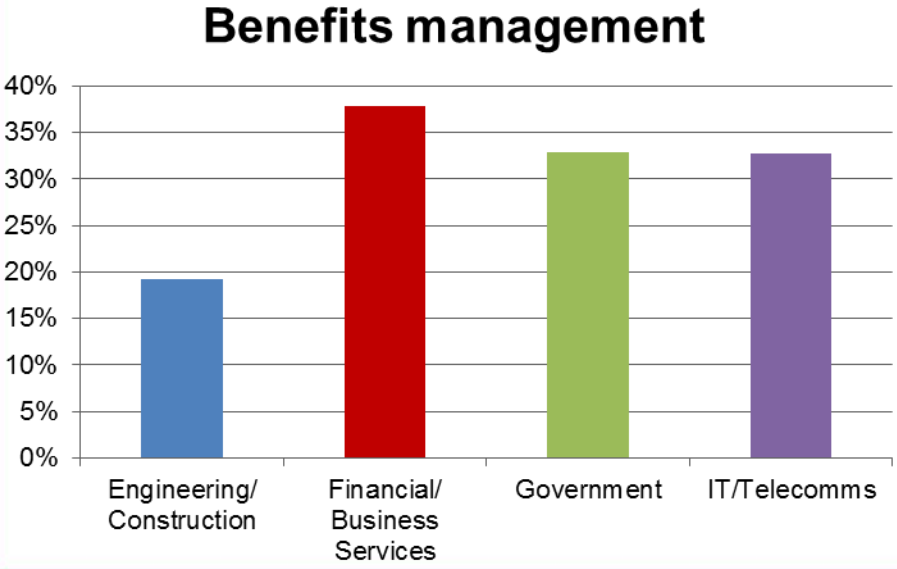
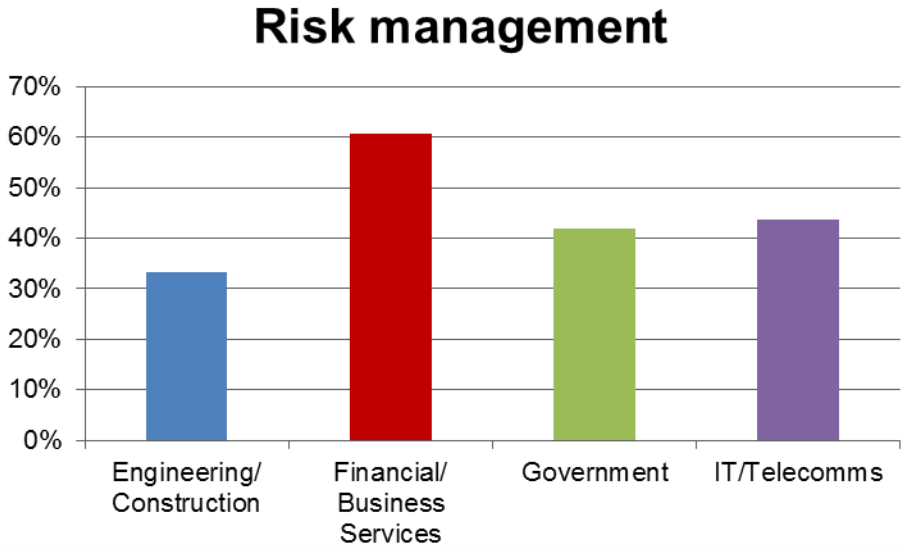
Sector differences

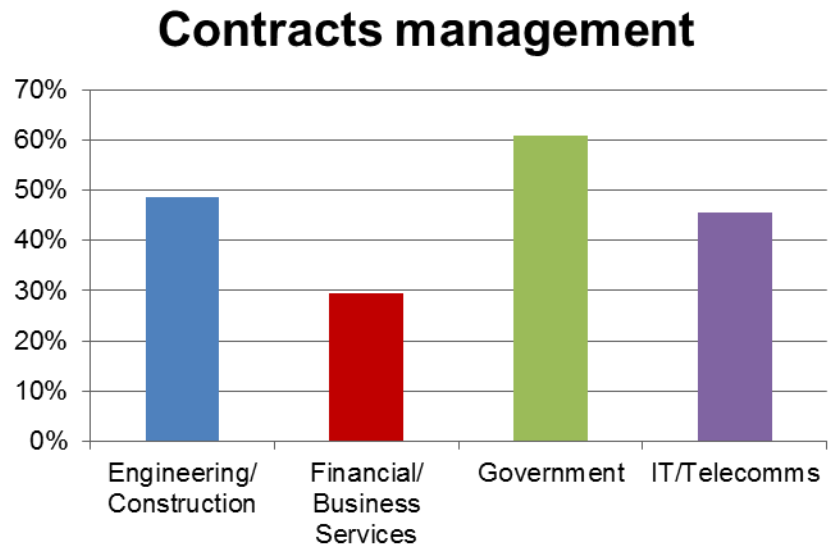


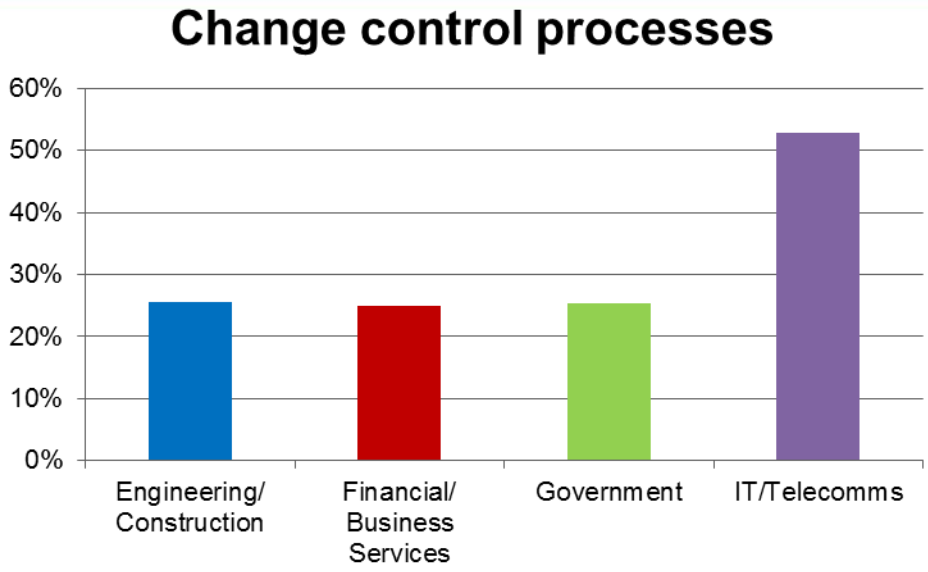


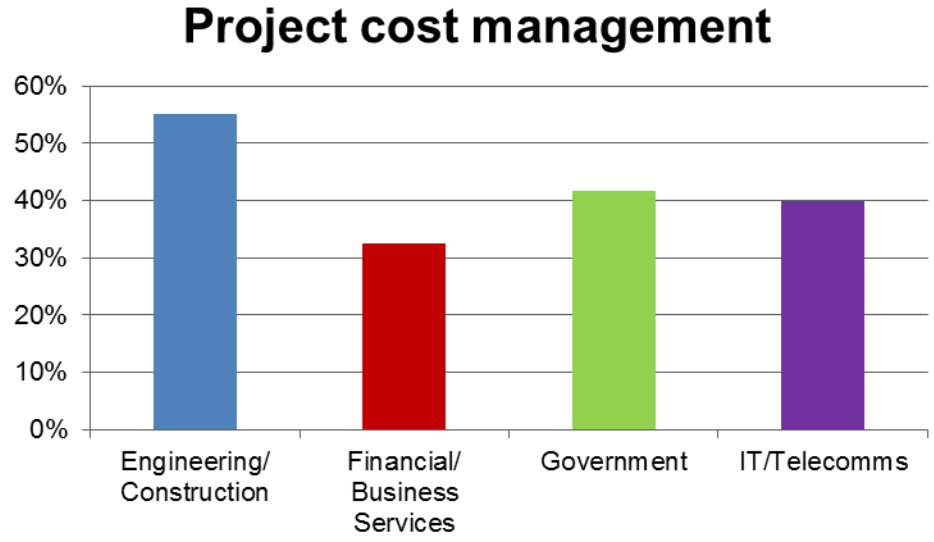


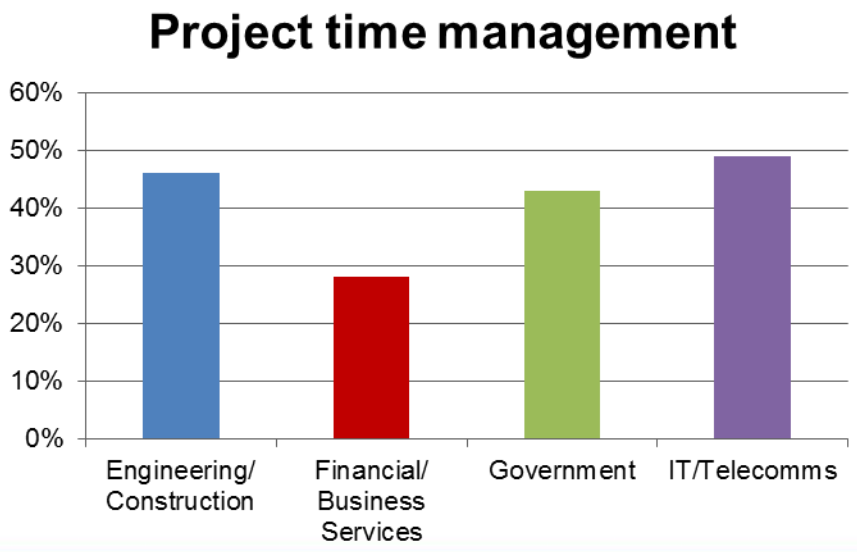


Sector differences

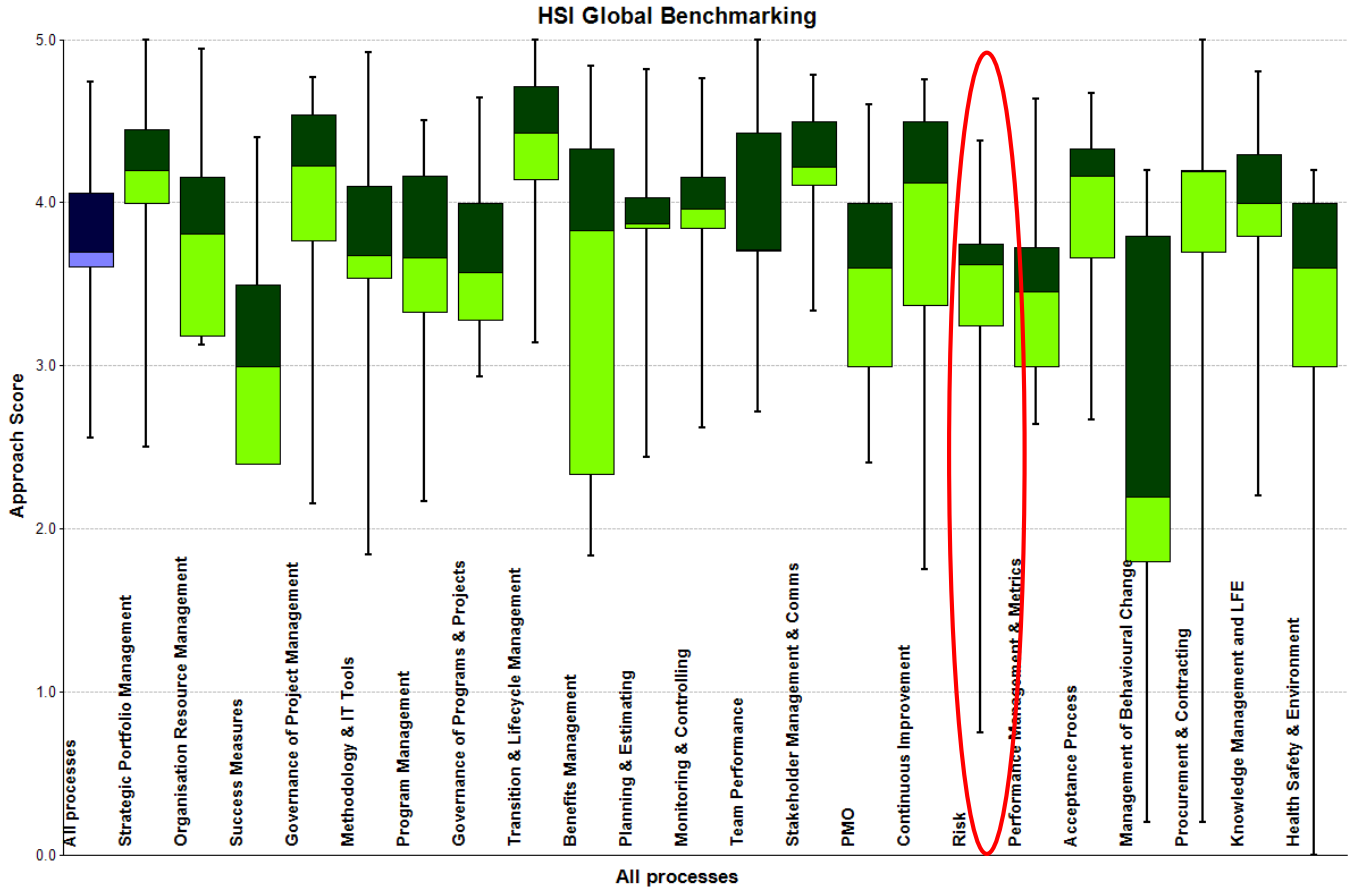








Box Plot - Approach



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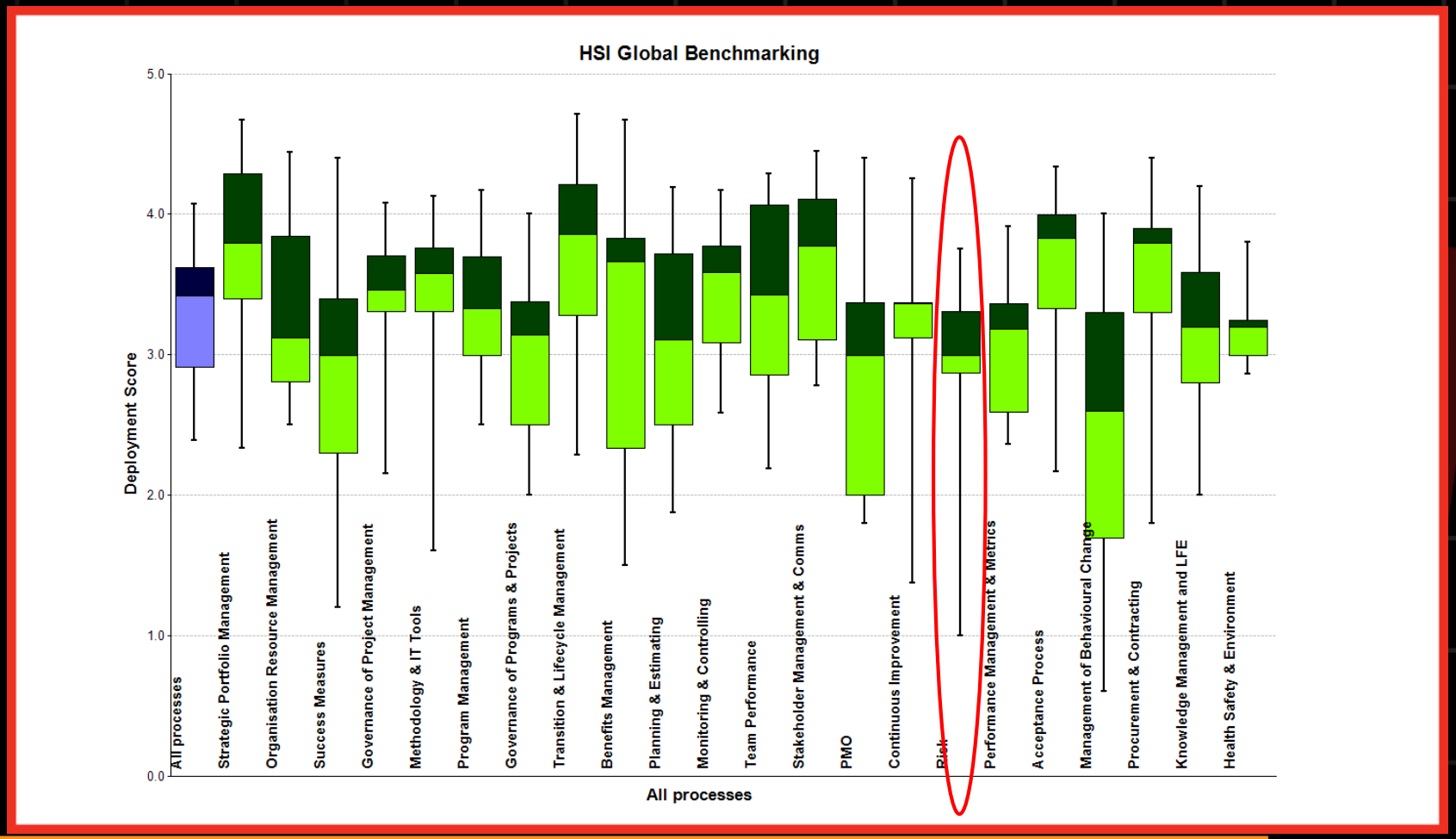
Box Plot - Deployment



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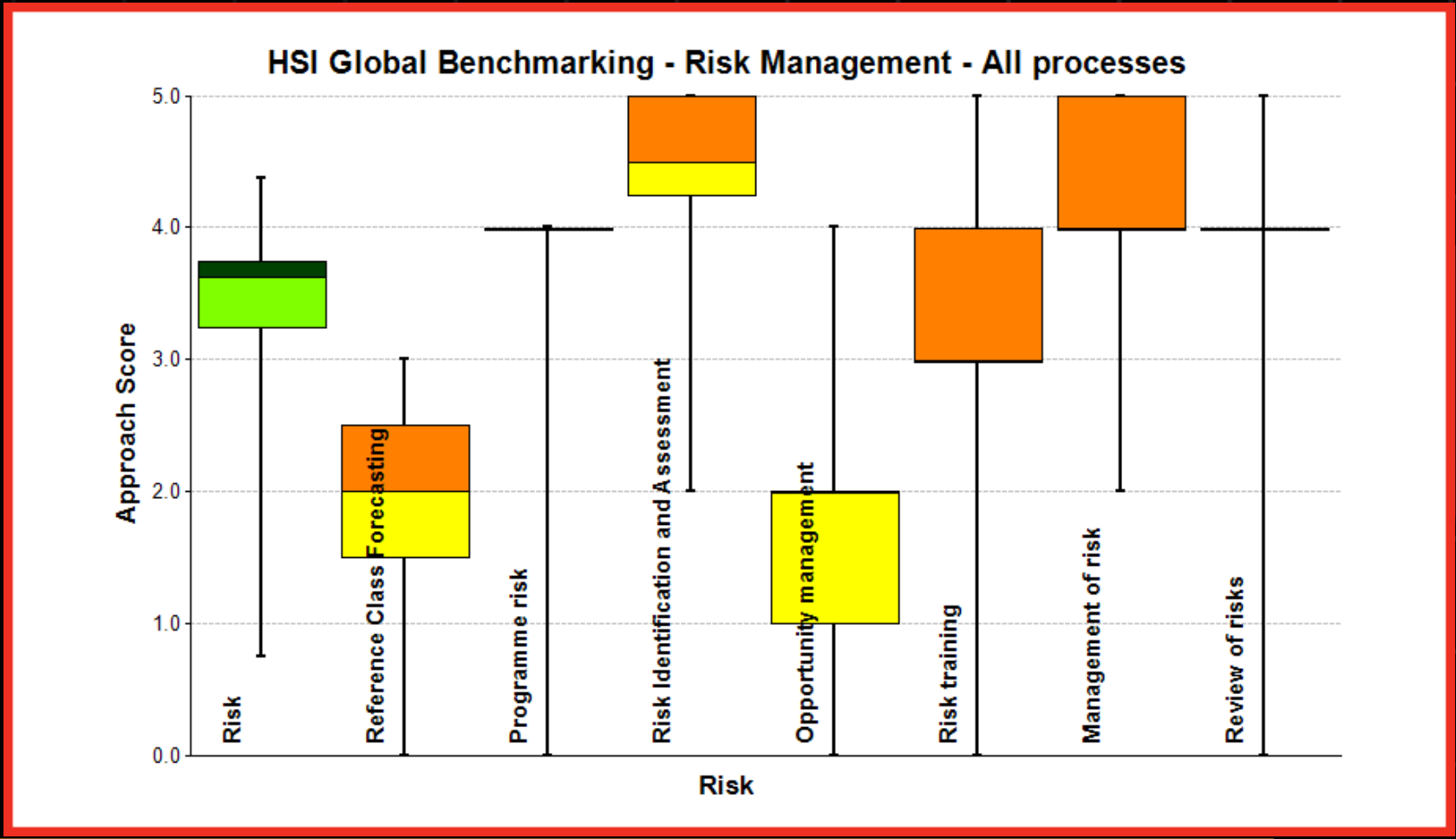
Box Plot



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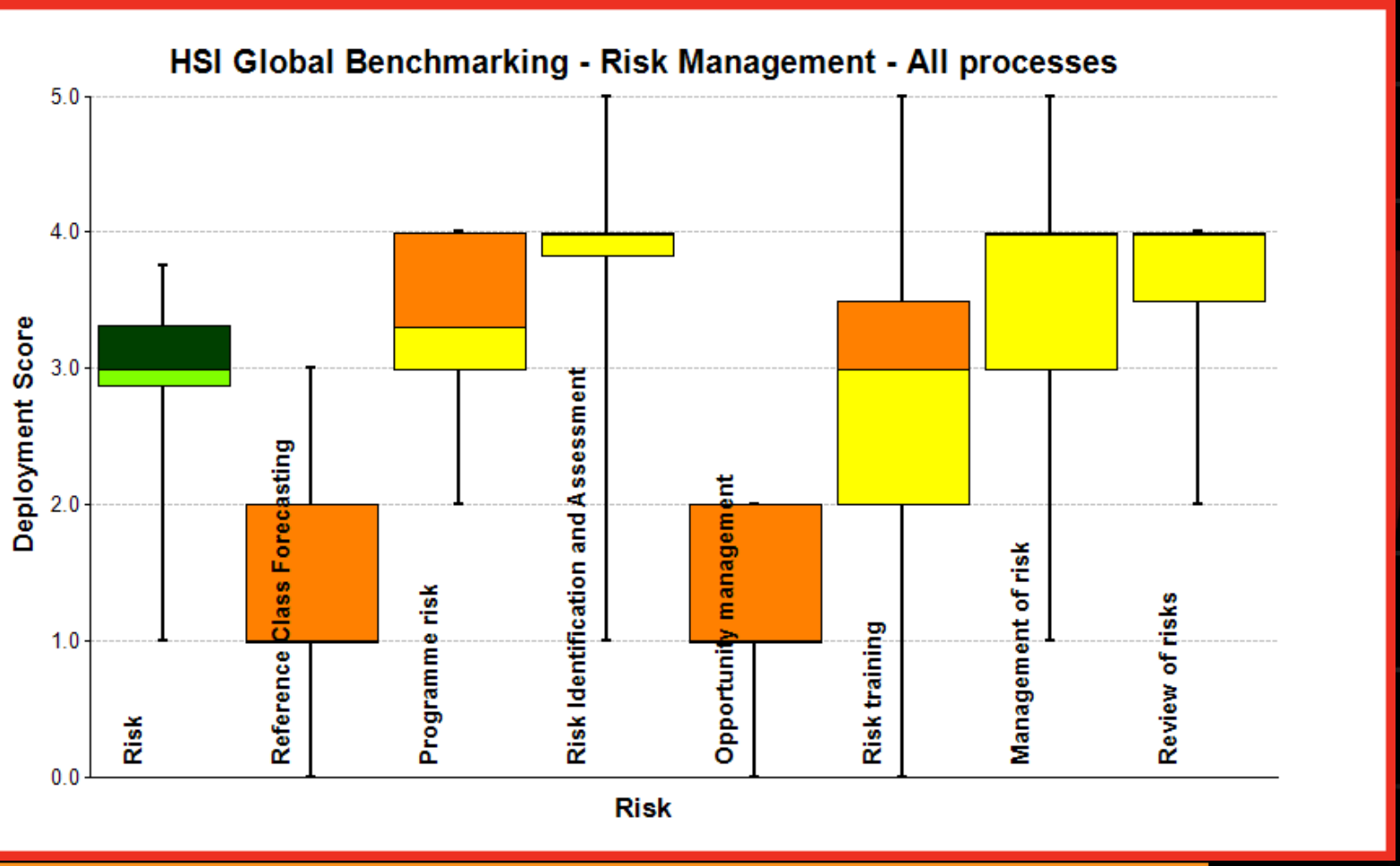
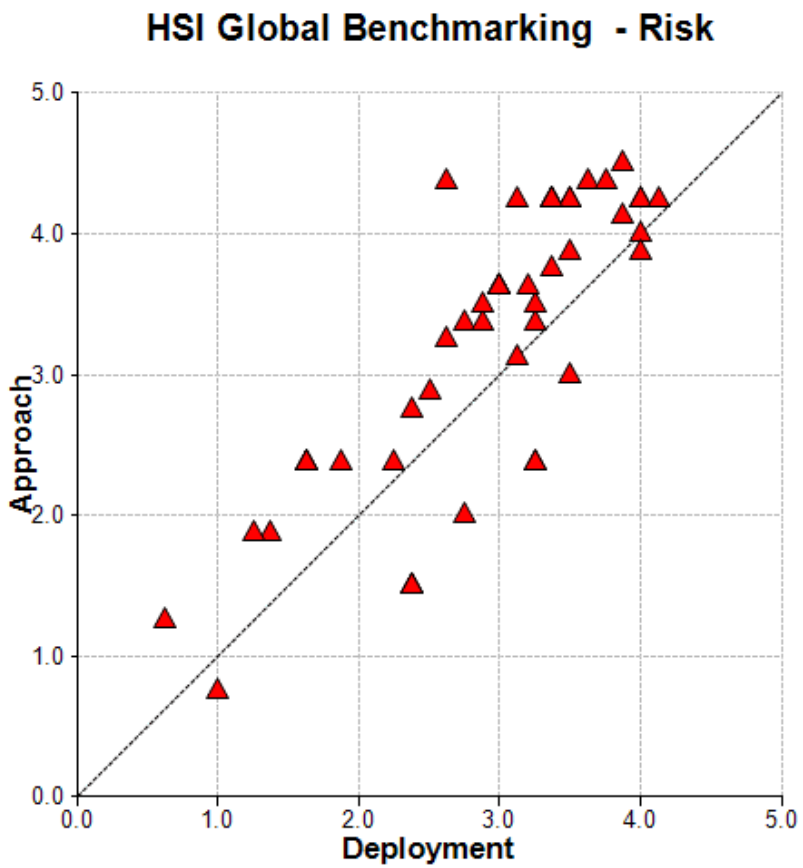
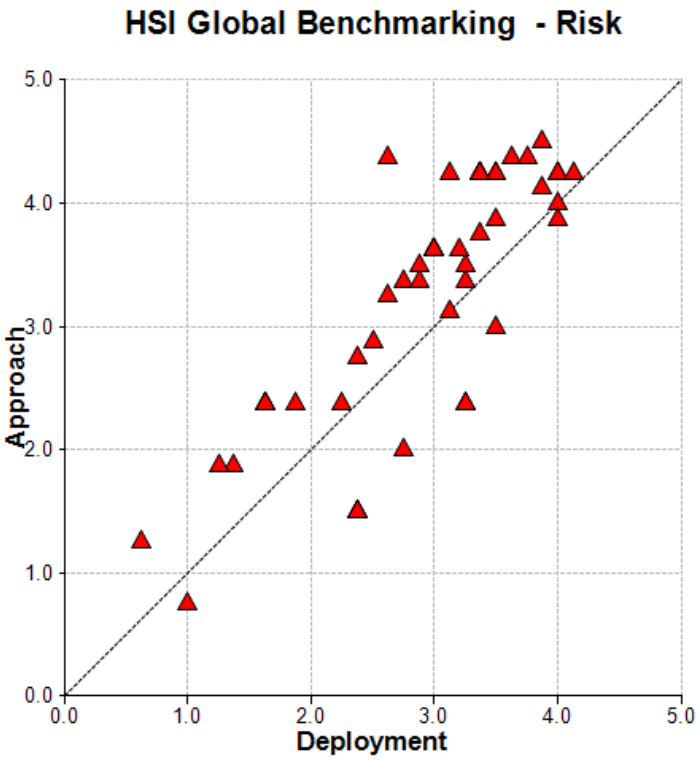
Box Plot

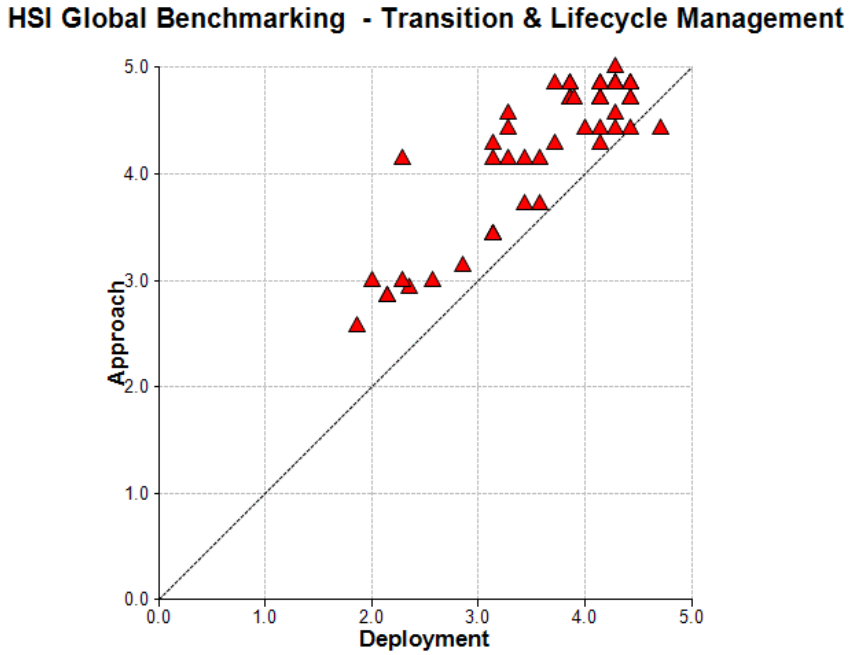

HSI Global Benchmarking - Risk Management - All processes
Deployment Score
5.0
4.0
3.0
2.0
1.0
0.0
Risk
Reference Class Forecasting
Programme risk
Risk Identification and Assessment
Opportunity management
Risk training
Management of risk
Review of risks
Risk

Scatter Plot



By Comparison





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The Good

- We’re good at
  - Documenting the Process
  - Identification of Risks

and The Bad

- Less good at
  - Actively Managing Risks
  - Opportunities
  - Reference Class Forecasting “outside look”

Too little	Too much
Risk logs completed at outset, then filed	Over analysis (potentially of the wrong risks)
No regular risk review	Risk management becomes “business prevention”
Under analysis of risk-related costs	Big project methods applied to the smallest initiative
No concept of opportunity	
Real risks never identified	

Examples of Good Practice

From the Network

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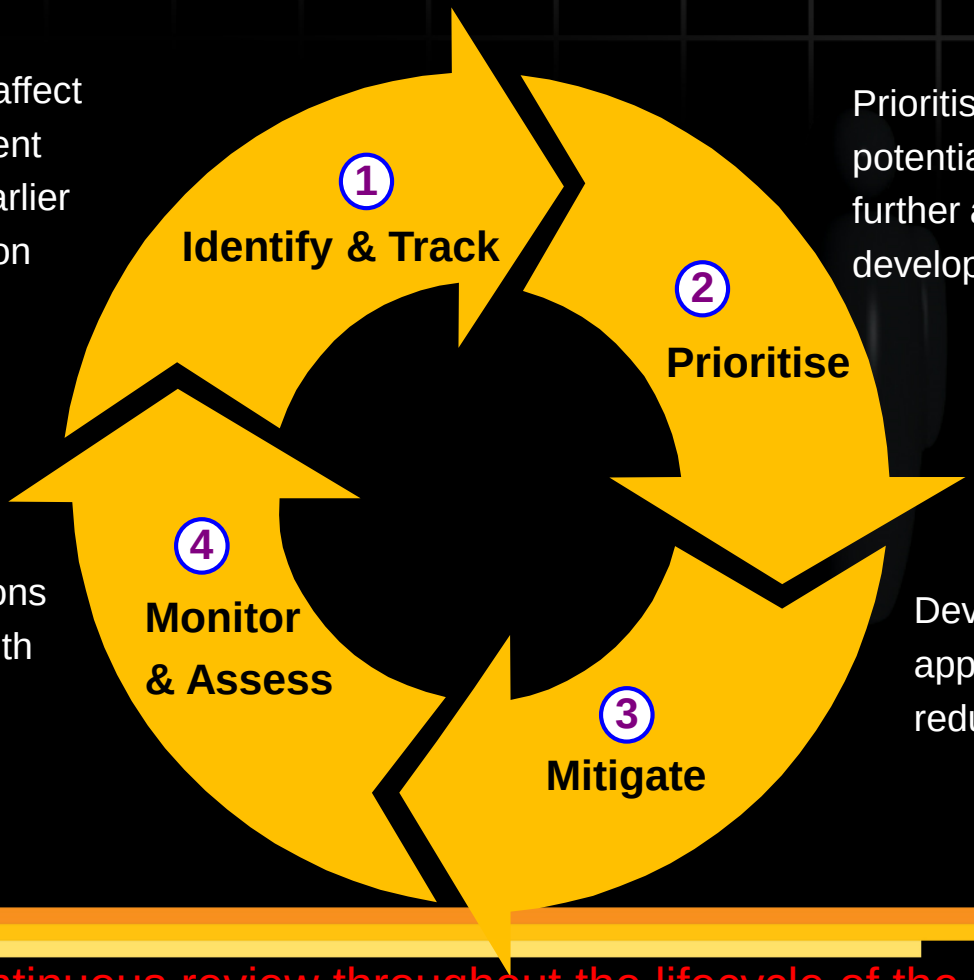
Risk management – Example

Effective risk management is a structured & iterative process that can help to decrease the impact & probability of negative events

Identify risks that may affect the project and document their characteristics. Earlier supply chain intervention



Prioritise identified risks by their potential impact/probability for further action. Stop the project in development

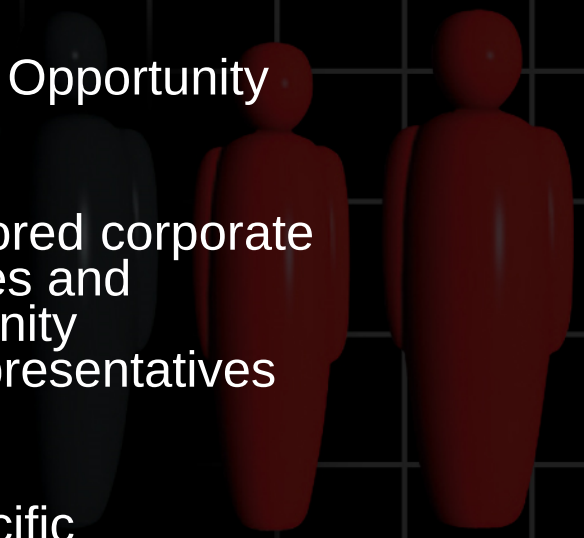
Track risks/mitigation actions and assess compliance with Track Actions to eliminate potential Issues.

Develop process and approaches / actions to reduce threats to project

Continuous review throughout the lifecycle of the project

Defence Industry - Example

- Basic requirement is for projects to have a Risk and Opportunity Management process tailored to requirements of project and a regular reporting regime
- Best practice guidance is provided by Risk and Opportunity Management guides and handbooks
- Corporate Project Management Council sponsored corporate Risk Management Steering Group, which shares and promotes best practice project risk and opportunity management. The Group consists of expert representatives from across the business.
- Business areas tailor business and project specific procedures. Tailoring responsibilities are formally assigned to individuals; each business has a Project Management Authority.



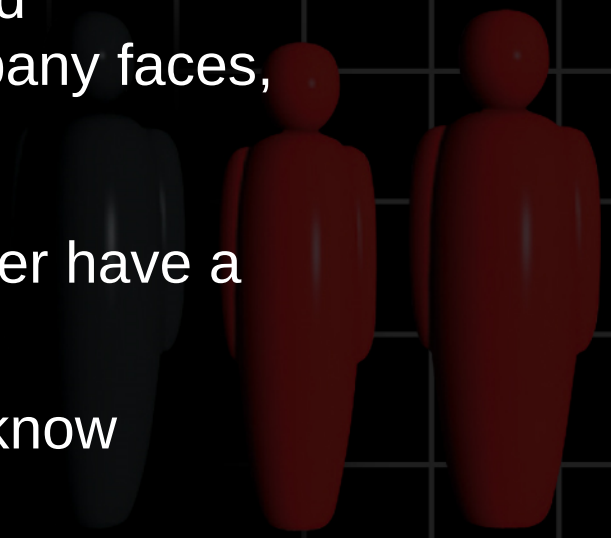
Why is Risk so Hard?

Why is it that the risk that gets you is never on the risk log?

http://www.flickr.com/photos/uscgd8/4542934710/

It’s Culture Thing…..

- McKinsey 2013 Study
  - 15% of directors reported a very good understanding of the risks their company faces,
  - 54% a good understanding,
  - almost one third (29%) said they either have a limited or no understanding.
  - The remaining 2% said they did not know



Psychology of Risk

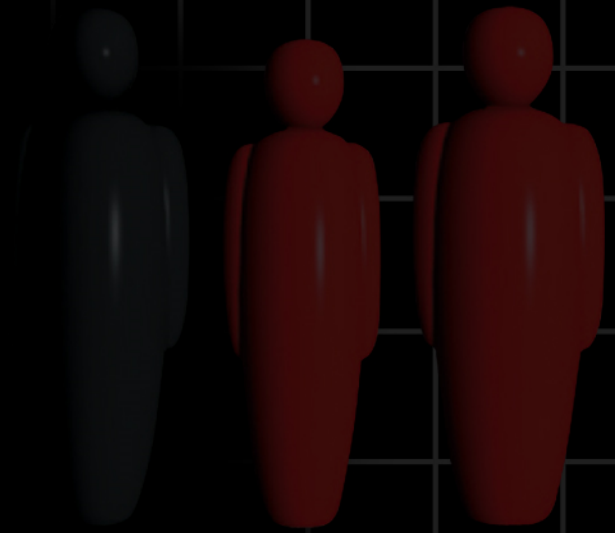
- Daniel Kahneman: Prospect Theory
- People value gains and losses differently
  - We base decisions on perceived gains rather than perceived losses
- Which would you rather
  - 50% chance of winning $1000
  - 50% chance of losing $1000

Psychology of Risk Cont.

- Optimism Bias

Psychology of Risk Cont.

- Normalisation of Deviance



What Can You Do?

- Reframe risks in the positive to get buy in
- Use Reference Class Forecasting to gain the upper hand on Optimism Bias
- Challenge the norms – constantly check on behaviours to ensure complacency isn't putting your project at risk

What is Emerging For Organisations ?

- Emergence of “The Positive Side of Risk”
- Complexity Rating
- Assurance of Risk at Gates

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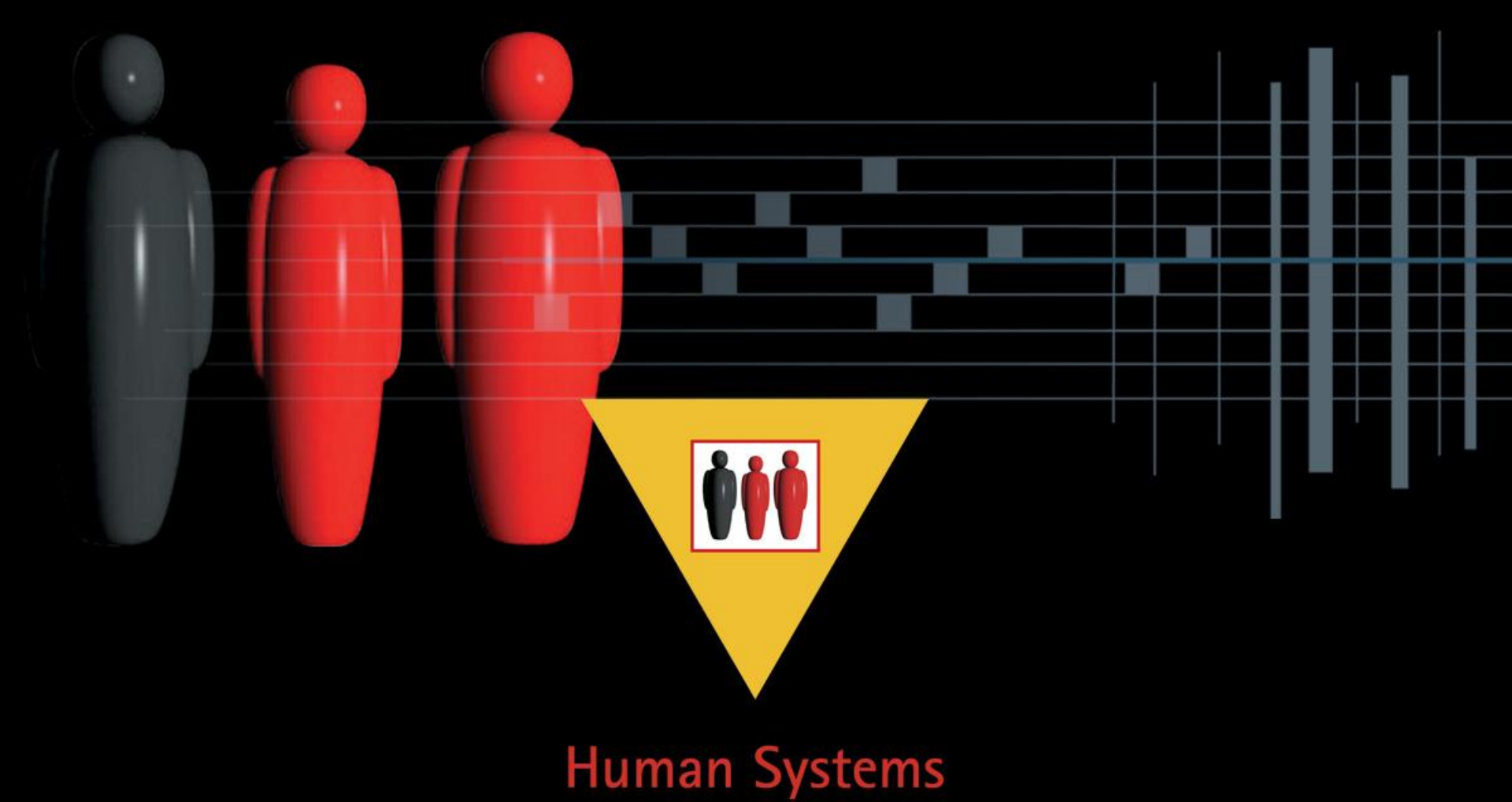

Discussion