Integrated Risk Management

Endeavor Management

2700 Post Oak Blvd.
Suite 1400
Houston, Texas 77056

P + 713.877.8130
F + 713.877.1823
www.endeavormgmt.com

Endeavor

Overview

Everyone wants growth, improvement, and success. Often, to get this, big changes must be made:

1. New business strategy
2. Major IT insertion
3. Organizational re-design
4. New supply chain management system
5. New manufacturing technology

While the benefits of strategic change are potentially large, the implementation of such changes continues to be a risky proposition. The size of the risk - which can run into hundreds of millions of dollars for potential disruption to the organization or to its customers - calls for aggressive and systematic risk management to ensure success. Risk Management must handle three major, integrated risk categories:

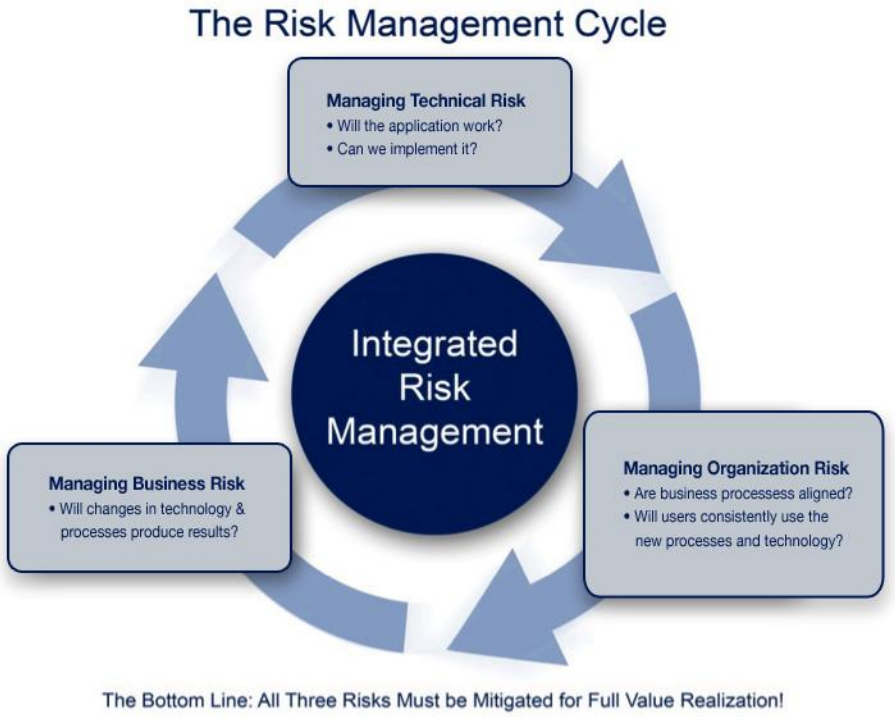
1. Technical risk - will the new approach work mechanically?
2. Organizational risk - will the organization align with and support the change?
3. Business risk - will the change achieve the desired results and produce business value?

Unfortunately, integrated risk management is a tall order for many of today's organizations that focus on resolution of technical risk alone while leaving organizational and business risks to chance. Today's message is very clear - plan to assess and mitigate all three kinds of risks effectively . . . or stick with minor tweaks of the existing situation. Moving ahead without managing all three risks is a certain recipe for organizational disruption, failure and even disaster.

The Requirement for Integrated Risk Management

Documented failures of big change implementations rarely point to a single cause. Too often the mentioned causes go beyond what might be called technical glitches and include problems with the decision to make the change in the first place, botched training, excessive resistance to change, lack of user interest/support, failures to communicate, etc. The failure record clearly calls for proactive, formal risk management programs that integrate business, technical, and organizational risk mitigation efforts.

© 2012 Endeavor Management. All Rights Reserved.



Business Risk

Business Risk is the chance that the resources expended to implement the change will turn out to have been wasted. That is, will the change actually produce the expected benefits with no unexpected collateral damage? Failure to gain the desired business outcome could be caused by a number of factors, principal of which are a) choosing the wrong fix for the wrong problem at the wrong time and b) not having a clear line-of-sight from the change to business value, and c) lack of alignment between the fix and the organization itself. The primary approaches for mitigating Business Risk fall into three general categories:

1. Change Definition

   To get the desired benefit, disciplined thinking must go into the selection of the "right change." It is imperative that the opportunity has been properly framed - ensuring that a real and meaningful problem is being addressed. This includes starting with a real business issue "owned by the business" and understanding the linkage between the proposed change and the business value sought. Then the right fix must be identified – a new IT system, a new strategy, a new management approach . . .whatever. Good Decision Analysis is necessary to optimize the odds that the change will be beneficial and have a level of impact that is commensurate with the investment required. Then due diligence is necessary to ensure that the selected change

   - Can be integrated into the overall corporate organism

© 2012 Endeavor Management. All Rights Reserved.

- Is consistent with the business environment
- Is amenable to process and culture modifications needed to get long-term results

2. Business Process Development
   Almost any type of change initiative has the potential to have an impact on the way work flows. The business processes that prescribe these work flows must be formally adjusted to be consistent with the new approach so that the overall work of the organization as it uses the new system is logical, understandable, and usable by the workforce.
3. User Training
   Affected personnel must be able not only to do their jobs in the new situation but, also, to understand how the change affects the jobs of those with whom they interact. They need to understand how the change is meant to affect outcomes and results and they must be ready, willing and able to act effectively in the new system. Thus it is imperative that they be trained in the purpose, mechanics and culture of the change so that everyone will be working in concert to make it succeed.

Technical Risk

Companies and their vendors and service providers have been doing high quality Risk Management for a couple of decades. Most of the risks that have been managed, however, are limited to the technical/mechanical risks of the implementation project. The best layman's definition of the technical risk is associated with the critical questions – will the system/process/organization work, will it work on time, and will it come in on budget? This kind of technical risk, while occasionally mismanaged, is usually handled quite well by a combination of the organization's subject matter experts and the vendors.

The primary approaches for mitigating Technical Risk fall into three general categories:

1. Technical Project Formation
   The project focuses on design and delivery of the change itself. The scope of the project must be well defined (what's included and what's not included) to ensure technical delivery. In addition, companion projects must be initiated to provide any ancillary systems needed to support or supplement the primary change.
2. Rigorous Project Management and Governance*
   This type of oversight must be provided to ensure that the technical delivery of the change comes in on target, on time and on budget.
3. Systems to Keep Stakeholders Informed and In the Loop
   Affected departments and personnel must understand where the project stands at all times so they can adequately prepare to use the new system to do the work of the organization.

Organizational Risk

Organizational Risk is the chance the organization will not fully engage with the new approach or, in some documented cases, simply ignore it and stick to the old ways. Failure to use the new system could be caused by a number of factors – one of the most common and deadly factors is

© 2012 Endeavor Management. All Rights Reserved.

"workforce resistance." The primary approach to mitigating Organizational Risk is the systematic and comprehensive use of Change Management** to ensure that the organization will be positioned to engage with the change after technical installation. Change Management is the body of knowledge that is used to ensure that a complex change, like that associated with a big new IT system or a corporate reengineering initiative, gets the right results, in the right timeframe at the right costs. It is a disciplined approach applied in the organizational units that will be affected by the change to ensure their acceptance and readiness to operate effectively in alignment with what is supposed to be the "new reality." The primary approaches for mitigating Organizational Risk fall into three general categories:

1. User Preparation Project(s) with Rigorous Project Management
   This will ensure that affected organizations have done all the needed homework to adjust business processes, organizational structures, role definitions, etc. as necessary to be consistent with and supportive of the technical change.
2. Comprehensive Communication
   All affected employees must receive communication that covers the over-arching organizational vision, the business objectives of the change needed to pursue that vision, and the reason the change is necessary and important (including "what's in it for me").
3. Performance Management System
   The affected organizations will need to alter the way they manage personnel performance to ensure that the affected personnel understand and accept the new reality, their roles (which may be modified or completely different from before) and related performance feedback and compensation systems.

Case Study

Endeavor worked with a major energy company that was in the process of implementing data management systems that would revamp the company's use of geological and geophysical data. The purpose of the new systems was to enable scientists to cut their analysis cycle time by 25 to 50%. Since the implementation of the system would require hundreds of scientists in a dozen locations to do their jobs differently, the company wanted to ensure that all three categories of implementation risk were managed. The consultants worked side-by-side with company personnel to take them through assessment and mitigation efforts for technical, organizational, and business risks.

The data management systems were implemented on time with few technical difficulties. Upon system go-live, the user community was fully prepared to begin using the new system as well as new analysis processes. After 6 months, analysis cycle time had been significantly reduced, the amount of lost data was greatly reduced, and all user organizations were fully on board with the new systems and were doing continuous improvement on analysis processes.

---

*See the Endeavor white paper "Achieving Project Management Competence"
** See the Endeavor white paper "Engineering Organizational Change"

© 2012 Endeavor Management. All Rights Reserved.

The Endeavor Management Approach to Performance

Endeavor has a formal delivery method. This method is designed to move your organization to the next level of performance. Endeavor's proven, battle-tested "Performance Ladder" allows its consultants and your key people to work together for targeted results…knowing where you are every step of the way.

- Risk Assessment Services

  Endeavor management offers comprehensive vulnerability assessments and risk analyses for the three major risk categories. Endeavor can perform risk assessment before or at project launch or during implementation to give the organization a realistic and "been there, done that" understanding of their assessments objectively but openly in cooperation with the organizational and vendor personnel at work on the project. Our "friendly helper" approach to assessment is designed to strengthen the team, not detract from its work.

- Risk Mitigation Services

  Endeavor Management offers comprehensive risk mitigation services for the three major risk categories at any time during a project. During risk mitigation, Endeavor consultants work side-by-side with the organization's personnel and technical vendors to identify and then execute those actions that are critical to mitigate all categories of risk. These services cover topics such as the following:

  - Program/Project Management
  - Change Management
  - Business Process Development
  - Organizational Design
  - Decision Analysis
  - Performance Management
  - Market Research
  - Training

  In each of these areas, Endeavor has well established methodologies and tools to educate and guide the client, to keep the change on course, and to expedite the work of designing and implementing the new reality.

© 2012 Endeavor Management. All Rights Reserved.

About Endeavor

Endeavor Management, is an international management consulting firm that collaboratively works with their clients to achieve greater value from their transformational business initiatives. Endeavor serves as a catalyst by providing pragmatic methodologies and industry expertise in Transformational Strategies, Operational Excellence, Organizational Effectiveness, and Transformational Leadership.

Our clients include those responsible for:

- Business Strategy
- Marketing and Brand Strategy
- Operations
- Technology Deployment
- Strategic Human Capital
- Corporate Finance

The firm's 40 year heritage has produced a substantial portfolio of proven methodologies, deep operational insight and broad industry experience. This experience enables our team to quickly understand the dynamics of client companies and markets. Endeavor's clients span the globe and are typically leaders in their industry.

Gelb Consulting Group, a wholly owned subsidiary, monitors organizational performance and designs winning marketing strategies. Gelb helps organizations focus their marketing initiatives by fully understanding customer needs through proven strategic frameworks to guide marketing strategies, build trusted brands, deliver exceptional experiences and launch new products.

Our websites:
www.endeavormgmt.com
www.gelbconsulting.com
www.gulfresearch.com

© 2012 Endeavor Management. All Rights Reserved.