



### In search of optimal solutions - why risk and value integration is essential

**For many people who work in project management, the approach, tools and techniques of both risk management and value management are just applied common sense.** Why would anyone attempt to undertake a project without first understanding the areas of uncertainty that might impact the achievement of objectives? Likewise why would anyone deliver any aspect of a project that was unnecessary and not an integral part of the functionality required to deliver the benefits? Nonetheless, how many projects do you know of that were late and over budget while at the same time delivering a solution with 'bells and whistles' when neither 'bells nor whistles' were needed by the users?

As you know, risk management (RM) is all about understanding the sources of uncertainty that surround your project and identifying all the risks (both opportunities and threats) that exist as a result. Once identified, risks can be managed and the chance of meeting project objectives greatly increased. Value management (VM) is all about doing the right work; satisfying creatively the needs of your customer/users while at the same time minimising the use of resources. Some argue that 'upside risk' or opportunity management more suitably sits with VM. Others argue that VM is just a different way of saying quality management. As usual, the labels don't matter. What is clear is that applying both RM and VM is especially useful during the early phases of the project life cycle when trying to understand the need, create solutions to meet that need and select the best (optimal risk/value) solution. It seems a perfectly reasonable question to ask any Project Manager - **"what's the risk associated with achieving this amount of benefit and why did you choose this option?"** A logical and complete answer should be expected.

**Why the need for integration?** If people are familiar with the tools and techniques that underpin each discipline then can those disciplines just cohabit, or do they need to be joined together in a marriage that is consciously entered into, witnessed, approved and sustained? We are voting for the latter as our experience is that, left to cohabit, either one of the 'partners' doesn't get considered at all, or, interested in only themselves and not the partnership, they work against each other. An example might be where a project solution appears to maximise value but it is overly risky in execution (so there is only a slight chance of gaining the benefit) or the solution exposes the customer or users to unnecessary operational risk after delivery (ultimately reducing the long-term benefit). This argument is even stronger if the organisation does not actively identify and seize opportunities as part of their risk management as value in these situations is highly likely to be 'left on the table' and therefore not realised.

So to integrate, it is worth looking at what each part contributes to the whole. RM brings an accepted process and set of formal tools and techniques such as assumptions analysis, constraints analysis, probability and impact assessment and Monte Carlo simulation that are all mainstream and proven. VM brings a less structured, more creative approach embracing tools and techniques with different origins that the skilled VM practitioner matches to the particular situation.

**RM** is about identifying all knowable project risks and then managing them to increase the chance of meeting defined objectives; **VM** is about ensuring that the defined objectives are the right ones. RM often fails because all knowable risks are not identified then when

they occur it's too late to management them; VM creates a framework where it is more likely that all risks will be identified. The formality of RM often means that a 'tick-box' mentality is applied and as a result the process is ineffective. The 'go anywhere' creativeness of value management means that the process is flexible and adaptable to meet the needs of the situation. Bring the two disciplines together - formal structure and go anywhere creativity - and surely with a little tolerance we have a perfect marriage! An approach that is challenging and that no-one gets bored with, yet is efficient and effective and as a result delivers what is required on time, within budget and to the right specification.

**So, our Lucid Thought challenges whether risk and value integration (RAVI is the acronym we use) is just a natural extension of two separate disciplines, or a logical marriage that has not yet happened.** In a project management world where we have, in the UK alone, separate Institutes and Specific Interest Groups (SIGs) for Risk Management and Value Management it would appear that a marriage is not yet on the horizon, but perhaps some serious dating might result in an engagement?

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