Enterprise Risk and Product Development Portfolios

Few product development (PD) enterprises consistently create new products on time and on schedule. This research explores how risk management at the enterprise portfolio level may help enterprises to manage their entire PD value stream more effectively.

Definitions

**Enterprise Risk** – Risk reflected in cost, schedule or performance of programs by threshold or risk impacting multiple programs, sharing either common operational or common organizational objectives that may or may not have independent resource and decision-making structures.

**Enterprise Risk Management** - A framework for identifying, planning and reducing cost, schedule and technical risk exposure across multiple programs that share either common operational or common organizational objectives but that may or may not have independent resource and decision-making structures. Not Project Risk management or Program Risk management

US Air Force Case study data

- Done at USAF Product Center
- Majority of ‘Portfolio Leaders’ interviewed
- All said risk was important
- Most said ‘Portfolio management’ is art; quadrant III reflects their capabilities
- Only 1 leader resonated with ‘Portfolio risk’ and claimed to manage portfolio using it

Can Risk be used to create an advantage across a product development portfolio?

**Key Questions:**

- How should risk be aggregated to the portfolio level?
- How does a portfolio manager make use of aggregate risk information?

**Initial Observations:**

1. Using risk information at the portfolio level is not well understood
2. Risk aggregation methods that bridge the gap between individual programs and a portfolio are lacking
3. Traditional “Portfolio Leaders” in USAF Acquisition do not have real portfolio authorities

Assertion: A product development portfolio objective is to maximize value in the presence of uncertainty, not to necessarily minimize risk

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