Risk - Driven PMO Strategy

By **Kevin Hanrahan** and **David Giudice**

Every day, businesses need to decide which projects to work on, which to put on hold, which ones to escalate, or which should just be canceled outright. The world today is more risk-aware than ever before, thanks in part to the instability of financial markets and rapid advancements in technology. Compound that with globalization and you have an inordinate potential for threats that cannot be ignored. Setting project priorities based on enterprise risk is not applicable to all projects in an organization, but it should be viewed as critical to functions where risk, security and compliance are factors.

❶ **Determine risk appetite:** Charting the probability of the event against its impact results in risk categories of low (acceptable), medium (tolerable), and high (unacceptable). While it's not always feasible or even desirable to have no risk, businesses have a certain level of risk that they can tolerate. In order to capture the true risk appetite for a business, input needs to be gathered across the enterprise and agreed upon at the executive level. This is often performed using a matrix that shows both the potential "Impact" and "Probability" of a given risk. If the enterprise Risk Appetite matrix can't be obtained from the company's risk organization, it can be developed internally.

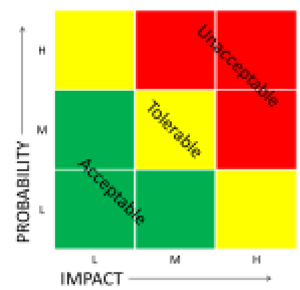


Figure 1: Risk Appetite Matrix

❷ **Perform risk assessment:** Identify risks in a risk register and map them to the risk matrix to get a complete picture of your business' risk. Creating a risk baseline will cause intense, healthy discussions and pushback. It is important that everyone acknowledge problems that exist to support mobilization of resources and funding to make them more 'acceptable' or 'tolerable'. Since the risk's probability and impact changes continuously, this cannot be viewed as a one-time snapshot, but rather an ongoing measure to understand how risks are changing over time.

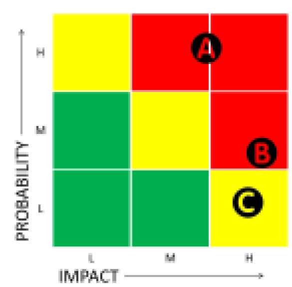


Figure 2: Risk Assessment

❸ **Address risks:** Create targeted projects and assign SMART metrics to mitigate risks that lie outside your risk appetite zone. Assign metrics to each risk in order to track progress and move or transfer the risk to a more acceptable risk category. It may not be an option to get to an acceptable risk level on a first or even second pass, but knowing where your boundaries lie can help determine how much time and effort is appropriate.

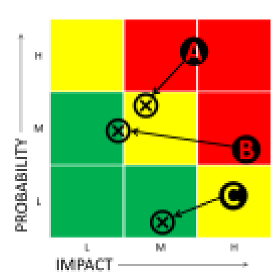


Figure 3: Addressing Risks

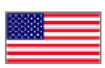
❹**Rhythm and rigor:** Successfully implemented, this is an ongoing cycle of validating risk appetite, adding new risks to the risk register, monitoring how risks are shifting in the matrix, re-evaluating project priorities, and spinning up new projects. It is important to note that even well managed, successful projects can see risks moving in the wrong direction due to environmental factors that were either not there or not obvious during the initial assessment.

Utilizing a risk-driven PMO strategy drives functions toward addressing the chinks in their strategic and tactical armor. Knowing how projects address business risk not only determines the pipeline and prioritization of projects, but also develops a cross-functional understanding for which projects need more (or less) attention, since the foundational criteria was developed and agreed upon by leadership across the business. The trick is to formally acknowledge, document and establish sustainable processes to integrate and gain acceptance into the business.

About the Authors

Kevin Hanrahan, CEO

TranSigma Partners
Connecticut, USA

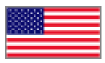


With over 25 years of experience in consulting and industry, Kevin Hanrahan has significant depth in management consulting, process transformation, financial systems and risk management. His executive positions include ING, GE, Price Waterhouse and Arthur Andersen. He has been responsible for global strategic initiatives and operations for numerous departments; including global risk and compliance, financial systems, capital markets, insurance, information management and risk. He is a Master Black Belt, certified Project Management Professional (PMP), Certified Public Accountant (CPA), Chartered Global Management Accountant (CGMA) and Certified Management Accountant (CMA). Kevin is a member of the Ohio Society of CPA's, American Institute of CPA's, Information Systems Audit and Control Association and the Project Management Institute.

Kevin graduated summa cum laude with a degree in Accounting and received his MBA from Xavier University in the United States.

David Giudice, VP

TranSigma Partners
Connecticut, USA



David Giudice brings 18 years of leadership experience in business process improvement, global operations, client management, and information security. The majority of his career was developed in General Electric's financial and manufacturing businesses driving company-wide initiatives, developing global teams, and delivering custom workshops such as change management and Lean training to strategic clients. In his most recent role as Chief Security Officer at Vertrue, David led technology teams with focus on enterprise security, PCI compliance and risk management.

David is a graduate of Worcester Polytechnic Institute, where he earned his Bachelor of Science in Electrical & Computer Engineering. He holds professional certifications in Six Sigma and Security Leadership.

www.transigma.com