Chapter 3

Systemic Risk Management:
A Practice Approach to the Systemic Management of Project Risk

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ABSTRACT

Risk management is a practice. It consists of activities which ought to be focused and integrated. This chapter argues for a systemic practice of project risk management. It shows what can be done with a systemic approach to improve risk management on different levels in different ways, and how systems thinking meets the challenges of increasing project complexity and the embedded risks. First, the benefits of a systemic perspective on projects in observing and describing actuality and possibility are explored, to provide a wider range of perspectives on the project itself and alternative ways to detect risk. The second part discusses why it is critical to establish risk management as an independent key practice in projects. A third part is concerned with proposing elements of risk management as a distinct project within projects, projects to detect, to mitigate and to fix risks.

INTRODUCTION

Project management experiences a significant increase in complexity, both in the community and in the environment. Bodies of knowledge abound while more concepts and methodologies to manage projects are being developed. This tendency makes project management more complicated and also more complex. It may increase the profession's internal capabilities to manage complexity but not necessarily the practicality of project management as an integrated practice. Having more tools does not support a coherent project management practice not to mention competent project managers. All this happens alongside customers increasingly asking for excellent performance, high quality, flexibility, low costs and, most of all, low risks for their investment.

Especially when it comes to risk these developments put project management under pressure. Risk management is a practice. It consists of activities which ought to be focussed and integrated. Risk management stands in direct relation to the increasing demand for continuous, optimised value generation in projects. It is a practice to ensure project value. Yet, looking at the growing complexity in projects, it has to be acknowledged that most complexity is social complexity. This requires to look at risk management in various directions. One aspect is the demand for permanent exploration and refocusing of stakeholder values. A second is that project management can only be successful when strong business case thinking is established. This implies a balance of value generation, cost and risk. Lastly, it needs to be recognised that risk management is a key practice by itself. It guides the attention and awareness of the team looking at a set of possibilities from which certain risks and opportunities will be realised. Excellent risk management therefore means creating awareness for the actualities of a project and preparedness for its potentials.

This chapter argues for a systemic practice of project risk management. It shows what can be done with a systemic approach to improve risk management on different levels, in different ways and how systems thinking meets the challenges of increasing project complexity and the embedded risks. The argumentation is based on the lessons learnt from various projects that have been conducted over the last 15 years and which have integrated the attempts to manage projects systemically. The experience from this journey shows that a systemic approach to risk management integrates three aspects. Firstly, successful risk management will need to account for different ways of observing the project, being able to create a larger picture of the project and its environment, knowing the details but also establishing alternative perspectives for risks and solutions. Secondly, it is necessary to account for social complexity beyond a technical understanding of risk management and under consideration of political and cultural implications. Thirdly, a lean approach to project management is required that integrates business case thinking and value generation as fundamental drivers in a project. Based on this way of systemic thinking the chapter establishes three approaches to project risk management.

Part one explores the benefits of a systemic perspective on projects in observing and describing what is and what could be. In other words, it is about the necessity to have different ways to observe the project, its actualities and possibilities. This calls for models and methods to systematically provide a wider range of perspectives on the project itself and alternative ways to detect risk. The second part discusses why it is highly important to establish risk management as a key activity in projects. On the one hand, risk management frequently faces a service unit dilemma, being regarded only as additional administration or a policing function rather than value-adding. On the other hand, there is often narrow focus on auditing or quality management etc. Risk management needs to reason itself as a practice. A third part is concerned with proposing elements of risk management as a distinct project within projects – a project to prevent, to detect, to mitigate and to fix risks. Overall it is the aim of this chapter to come forward with a praxeological twist of systemic project management and show how sophisticated theoretical approaches lead to superior practices for improving projects.

RISK MANAGEMENT AS A WAY TO OBSERVE PROJECTS

Risk management is a practice that you can do in projects. Projects are organisations. As such they can be described systemically as social systems. Employing a systems view on risk automatically brings forward the question how projects and the people working in projects look at themselves, describe their

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