Business Case for assessing the maturity of PRM capabilities with the aid of a Risk Maturity Model [1]

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Introduction

To gain sanction within an organization for the adoption and application of a risk maturity model (RMM) to understand the current and desired project risk management (PRM) capabilities and the gap to be bridged, it is sometimes necessary to prepare a business case. In simple terms business cases are critical project documents that outline a business problem and provide an option or options to solve it. The use of the model should be considered as a project in its own right with a defined timeframe, budget, resources, participants and deliverables and most importantly the anticipated benefits.

Application

Any investment in the application of a maturity model must be predicated on the notion that (i) risk management is an enhancer of project performance; (ii) its contribution is determined by how well it is implemented; (iii) an understanding of effective implementation requires a clear grasp of the drivers of successful risk management; and (iv) once knowledge of current capabilities is established the findings will be used to develop an improvement plan. However, acceptance of the need to employ a maturity model can fall at the first hurdle. Recognition by senior management within an organization that risk management as a discipline is critical to successful project delivery cannot be treated as a given. A foundation must be laid that paves the way deployment of a maturity model.

The importance of risk management

It can be argued that e*ffective risk management is at the heart of successful project delivery* and achievement of value-for-money. While project failure can result from over ambitious objectives or unpredicted radical changes in the business environment, poor risk management implementation is a common driver. Although the raison d'être of the discipline of project management is the management of risk, *one the prime reasons why projects fail is as a result of poor risk management*. There is now a wealth of knowledge that pinpoints inadequate risk management as the cause of project delays and or cost overruns, the primary measures of project success. In successive reports, the National Audit Office has attributed poor risk management to a skills shortage in experienced risk management personnel (where risk

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management needs to be implemented from business case development through to project closure). These reports point to the need for independent assessments of risk management practices. Repeated project overruns attract the attention of the C-suite and in particular finance directors who seek answers to deteriorating bottom line performance. The primary tool that could be used is a PRM maturity model. The assessment provided would be an independent, objective and evidence-based measure of risk maturity. The outputs would be built into an improvement plan with discrete actions, owners and timelines.

Background information

As with all organizations they have a number of common core objectives such as profitability, maintaining cash flow and reserves, increase in market share, stakeholder engagement, preservation of reputation and longevity. Projects which lead to cost overruns, schedule delays or do not deliver all of their objectives are harmful to an organization's primary objectives. While a business may currently be managing its projects relatively successfully, past performance is no guarantee of future success.

Project definition

The business case will state that the project would look to carry out the risk maturity assessment of current PRM practices. The case must state what is and is not included. So, it may be appropriate to say: "for clarification purposes this would exclude a review of enterprise and operational risk management practices, health and safety risk management, business continuity or crisis management methodologies". If the organization secures risk management services from external consultants, then it is suggested that a maturity assessment would need to be completed for each consultant. The business case should state the composition of the model such as: maturity model is formed from a matrix of 5 levels of maturity against 10 categories of assessment.

Lessons learned

Any maturity assessment should consider lessons learned in terms of examples of poor risk management performance (within the industry within which the organization operates), such as (but not limited to):

- Poor leadership.
- Risk management not mandated.
- Lack of integration of risk management with other disciplines.
- Poor business case preparation.
- Lack of risk-based option analysis.
- Lack of consideration of optimism bias.
- Suppression of optimism bias.
- Lack of or poor assessment of lessons learned.

- Inadequate training and education.
- Focus on risk reporting and not risk management.
- Superficial risk identification.
- Imprecise definition of risk response actions.
- Lack of clear ownership of response actions.
- Risk management not integrated with construction and the supply chain.

In addition, consideration should be given to the pursuit of unrealistic goals as well as the existence of 'willful ignorance' and 'group think'.

A schedule of previous completed projects that records the budget, schedule and planned outputs/deliverables at both inception and completion would be particularly helpful.

Project implementation plan

A statement should be made as to the composition of the project, such as the project will be composed of a series of steps as follows:

- Establish a single point of contact for day-to day communication.
- Desktop study of sample risk management documents such as risk registers, probability impact grids, risk breakdown structures, workshop guides etc.
- Alignment of the maturity model to the business.
- Review of the model by the business for its suitability.
- Issue of a questionnaire (accompanied by explanatory notes) to nominated participants to score the model.
- Issue of the scores to the nominated participants to capture any adjustments to be made to secure alignment (similar to the Delphi Technique).
- Preparation of a report on the findings including graphical representations of the data.
- Present the report with the aid of a MS PowerPoint presentation over say MS Teams or Zoom.
- Issue of a draft improvement plan for changes to risk management practices for comment.
- Revise and re-issue the improvement plan incorporating the feedback received.

Resources required

To complete the project the following resources will be required:

- Access to a single point of contact for the duration of the project as a focal point for delivery and discussion.
- Sample of risk management documents to match the requirements of the maturity model.

- Access to senior personnel to review the suitability of the model once it has been refined to reflect the documents received.
- Access to project personnel to complete the questionnaires.
- Access to senior staff to present the findings.

Benefits

The primary benefit would be to improve risk management practices and in turn project performance by improving project outcomes including a lowering of project costs. The project will provide *financial benefits* in the short term however if risk management practices are incrementally improved, the financial benefits will grow over time. The *'soft' benefits* are enhanced reputation and standing in the industry, improved stakeholder and supplier relations, improved profitability and cash flow, a stronger relationship with contractors and more attractive borrowing terms with lenders. Other soft benefits include the ability to promptly respond to calls for evidence-based reports from the board, the CFO, stakeholders, insurers, auditors and performance reviewers, on the current and planned improvements in risk maturity.

Summary

While it may be assumed, given the development of the discipline of PRM over the last twenty years together with the wide dissemination of its benefits, that organizations are likely to readily deploy maturity models to determine the effectiveness of their practices. However, this is not the situation. It may be necessary to develop a business case to describe the benefits of deploying a RMM, that can be compared with the investment in time and cost required. Any model and its use should take account of lessons learned in terms of where risk management practices fell short of project needs. The primary benefit of the model would be to improve risk management practices and in turn project performance by improving project outcomes including a lowering of project costs.

About the Author

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