

# Rethinking risk management strategies for complex projects and programs

AIPM, Brisbane, 20 April 2016

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#### **Important:**

This presentation is provided as a guide to understanding the essential elements of the topic "Rethinking risk management strategies for complex projects and programs".

It is not intended to provide expert advice that might be required to develop a detailed response to a specific situation. Such expert advice should be based on a detailed assessment of your organisation or project and should be obtained from a suitably qualified consultant for the purpose.

# **Today**



Why do we take a 'different' approach?

What do we do that's different?

What does this achieve?

Case studies

#### Why do we take a different approach?



# because the evidence says that we need to do something different

Many project, organisations and endeavours fail even when they try hard to apply traditional risk management methods.

It is common for risk management to be treated as a separate activity, not our real work. This is telling us something.

There are some obvious ways in which traditional risk management thinking lets us down.

Systems thinking approaches to the management of complex organisations and project are essential.

#### Why do we take a different approach?



#### To better match the real world faced by leaders

- **Assumption 1**. Risk management is a means to an end. The underlying objective is to make good decisions in the face of complexity and uncertainty.
- **Assumption 2**. Culturally, most people understand the word 'risk' as negative.
- <u>Assumption 3</u>. The aim of every leader should be to achieve the best possible outcomes to purpose.
- **Assumption 4.** The risks that impact most powerfully upon the success of organisations are often complex, intangible, interrelated and even 'wicked'.
- **Assumption 5**. Many important risks are too sensitive to be dealt with openly.
- **Assumption 6**. Every organisation faces important risks that are not in its risk register.



# What do we do that's different?

# Risk definition



"anything that might limit our ability to get the best possible outcomes for the project purpose"

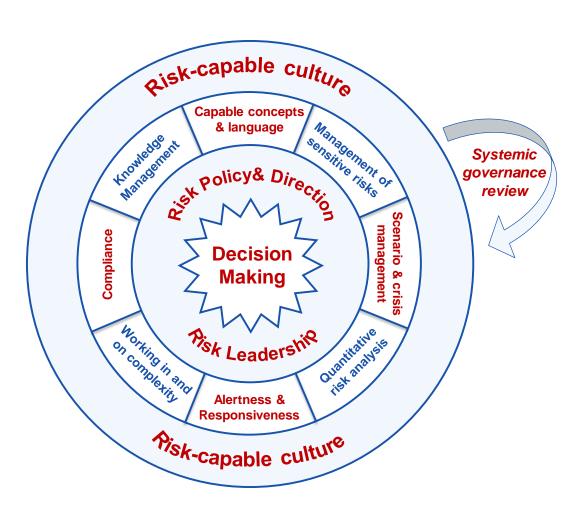
### The Risk Leadership Framework



The RiskIQ

Risk Leadership Framework
is a unique thinking framework
with a focus on effective
decision making in uncertainty.

The capability to find, understand and deal with risk is embedded within core business systems, not a separate risk management process.

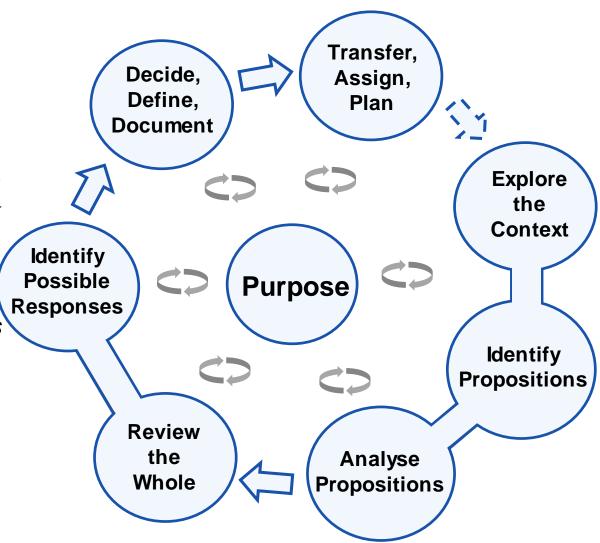


#### Enhanced Risk Management Process



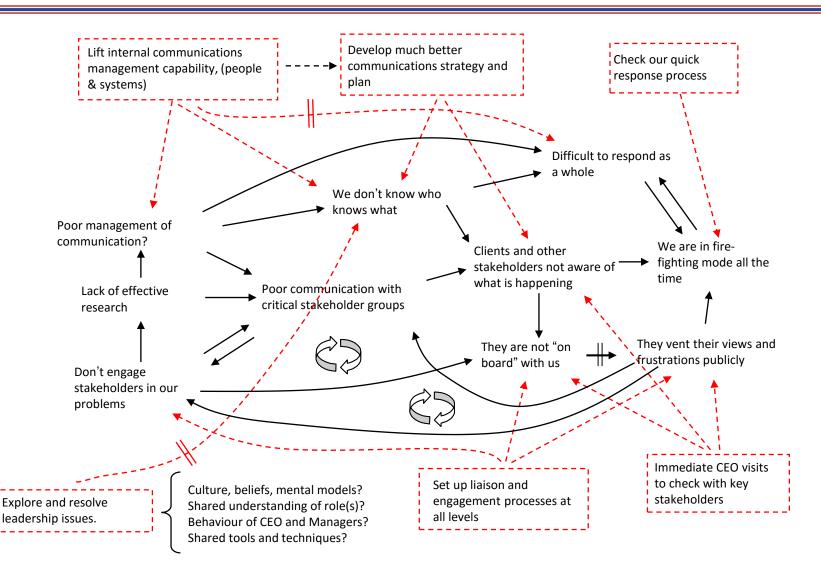
RiskIQ's Enhanced Risk
Management Process bridges
the gap between traditional risk
management processes and
systems thinking.

It provides practical, clear steps for leaders to apply when dealing with risks of all kinds – including those that are difficult to understand or deal with.



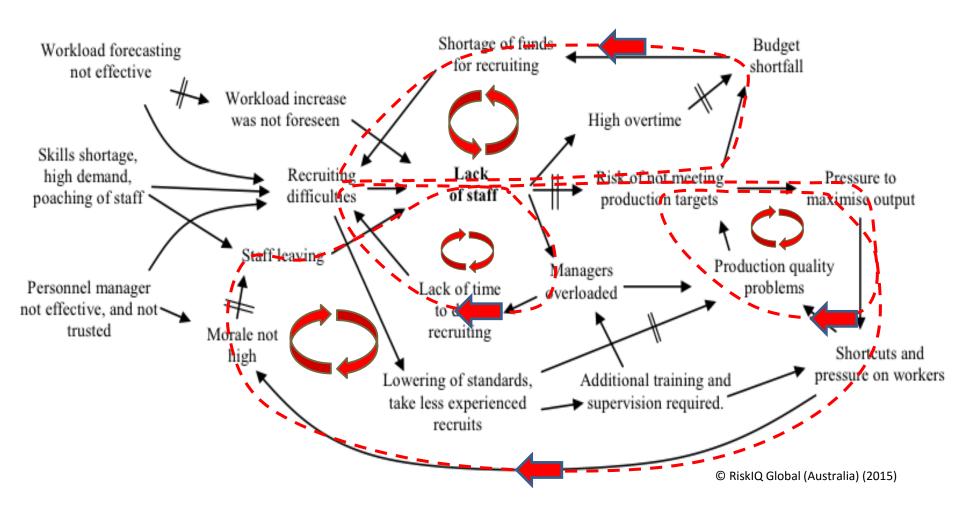
# Risk maps





#### Feedback





Ris	sk Relationship Matrix		Date:	17-Aug-15						Name:				
Note: Instructions for use are in the form of comments in cells				Complex changing environment	Variable quality of legislation	Inconsistent organisational leadership	Lack of balance between short and long term work	Difficulty in ensuring right people, roles, skills	Inadequate, variable business systems	Inadequate clarity and completeness of direction for MSH as a whole	Risk aversion, avoidance of change	ROE is poorly defined and is operationally driven	Poor communication/ shared understanding	
	Di-I-		ID.		0	0	4	_	0	7	0	_	40	$\bot$
ID	Risk Description	Koy drivers (sources reasons)	ID:	(1)	2 <b>8</b>	3 <b>10</b>	13	5 <b>5</b>	_6_ 12	7	8 <b>10</b>	9 <b>11</b>	10 14	0 0
1	Complex changing environment	Key drivers (sources, reasons)  Multiple programs (mines, gas) Diversity of size and agendas of organisations Change - political, technology, industry practice Lobbying, agendas, relationships	7		2	1	1	1	1	11	10		1	10
2	Variable quality of legislation	Pace of change in standards and practice     Slowness of getting political agreement and action     Difficulty in getting simple, clear language in place     Differing national agendas and legislation	(5)				1		1	1		1	1	
3	Inconsistent organisational leadership	<ul> <li>Lack of training, skills, tools</li> <li>Workload</li> <li>Confusion of feedback, messages, requirements</li> <li>History of acceptance of silos</li> </ul>	(15)		1		3	1	2	2	2	2	2	
4	Lack of balance between short and long term work	Government and press focus on here, now, crises     Shortage of resources and skills for analysis of trends etc     Safety focus is easier to deal with in the workplace	(5)		1			-1	1		1	2	1	
5	Difficulty in ensuring right people, roles, skills	Complexity of range of technologies (eg in gas) Shortage of people - need for multitasking Local areas have differing (and diverse) needs Difficult to pay enough to attract the level of experience needed	8		1	2	1		1	1	1		1	
6	Inadequate, variable business systems	History of silos, duplicated systems     Costly to update systems, cost of new IT     Lack of simple, effective system design approach     Lack of clarity, completeness of direction	(12)		1	1	2	1		2	1	2	2	
7	Inadequate clarity and completeness of direction for MSH as a whole	<ul> <li>Ad-hoc documentation of key policies</li> <li>Historical silos and belief that they work okay</li> <li>Belief that the whole enables the silos, not the reverse</li> <li>Workload - 'just do it'</li> </ul>	(15)		1	2	2	1	2		2	2	3	
8	Risk aversion, avoidance of change	Belief that good work does not protect people from being scapegoats     Lack of clarity of direction for making judgements     Perceived lack of support from leaders	7			1	1		1	1	,,,,,,	1	2	
9	ROE is poorly defined and is operationally driven	It is hard to define ROE and how to assess it     Focus on operations (getting things done)     Silos - limiting any interest in shared agreement	(12)	1	1	2	1	1	2	2	,1		1	
10	Poor communication/ shared understanding	Leaders not communicating messages Differences of intent, silos, Workload Lack of clarity of roles of leaders	9			1	1	1	1	2	2	1		
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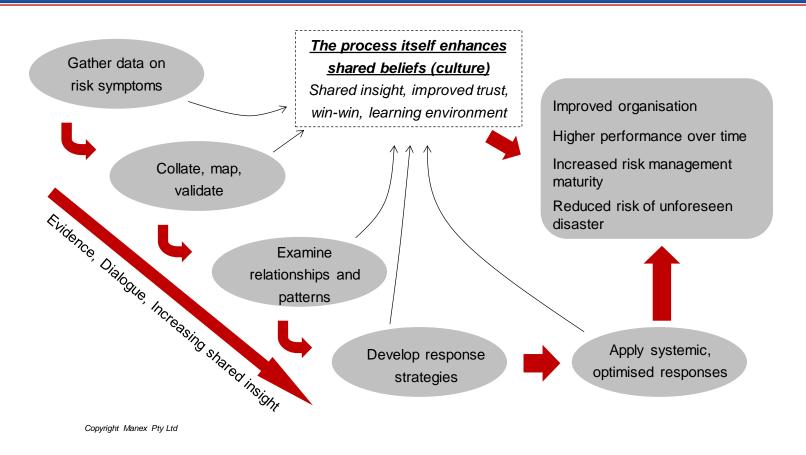
#### Risk treatments patterns analysis



RISI	K TREATMENT PATTERN ANALYSI	(S		Name	: NAHC	c									T		T			
1(10)																				
	Basis of Filters Used:	: Evolving				Date:		17-Au	ug-15											
		Pattern Filters																		
Risk .		Stakeholder engagement	Dusiness	Mat	e Leg. update	Ext Dir	Ext Educ	Del Mgt	Lift L'ship	on	Policy	Imnl	-	/ Wkfce Plang		I Eatic	Defn	Comm		
No	TOTAL	2	10	1	2	2	1		7	5	7	8 (	6	, 2	1	1	1	1		
1	Focus on "stakeholder engagement" capability	1 1	<b>\1</b>						<b>\</b> \ \ \		<u> </u>		<u></u>							
	Put more resources into driving adaptation/ change both to legislation & internally			1	1						<u> </u>		<u> </u>							
1	Update guidelines more often		1			1_				FC FC	our them							-		
2	Update guidelines more often	1	1		,	1					Int/	egrat	æd bu	usiness	, syst€	ems .		_		
2	Increased emphasis on education etc	11	1				1				Leadership disciplines						-			
2	Increase the resources involved in monitoring and changing legislation			,	1						Clear strategic context/direction  Quality and performance management									
3	Education/training in organisational leadership	1	1		,				1		Qua	ality	and p	ertorm	ance	man	agen	ent		
	Apply a few key leadership disciplines		1						1						1					
3	Focus on better performance leadership	1	1		'	$\Box$ '	<u> </u>		1	1	'									
4	Develop and implement a clear strategy to manage the balance between short and long term										1	1								
4	Reflect the balance in KPI (and monitor)		1				['			1	1	1								

# **Systemic Risk Analysis**





RiskIQ's **Systemic Risk Analysis** supports the work of leaders by finding, describing and showing how to resolve root causes of risk including risks that would otherwise be complex or hidden. It also provides a first-principles health check of governance systems and processes.

#### What does all this achieve?



Deal with complexity – not symptoms.

Focus on best possible risk responses as a whole.

Risk conversations are richer, more whole.

Find hidden, subtle risks – and best points of leverage.

Change mindsets from threat management to best possible performance.

Less "risk management system" and less red tape

#### We also:



- 1. work upfront to understand vulnerabilities
- 2. work using raw risk data whenever possible
- 3. represent and report risks and responses in new ways
- 4. focus on the quality of decision making processes
- 6. tackle the problem of sensitive risks
- 7. build risk management capability into business systems
- 8. develop risk policy as core element of strategic risk work



#### Case Studies

#### **Dept of Conservation (NZ)**



High risk, complex environment. A history of isolated, major risk management failures.

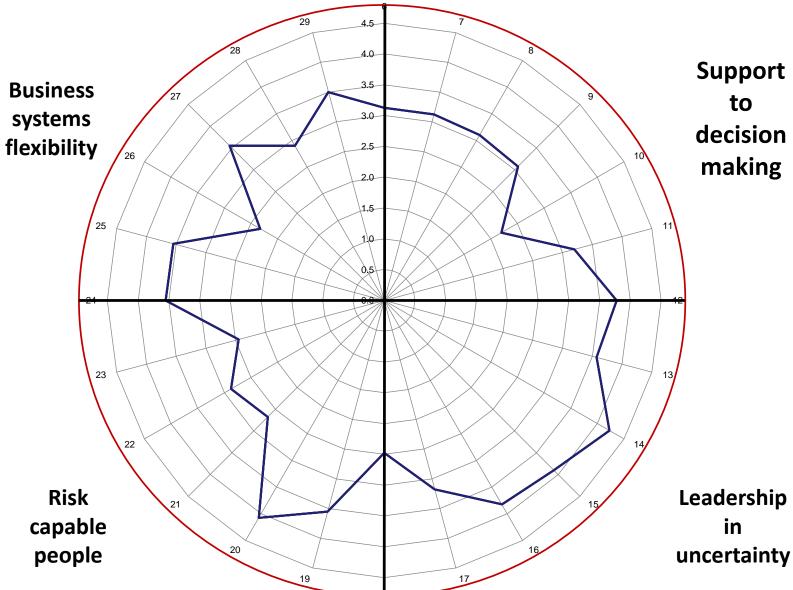
Implementation of systems thinking approaches to leadership and organisation.

Frustration with partial, incomplete risk strategic risk work.

Adopted the "Risk Leadership Framework" approach in 2015.

#### **Department of Conservation PIU Profile**







#### **Awareness & Risk Management in DOC**





Work of role in uncertainty



Agile Business
Systems

Risk
Management
Policy

Tailored Risk
Management
Processes

Training
Tools
Templates

Library

Advice

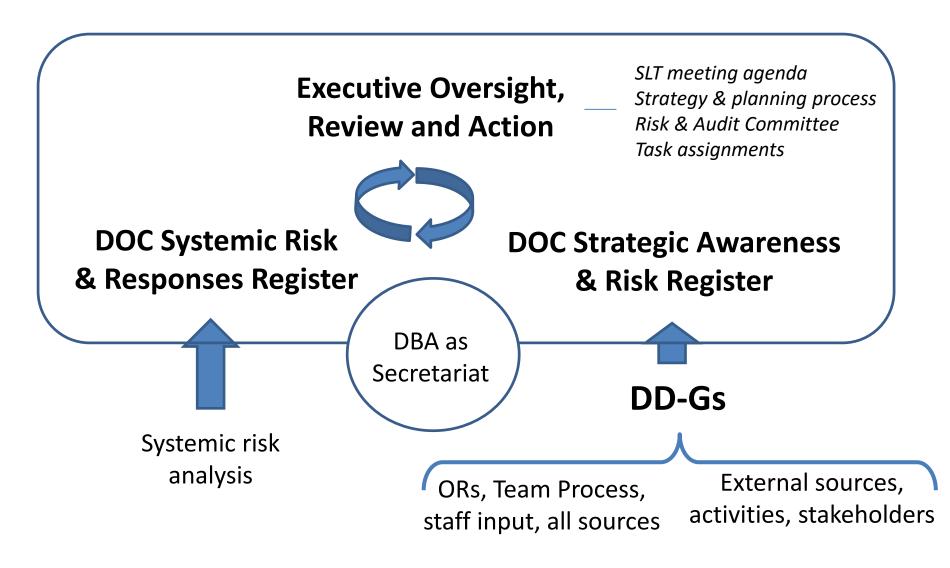
Assurance

Audit/review

Value creation

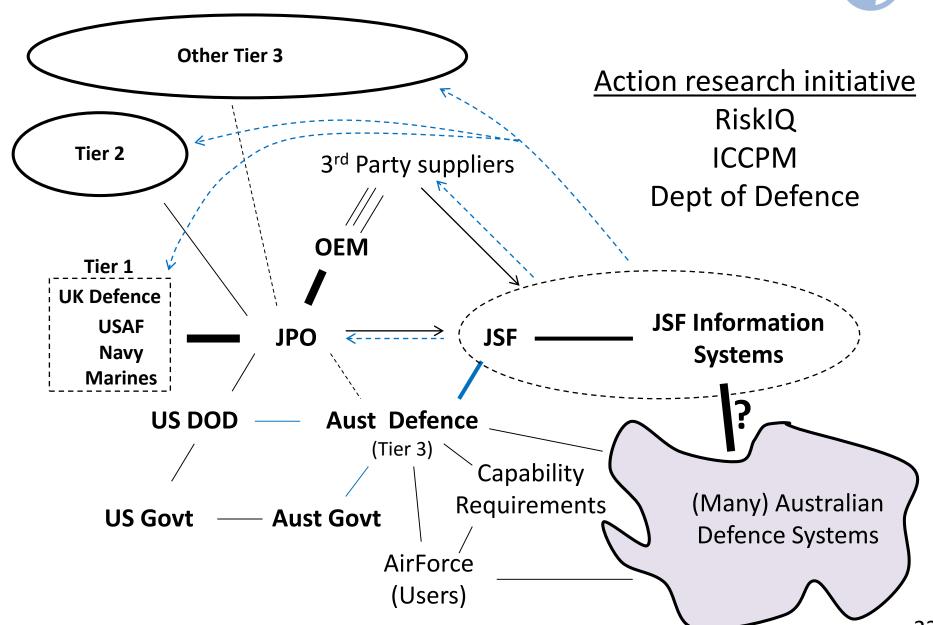
#### **DOC Strategic Awareness System**





## **Joint Strike Fighter Program**







#### **Discussion**