

Balfour Beatty

Opportunity Management

IRM – North West

- Turnbull guidance

- “Since profits are, in part, the reward for successful risk-taking...”
- “...positive, or negative”

- Definition of risk:

- The possibility of suffering harm or loss; danger [dictionary]
- Risk = (probability of an accident) x (loss per accident) [wikipedia]

Decision Theory (and risk psychology)

- The concept of regret affect the decision making of a person...
- The concept of framing affects our management of high impact/low probability events
- The concept of fear affects our decision making as well
- So far, its looking like RM is a negative subject!

Definitions:

- Opportunity:
 - An event which may help to improve upon its goals, whether limited to an individual project or contract or the achievement of overall business objectives.
- At last, something positive!
- Negative Risk:
 - When the control measures (management of a risk) result in a positive outcome for the project, contract or business.

What & Why?

- What is the difference?
- An opportunity helps us **improve** upon our objectives
- A negative risk helps us **meet** our objectives
- An opportunity may have an associated risk (e.g. use of innovation...)
- The use of improvement techniques such as Value Engineering/ Management is both an opportunity & negative risk depending on the situation/contract...
- Why does it matter?
- People think of risk as negative: no amount of training will change that, therefore people will never buy into the concept of 'negative ("but its positive?") risk' ("when has a risk ever worked out positive for me!")
- Sometimes the only option is to meet the objectives not exceed it...

Example

- Moving from MS Office 2003 to 2007...
- To manage the risk of not being able to open an office package (i.e. word) that are advance of your own operating system you would use a 'patch' to convert it from 2007 to 2003...
- Moving to 2007 provides an opportunity to work more efficiently etc...

Problems...

- People are used to talk about the negative issues they face (“look what I am managing”) not about the opportunities
- Opportunities are hidden or under scored in case they are not fully utilised
- Not all projects offer opportunities
- There is generally a misunderstanding of the concept of opportunities between the partnership of Client, Main Contractor and sub contractors...
- It touches on psychology, team working and team building concepts that are new or disconnected to many people...

Lets start the discussion...

- How many people here include the concept of Opportunities in RM?
- How many include the concept of negative risk?
- Is it done formally or informally (documented, in job title etc)?
- When running workshops, do you separate the positive issues from the negative issues?
- How many organisations use lean management, value management, 6 sigma, the EFQM excellence model etc? is it connected to risk management?