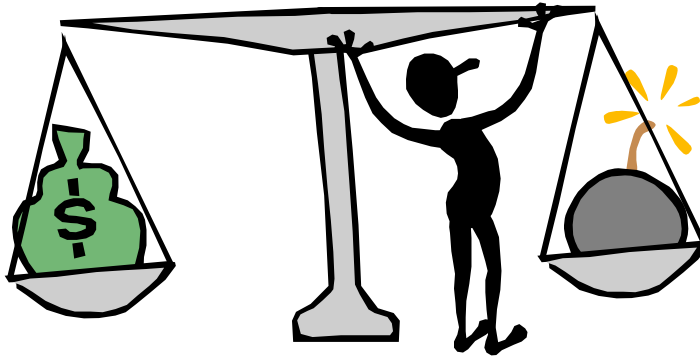


Disentangling Project Opportunities and Risks



Tom Kendrick, PMP

Project Management Consultant, Visa Inc.

©2009 Tom Kendrick

1

Opportunities and Risks

Opportunity: Good stuff.

- A time or condition favourable for a particular action or aim. (*Oxford English Dictionary*)
- A favorable juncture of circumstances. A good chance for advancement or progress. (*Merriam Webster Collegiate Dictionary, Eleventh Edition*)

Risk: Bad stuff. (Mostly)

- Danger. The possibility of loss, injury, or other adverse circumstance. (*Oxford English Dictionary*)
- Possibility of loss or injury. Someone or something that suggests loss or hazard. (*Merriam Webster Collegiate Dictionary, Eleventh Edition*)
- Uncertainty that matters. (PMI PMBOK®, recent editions)

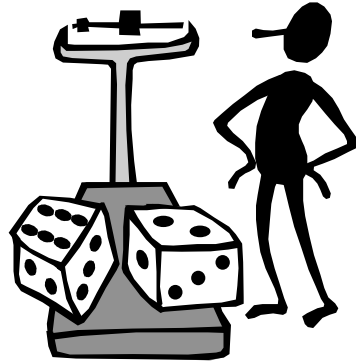
©2009 Tom Kendrick

2

Risk Requires Uncertainty

Events that are certain are not risks.

Risks always have an associated likelihood between zero and 100 percent.



©2009 Tom Kendrick

3

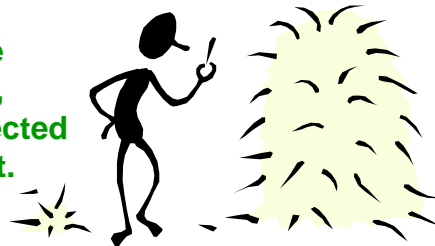
Project Opportunity Management

Project opportunity management is essential.

It includes (at least):

- Managing overall project and scope opportunity
- Incorporating project planning opportunities
- Dealing with uncertain project execution opportunities

The first two categories are not uncertainties. However, they are both deeply connected to project risk management.

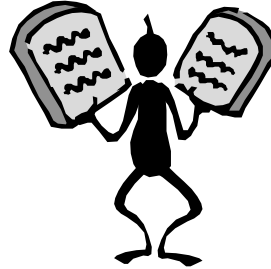


©2009 Tom Kendrick

4

Overall Project Scope Opportunity Management

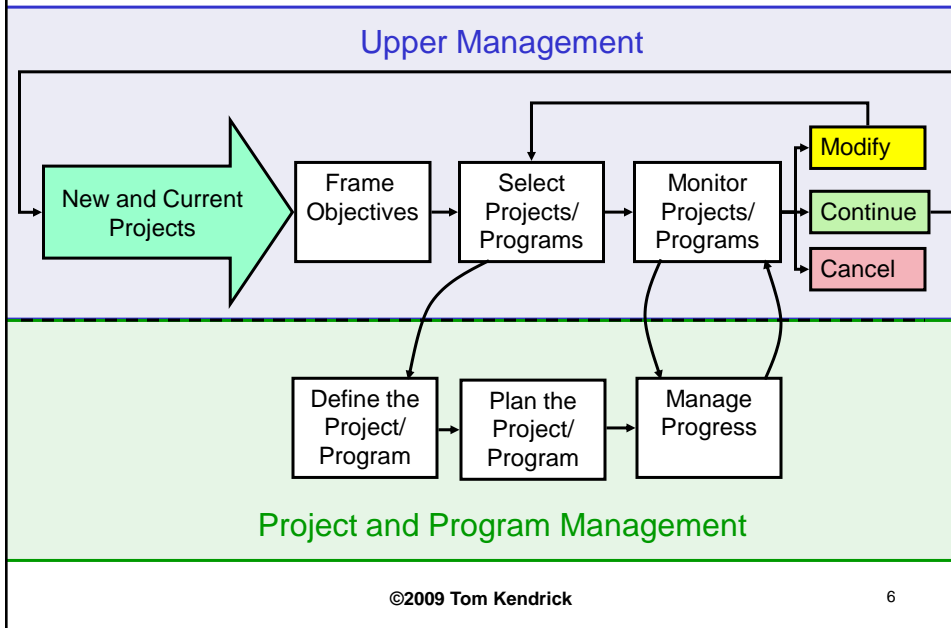
- Generally part of strategic planning.
- Often done behind closed doors and completed well before PM or team is involved.
- Project objectives, constraints, and baselines may get locked in without PM feedback.
- However, scope opportunity management is about merging a deep understanding of user needs with available technical capabilities to create the best deliverable—not necessarily the one initially envisioned.



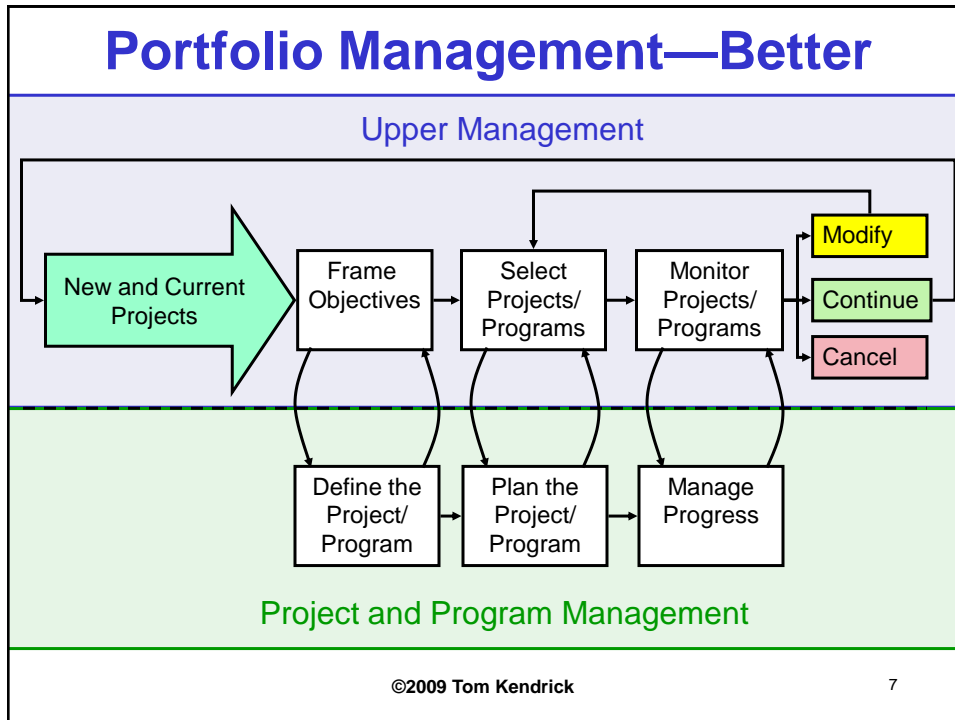
©2009 Tom Kendrick

5

Portfolio Management—Usually



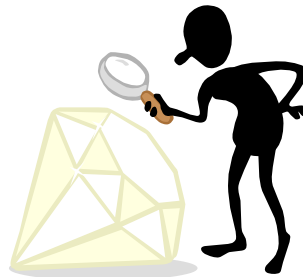
6



Scoping Opportunity Analysis

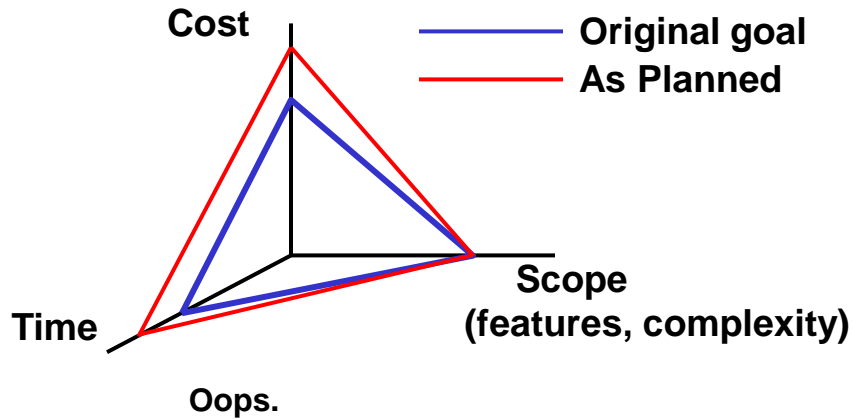
Why should project/program managers and teams get involved?

- To integrate user needs analysis with technological capabilities/possibilities
- To avoid committing to infeasible projects
- For self defense



Goals Versus Plans

Projects, once planned, may prove to cost too much, take too long, or both.

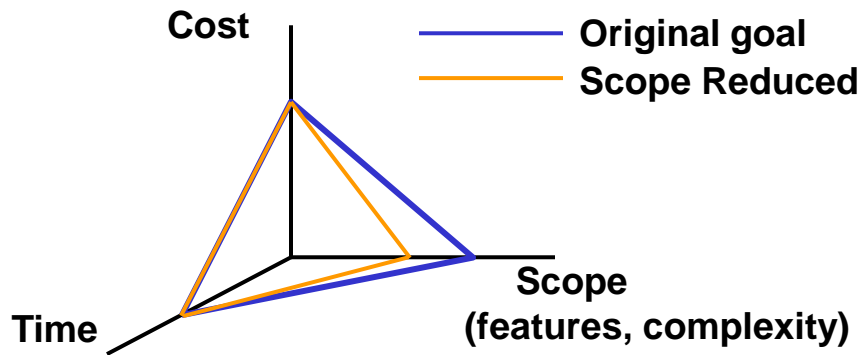


©2009 Tom Kendrick

9

Setting Realistic Baselines

An alternate project may be proposed that meets budget and timing goals by reducing scope.



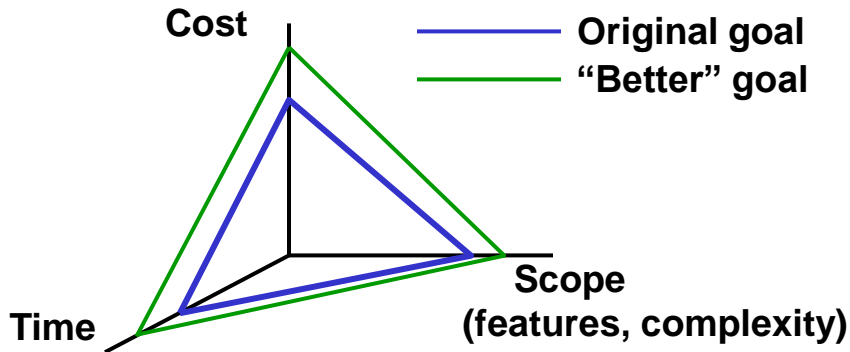
But this may be hard to sell.

©2009 Tom Kendrick

10

Exploring Opportunities

When you know you are going to lose an argument, change the subject...



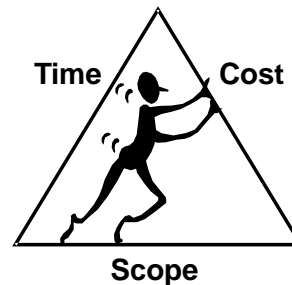
The project cost and timing exceed the original objective, but may well be justified by the superior deliverable.

©2009 Tom Kendrick

11

Project Opportunities

- Deliverables with general, not just specific application.
- Deliverables that conform to standards or to international requirements.
- Deliverables with potential for reuse and leverage on future projects.
- Etc.



Not all projects have realistic alternatives worth proposing. All projects, especially overconstrained, risky projects, warrant the effort to explore opportunities.

©2009 Tom Kendrick

12

Overall Project Scope Opportunity Management

- Get involved in projects pre-initiation. (While desirable, this may not always be possible.)
- Explore better project options that project contributors and subject matter experts know about.
- Understand the problem to be solved; push back on constraints set in ignorance by users and stakeholders.
- Use possibility thinking and principled negotiation.
- Manage every project as a business. Work to minimize project costs and maximize project benefits.
- Avoid “Gold Plating” and scope creep.

Project risk increases when you fail to assess overall project and scoping opportunities.

Remember: All this is about choice, not uncertainty.

©2009 Tom Kendrick

13

Opportunities in Project Planning

Planning is a fertile source of identified risks, and similarly it may reveal many opportunities. For initial planning:

- **Scoping:** Ideas such as above, based on exploration of alternatives, options, and novel ideas.
- **Staffing:** Adding new contributors, developing new skills, establishing teamwork and trust...
- **Infrastructure:** Refining roles and responsibilities, replacing or upgrading facilities and equipment, improving communications capabilities...
- **Processes:** Improving change control, building on lessons learned, establishing more thorough planning procedures...

©2009 Tom Kendrick

14

Project Scheduling Opportunities

Improve your schedule:

- Exploit float/slack.
- Revise logical dependencies to compress schedules.
- “Crash” or fast-track activities.
- Employ simultaneous development and concurrent engineering
- Seek valid shortcuts and better, newer work methods.
- Pay for overtime
- Hire outside staff to help or outsource whole project activities
- Pay to expedite shipping or other services
- Spread work over more shifts, weekends, holidays

Note that these scheduling opportunities tend to **increase schedule risk**.

©2009 Tom Kendrick

15

Project Resource Management Opportunities

Improve the project:

- Explore options for increased efficiency using additional, more highly skilled, or outside contributors.
- Investigate improvements to your tools, systems, or other facilities to improve performance.
- Gain access to and use the best available facilities and methods for communications.
- Bring distributed teams together and arranging other face-to-face collaborations to boost teamwork.
- Schedule additional training and cross-training for contributors.
- Identify any underallocated team member time and replan to use it (or hold it in reserve).

©2009 Tom Kendrick

16

Project Risk Responses

Seek opportunities that minimize overall risk. Some ideas:

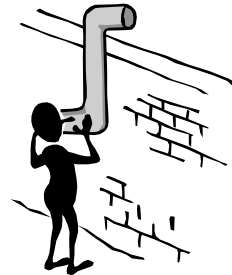
- Plan to use standard, modular, or well-understood methods and tried-and-true technologies.
- Buy instead of make.
- Leverage other work; avoid “not invented here.”
- Schedule risky work early
- Limit commitments to additional projects and other work.
- Automate manual activities.
- Use only outside services that you trust, and establish contract terms with incentives and penalties.
- Include both specialists and generalists on staff.
- Maintain strong sponsorship.
- Involve users at key project milestones.
- Establish clear decision priorities.

©2009 Tom Kendrick

17

Project Planning Opportunities

- Focus throughout project planning on identifying both risks and opportunities.
- Use effective project risk management to deal with identified **risks**. Identify any **uncertain opportunities**, and use a similar process for them. (More on this next.)
- Incorporate opportunities consistent with objectives and constraints into plans, deciding based on effectiveness and common sense. (This is your job...)
- Build a business case for and propose incorporating attractive opportunities that would require modifications to the original project goals.
- Gain approval from sponsors, stakeholders for a realistic plan, including opportunities, in your baselining process.



Most of this is also about choices, not uncertainty.

©2009 Tom Kendrick

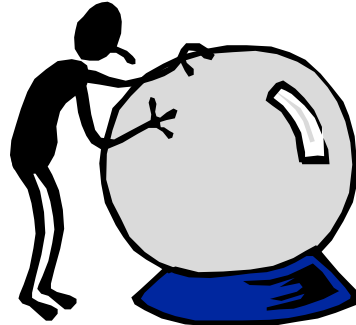
18

Managing Uncertain Project Execution Opportunities

Not all project opportunities are simply choices.

- Some may have uncertain probabilities.
- Some may represent uncertain potential impact.
- Some opportunities may have both.

These represent “uncertainty that matters” and they should be assessed and managed.



©2009 Tom Kendrick

19

Dealing with Uncertain Project Opportunities

Compared with identified project risks (based on a lot of looking), there are key differences. For most projects:

- Uncertainties associated with bad news significantly outnumber those offering good news.
- The impact of uncertain “threats” dwarfs the potential beneficial impact from uncertain opportunities.
- Personal consequences to the PM also vary:
 - Credit for something that goes well is grabbed by those in power.
 - Blame for disasters falls on the PM and team.
 - “Success has many fathers, while failure is an orphan.”
- Also: “No good deed goes unpunished.” delivering miracles may result in unrealistic future expectations.

©2009 Tom Kendrick

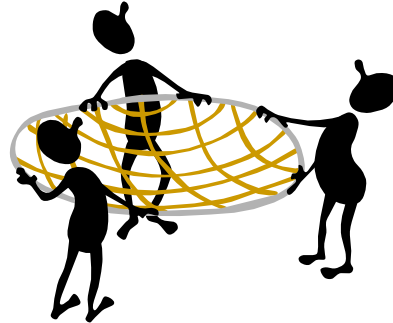
20

So, Why Bother?

There is much truth in the saying:

“Luck is what happens when preparation meets opportunity.”

Lacking investigation and assessment, beneficial project opportunities may be squandered, or worse, never even noticed.



©2009 Tom Kendrick

21

Project Opportunity Assessment

For opportunities that hinge on circumstances that might or might not happen, assessment can parallel that for risk, using **likelihood and gain** (instead of loss). An example:

- **Purchasing something needed by the project that sometimes is on sale.**

Probability, depending on the timing required, could be fairly high.

The potential for **gain** could also be variable, but might also be significant.

Assessment (based on a table or matrix) may show this as a significant opportunity.

©2009 Tom Kendrick

22

Project Opportunity Responses

Developing responses is straightforward once the opportunity to purchase a needed item at a reduced price is visible.

- **The tactic of “Avoid” is replaced by “Exploit.”**
You could plan to wait until the last moment to buy, but monitor and purchase early if there’s a sale.
- **The tactic of “Mitigate” is replaced with “Enhance.”**
You may be able to improve your odds by scheduling the project to correspond to sale dates from previous years, when a sale would appear to be most likely.
- **The tactic of “Transfer” is replaced with “Share.”**
Even in the absence of a sale, you may achieve a lower your price by coordinating your needs with others and negotiating to purchase in bulk.

Without investigation, these benefits could be lost.

©2009 Tom Kendrick

23

In Summary

- Opportunity management is essential to good PM.
- Most project opportunities are **choices**, not uncertainties.
- Participate in **project initiation** to maximize overall project opportunities.
- Use **principled negotiation** to change the project when necessary.
- Opportunities are **not the same** as risks
- Opportunities can increase or decrease project risk.
- Throughout planning, **identify** project risks and opportunities.
- Incorporate good **project opportunities** into your plans.
- Manage **uncertain** project opportunities using a process similar to that used for project risks.



©2009 Tom Kendrick

24

Questions?

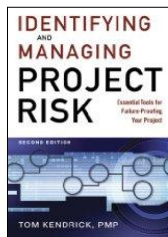


**Tom Kendrick, PMP PM Consultant, Visa
Director, PMI RiskSIG Region II
President Elect, PMI Silicon Valley, CA Chapter**

©2009 Tom Kendrick

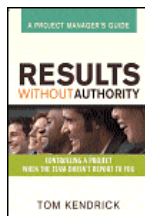
25

References



Identifying and Managing Project Risk: Essential Tools for Failure-Proofing Your Project, Second Edition by Tom Kendrick AMACOM, Feb 2009. ISBN 0814413404 (PMI online access (First Ed.): <http://pmi.books24x7.com/toc.asp?bkid=5591>)

The Project Management Tool Kit by Tom Kendrick AMACOM, March 2004. ISBN 0-8144-0810-9 (PMI online access: <http://pmi.books24x7.com/toc.asp?bkid=4546>)



Results Without Authority: Controlling a Project When the Team Doesn't Report to You - A Project Manager's Guide by Tom Kendrick. AMACOM, July 2006. ISBN 0814473431 (PMI online access: <http://pmi.books24x7.com/toc.asp?bkid=13764>)

©2009 Tom Kendrick

26