

Exploring the realities of opportunity management [PPT]

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Risk
SIG

Exploring the realities of opportunity management

23 February 2023

Crowne Plaza Kings Cross, London



The Asymmetry between Threats and Opportunities in Risk Management

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Netherlands

Perceived Issues

Three areas of concern for opportunities in Risk Management: :

1. Terminology

- Can risk be positive?
- Are opportunities perceived as an event that may or may not happen?

2. Asymmetry

- Are threats and opportunities symmetric, i.e., two sides of the same coin?
- Are the same processes followed for threats and opportunities?

3. Process

- Are opportunities dealt with as real risks? Or as 'business opportunities'?
- Are opportunities incorporated in the estimates?

Survey



State-of-the-art of Opportunity management researched with a **survey**.

Target group: **APM Corporate Members**

On-line questionnaire with 24 questions, some with many sub-questions

Actively stimulated participation through APM Risk SIG

GDPR guidelines followed, and HREC permission

Team that developed and analysed the survey (and prepared this presentation):

- **Alexander Verbraeck**, Delft University of Technology
- **Marian Bosch-Rekvelde**, Delft University of Technology
- **Sara Rye**, London South Bank University
- **Peter Simon**, Lucidus Consulting and APM Risk SIG

+ 100 responses received

Types of organisations:

Mainly as a contractor to others	19
Mainly as a client/owner using contractors	24
Sometimes as a contractor, sometimes as a client/owner, depending on the project	10
As an organisation that typically executes projects fully internally	13
As a consultant or service organisation for projects	21
As a training, educational, or research organisation for project management	8
Other (3rd Party Logistics provider)	1

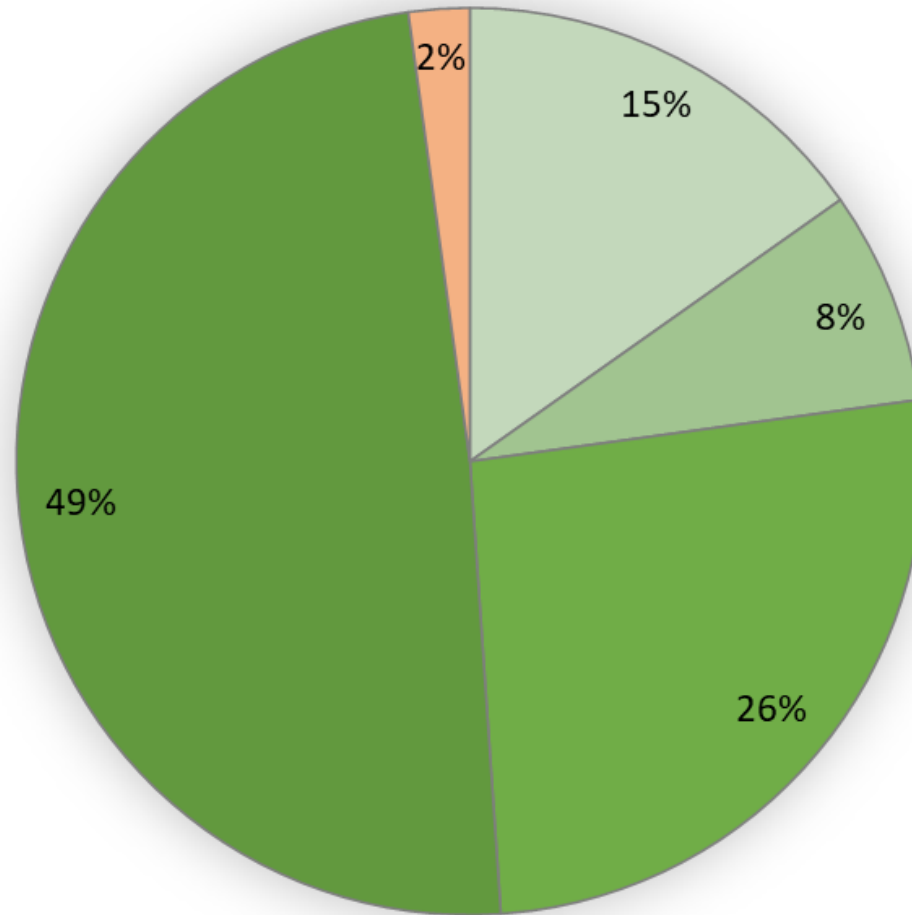
+ 100 responses received



Typical roles of respondents:

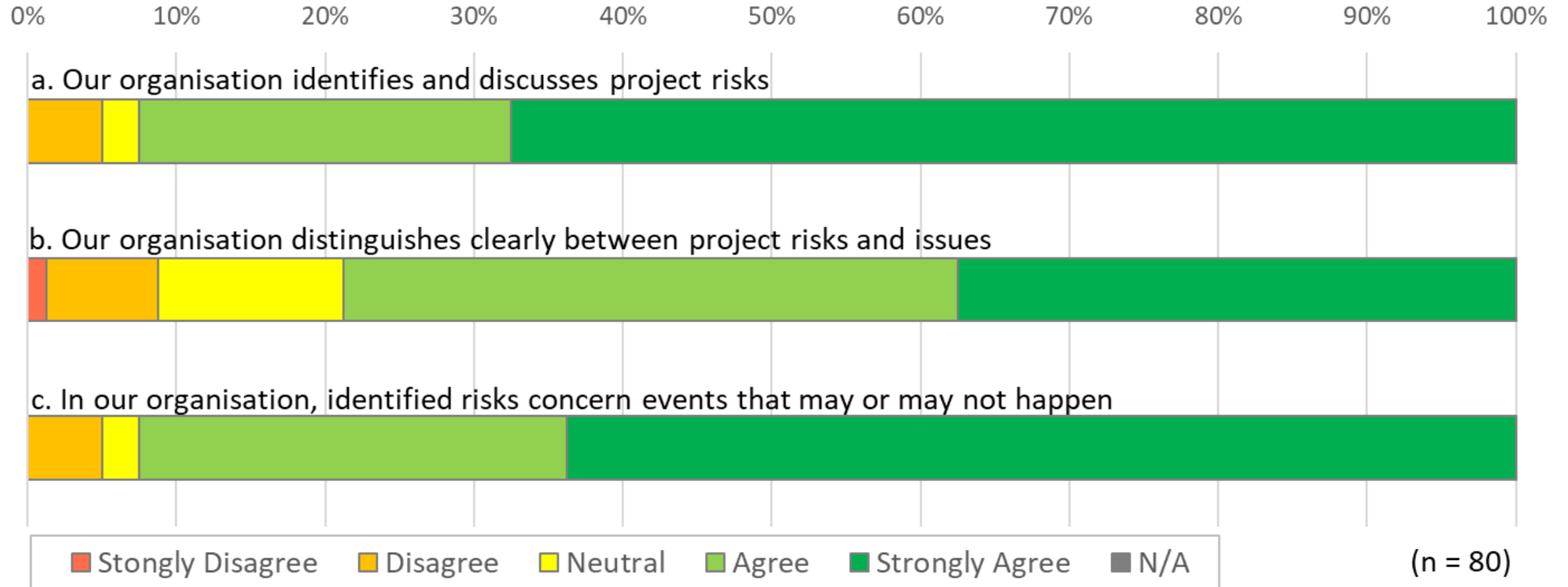
Project Risk Manager / Risk Facilitator / Risk Engineer / Risk Coordinator	39
Project Director / Project Manager	37
Programme Director / Programme Manager	27
PMO / Project Services / Project Controls	22
Portfolio Manager	16
Sponsor / SRO	13
Business Change Manager / Business Opportunity Manager	13

High PM experience

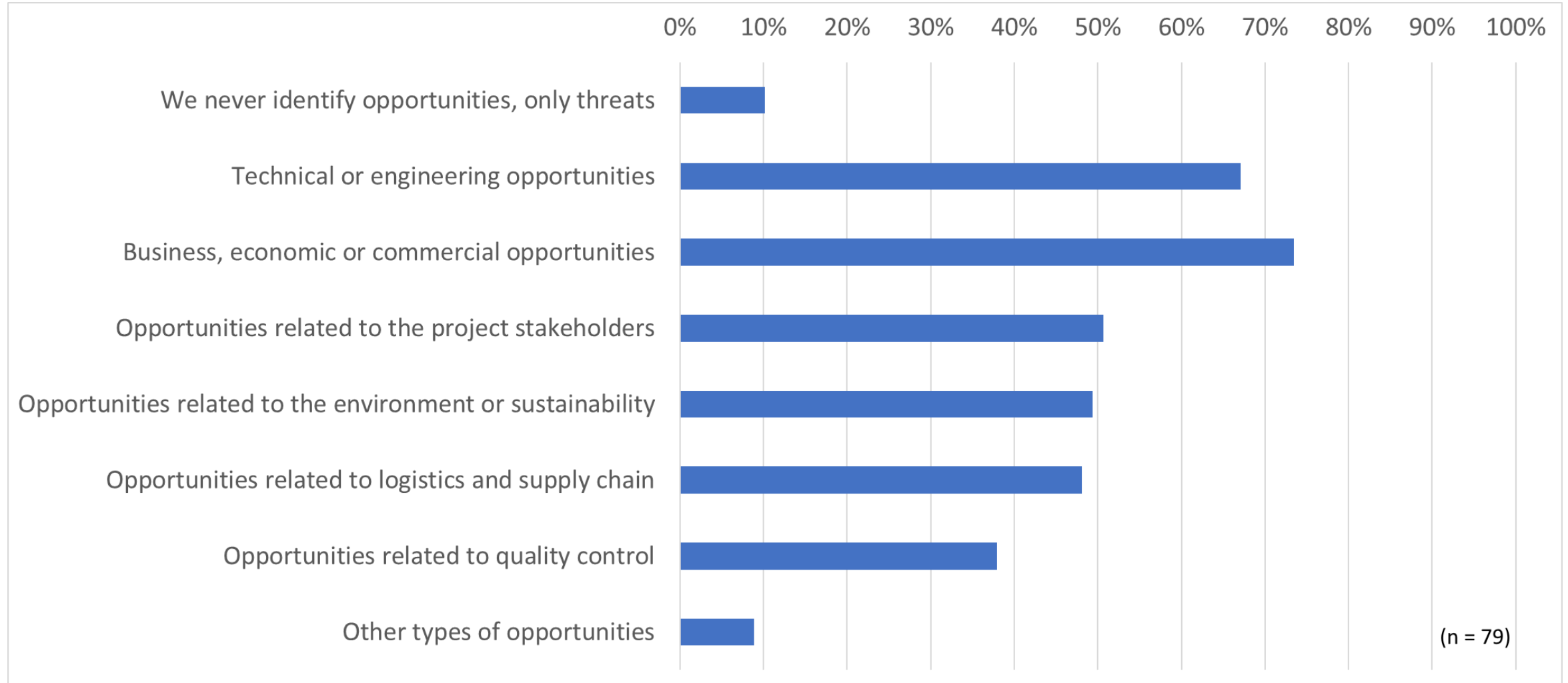


0-5 years 6-10 years 11-20 years More than 20 years Prefer not to answer

Risk Management



Identified opportunity types



Terminology (1)



APM's definitions:

Risk: The potential of a situation or event to impact on the achievement of specific objectives.

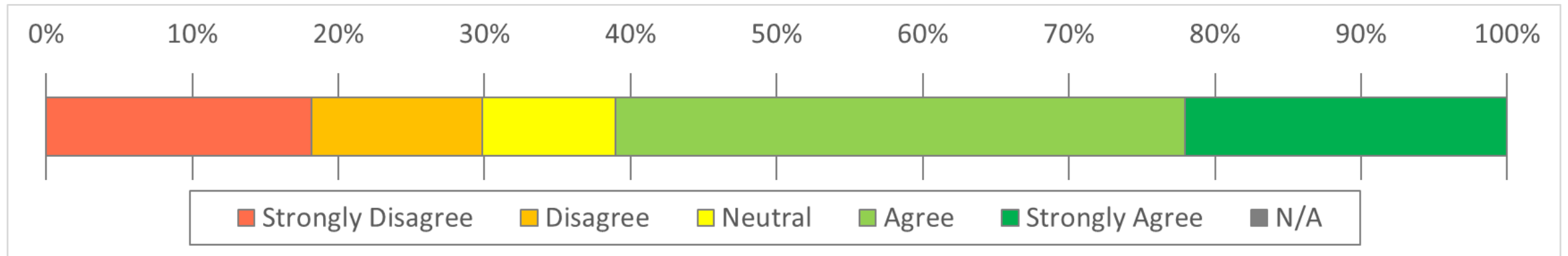
Project risk: The exposure of stakeholders to the consequences of variation in outcome.

Threat: A negative risk event; a risk event that if it occurs will have a downside/detrimental effect on one or more objectives.

Opportunity: A positive risk event that, if it occurs, will have an upside/beneficial effect on the achievement of one or more objectives.

Terminology (2)

23d. I associate the term "risk" with a negative outcome



Quote:

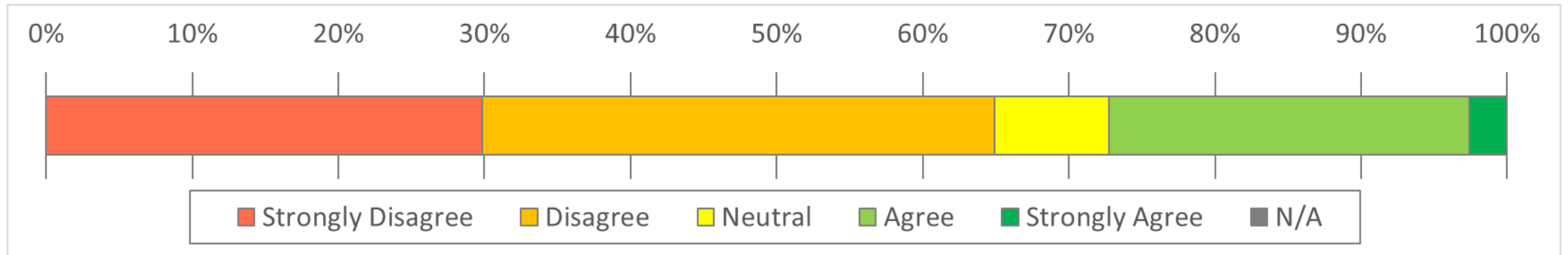
"Risk does have a negative/downside context for most people - it's hard to remember risks can be positive."

Terminology (3)

Conclusion: Project professionals and project risk professionals associate the term "**risk**" with a **negative outcome**. This is a major issue for including opportunities in the risk management process..

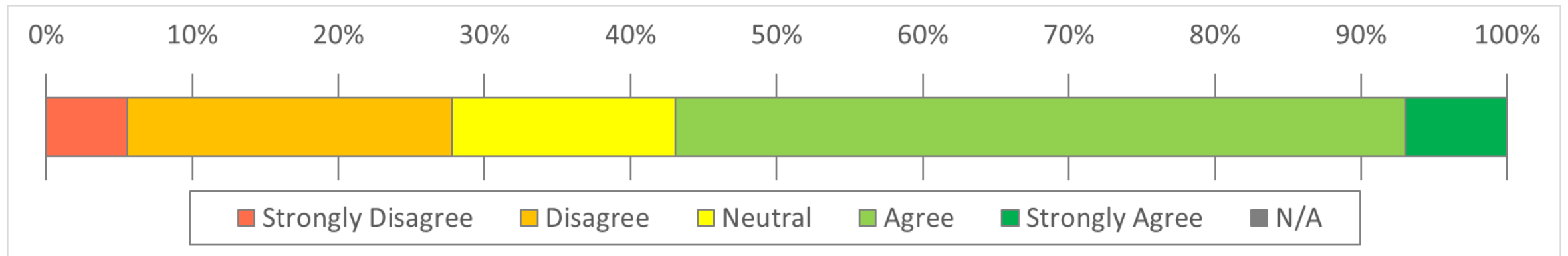
Terminology (4)

23a. The term "opportunity" to denote risk with positive impacts on the project objectives is confusing



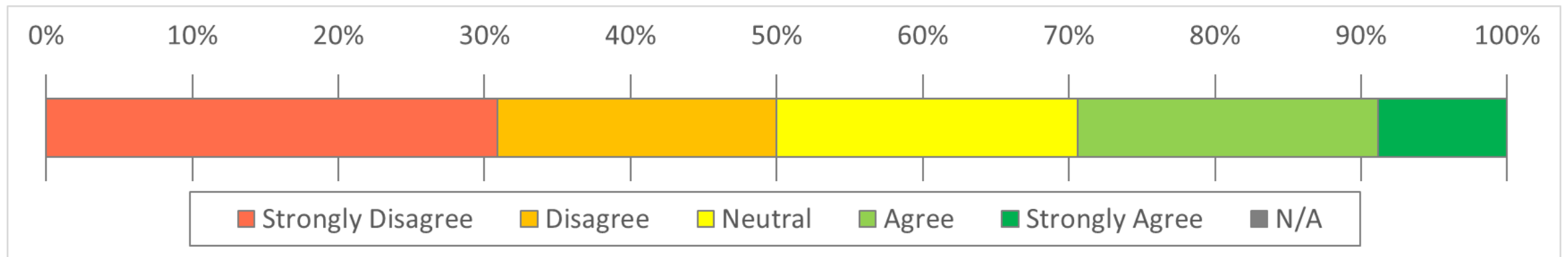
Terminology (5)

23g. The distinction between "business opportunity", "opportunity as an upside risk" and "opportunity in the colloquial sense" is not clear in our organisation



Terminology (6)

23c. Our organisation has strict standards in place for the use of the term "Opportunity"



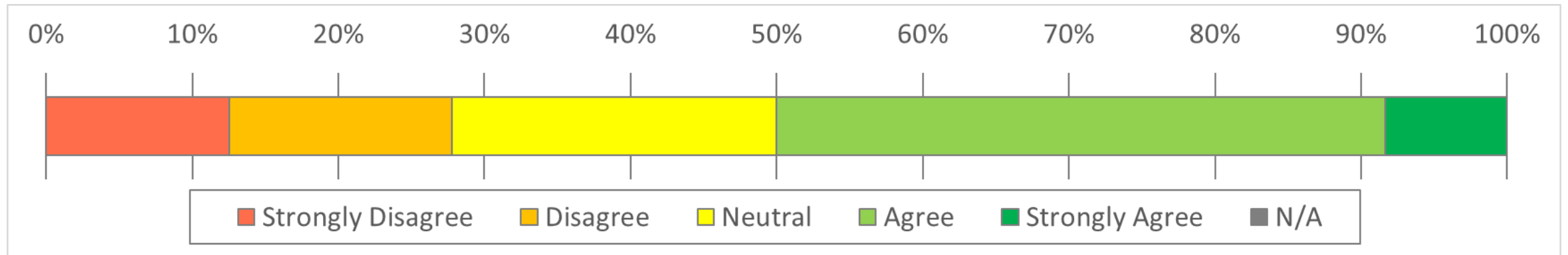
Terminology (7)

Conclusion: There is quite some **confusion** around the term 'opportunity', and half of the organisations do not have strict definitions in place for what an opportunity exactly is.

Using the term 'opportunity' for an upside risk is **not** considered problematic by the majority of responding organisations.

Asymmetry (1)

19a. When we identify opportunities for our projects, these contain more of a business perspective, whereas threats are more technical



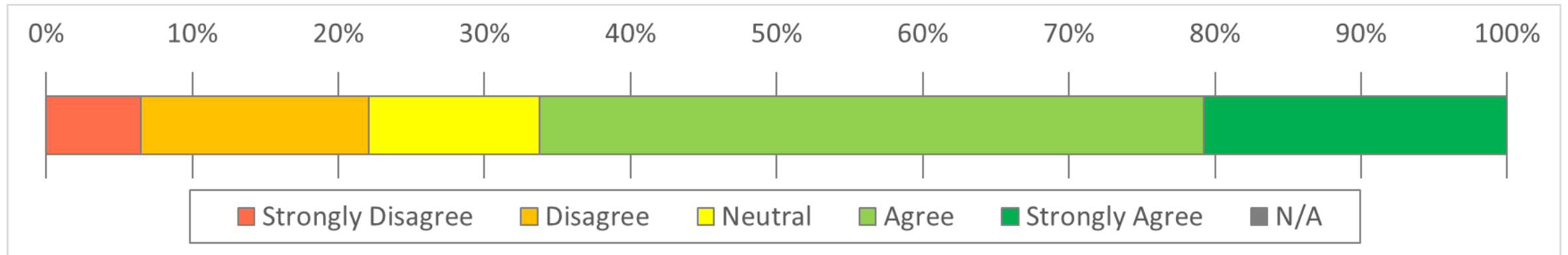
Quotes:

"Opportunities usually need a project of their own to develop the solution."

"Business needs to approve the spend on the development of opportunities."

Asymmetry (2)

19h. Opportunities are different from threats, since they often involve a conscious choice whether to seize the opportunity or not

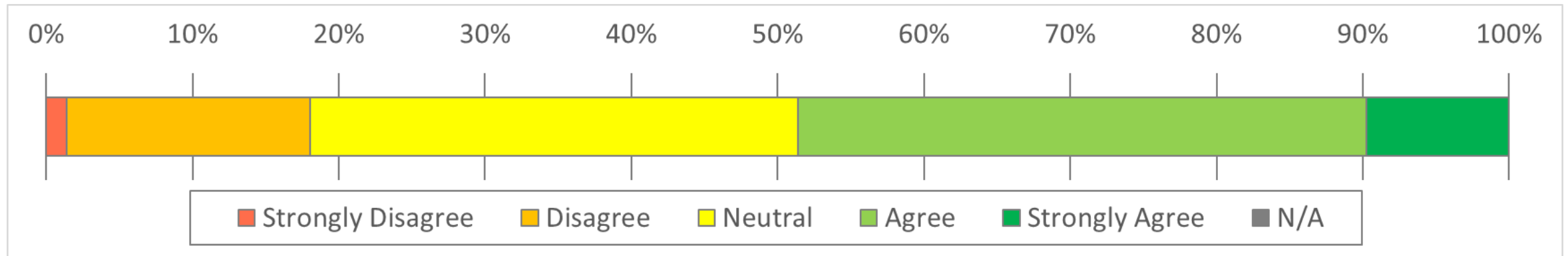


Quote:

"Opportunities are a choice, often time is limited and they are overlooked / too much trouble / missed."

Asymmetry (3)

19b. For our projects, opportunities are seized quickly in the early phases (Concept and Definition)



Quote:

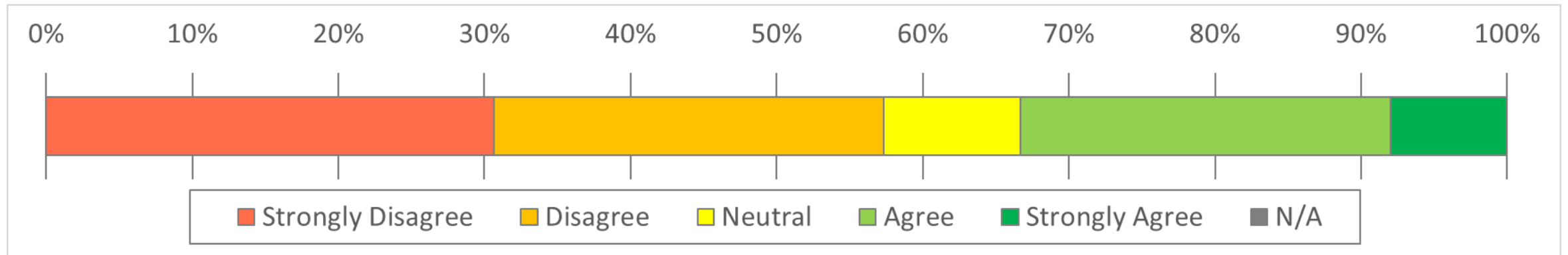
"Opportunities are often more difficult to identify and assess than threats. However, once identified, an opportunity will either be accepted and included in the schedule and estimate very early, or the opportunity will be rejected. In both cases, thus closing the opportunity in the Risk Register. Therefore, the Risk Register will, inevitably, be dominated by threat risks."

Asymmetry (4)

Conclusion: According to the majority of the respondents, threats and opportunities are **truly asymmetric**. Threats involve downside risks that may or may not happen to the project, whereas opportunities are seen as a **business choice** that can be made at any moment to improve the project outcomes.

Process (1)

23h. The opportunity management process should be separated from the threat management process



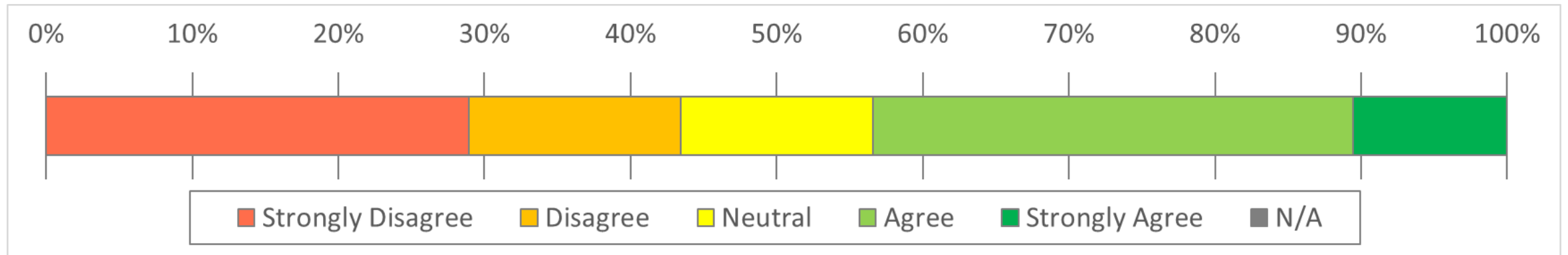
Quotes:

"We have removed Opportunities from our ROMP and written 2 different documents."

"For a Quantitative Risk Analysis to be reliable, threats and opportunities need to be analysed together."

Process (2)

23i. A separate opportunity register would be helpful instead of having to add the opportunities to the standard risk register



Quotes:

"I liked your question around having a separate opportunity log"

"... the management of a project is very administration heavy as it is, do not try to add additional registers to complicate the situation. As many opportunities come from risk identification, they need to be kept together and can be used to support the overall process of Risk Management."

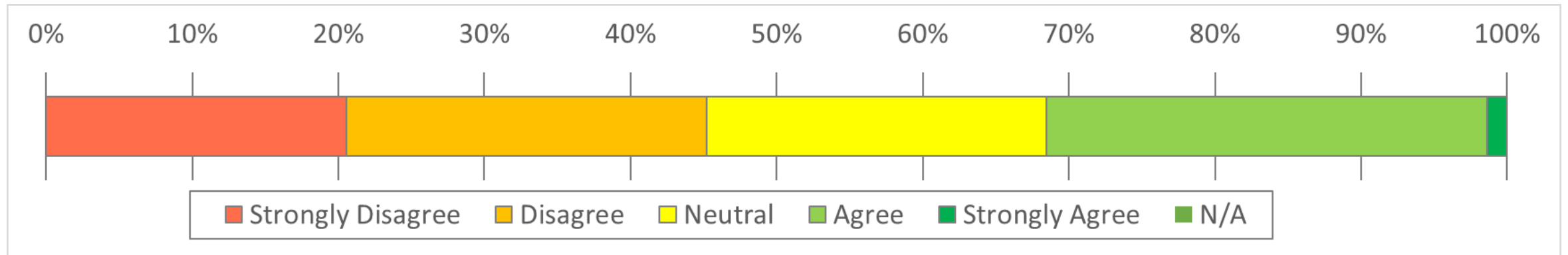
Process (3)

Conclusion: Opinions on whether to **separate** threat management and opportunity management are **mixed**. Around a third of the organisations favour two different processes and even have taken steps to move the opportunity management process out of risk management, other are very much against.

The same applies to using two separate **registers** for threats & opportunities. Here, the split is 50/50.

Process (4)

24a. When an opportunity surfaces in one of our projects, it is seized immediately and made part of the estimates and promises

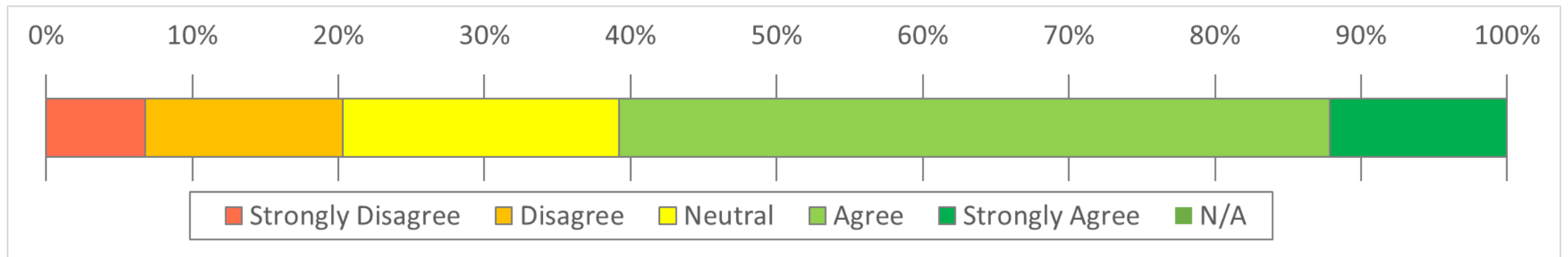


Quote:

"Project people love the concept of identifying and pursuing opportunities but in reality, the base estimates/plans are usually optimistic. Focusing on opportunities established the right mindset but could distract teams from managing threats that really need attention."

Process (5)

24c. The estimates for our project are set up in such a way that there is little room for improvements, but a lot of room for threats to make the outcome worse than the estimates



Process (6)

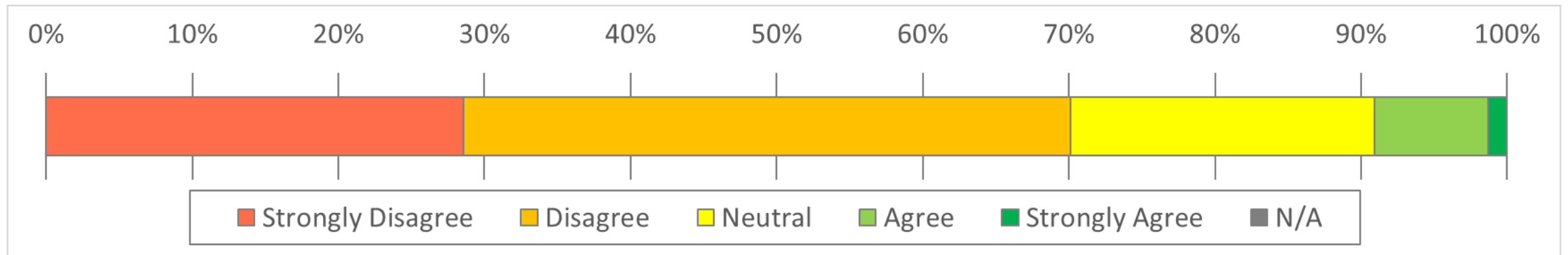
Conclusion: **Threats** are typically **included** in estimates for schedule and cost in some way, more for larger projects than for smaller projects.

Opportunities, however, are often **not included** in cost and schedule estimates.

P50 estimates are 'asymmetric' with respect to threats and opportunities, and **not a true P50**.

Terminology solutions (1)

23b. Using the term "upside risk" rather than opportunity would be helpful

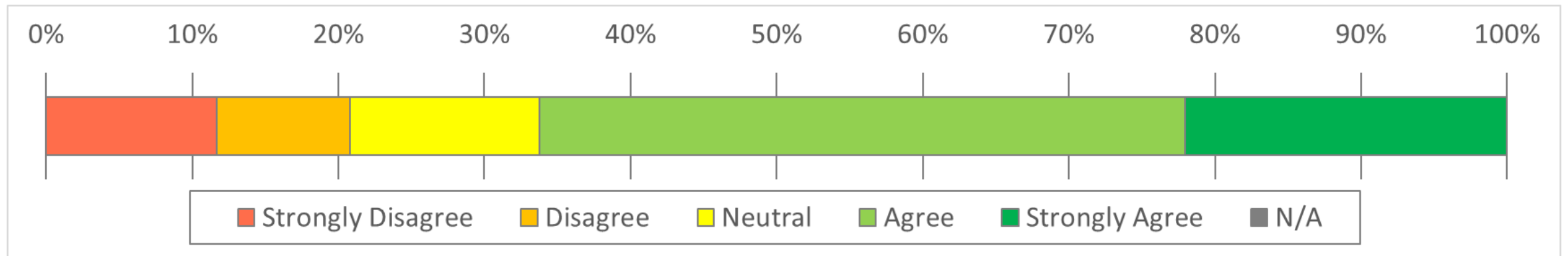


Quote:

"Agree there should be distinct language for opportunities management to keep it at the forefront of minds."

Terminology solutions (2)

23e. Using the term "threat and opportunity management" instead of "risk management" would help to include the "upside risks" in Project Risk Management

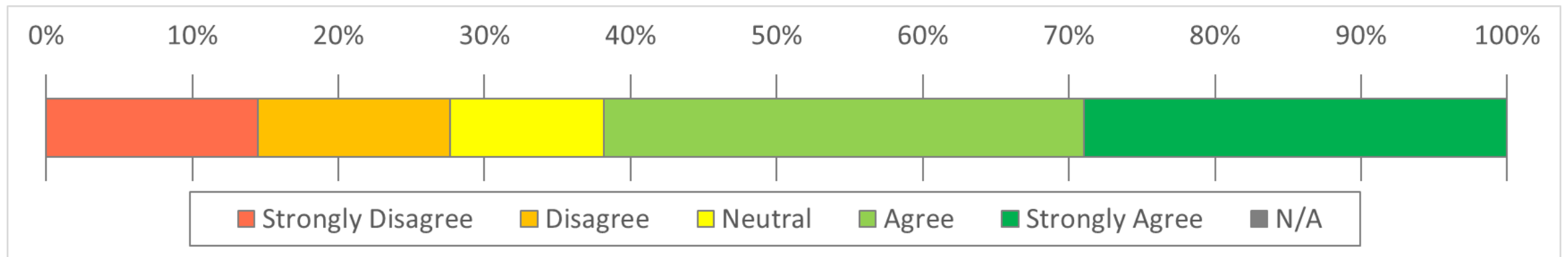


Quote:

"I do believe that Risk Management is a term which does not provoke enough thoughts to Opportunities and the idea of Risk and Opportunities Management, or similar would be a better industry phrase or terminology to consider."

Terminology solutions (3)

23k. The term risk as an umbrella term that includes both threats and opportunities is difficult to grasp. A better use of words would be "risks and opportunities"



Quote:

"Using a different name as suggested in the survey would be helpful to include opportunities."

Terminology solutions (4)

Conclusion: Respondents **not** necessarily want to **replace** the term '**opportunity**' by another term, but a vast majority want to stop using the word 'risk' for the overarching concept, and reserve the term '**risk**' or '**threat**' for **negative outcomes** only. The overarching process can then be called 'threat and opportunity management' or 'risk and opportunity management'.

Conclusions

1. Terminology

- Can risk be positive?
*For most people: **NO**, risk is always perceived as negative*
- Are opportunities perceived as an event that may or may not happen?
*For many organisations: **NO**, opportunities are 'business decisions'*

2. Asymmetry

- Are threats and opportunities symmetric, i.e., two sides of the same coin?
***NO**. Many differences that show they are treated very differently.*
- Are the same processes followed for threats and opportunities?
***50/50**. Around the same number of organisations do and don't.*

3. Process

- Are opportunities dealt with as real risks? Or as 'business opportunities'?
***NO**. Many organisations do not treat opportunities as risks.*
- Are opportunities incorporated in the estimates?
***NO**. Only few organisations do, and then only for larger projects.*



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