Chapter 5
Organizational Maturity
Beyond Risk Management:
Successfully Managing the Unexpected

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ABSTRACT
Project-oriented organizations face environments differing in complexity, with different degrees of maturity needed to manage uncertainty. In this chapter, the authors analyze where, when, and by whom structure or autonomy should be made use of in project-oriented organizations, and which kinds of structure and autonomy are appropriate for dealing with complex, uncertain situations and unexpected events. After a short discussion of project management maturity models, the authors investigate the concepts of risk, uncertainty, and the unexpected based on organization theory inspired by decision-making concepts and systems theory. Implications for uncertainty management and managing the unexpected on project and organizational level and high-reliability practices are then derived with a critical look at recent approaches of project management adhocracy.

INTRODUCTION
Globalization and digitization as well as changes in employee demands have given rise to new forms of work. Value chains are changing away from industrial towards temporary and knowledge-based cooperation in decentered organizational networks (Flecker, 2012), highly flexible and dynamic linkages across company borders are common today (Hirsch-Kreinsen, Ittermann, & Niehaus, 2015). Integrated value chains connect information and flows of goods across continents in real time (D’heur, 2014), and more and more tasks are connected to each other occasionally and temporarily, without it being possible to plan this in detail in advance.

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On the one hand, modern organizations attempt to get a grip on these uncertainties by anticipating possible changes as early as possible. On the other hand, they react with internal flexibilization, such as agile project work and ad hoc teams, expert pools and fluid organizations, resilient and adaptive structures. Nonetheless, organizations and thus also project-oriented organizations remain in the paradigm of controllability. In this vein, processes like risk management are supposed to make it possible to transfer threats and opportunities into – basically calculable and therefore decidable – risks.

Organizations seem to increase control in times of project crises. Against this trend, some authors argue that in uncertain situations, the opposite seems to promise success: a high degree of freedom for the project parties involved, allowing for quicker decisions and self-determined choice of resources to successfully respond to unexpected events (Geraldi, Lee-Kelley, & Kutsch, 2010). These authors plead for more post-bureaucratic principles to successfully manage the unexpected. Neither option seems to live up to the complexity of projects in tumultuous environments (Snowden & Boone, 2007; Busby & Iszatt-White, 2015).

As projects are unique by definition, uncertainties cannot be avoided. Being grounded in ergodic theory, uncertainty has long been seen as probabilistic and a calculable risk that can be treated in standardized and formal processes (Machina, 1987; Zhang, 2011). Only recently has this control-oriented stage-by-stage approach been challenged (Brady, Davies, & Nightingale, 2012). Project uncertainty management ‘need[s] to go beyond traditional risk management, adopting roles and techniques oriented less toward planning and more toward flexibility and learning’ (De Meyer, Loch, & Pich, 2002). New procedures have to be implemented to manage the unexpected, focusing on the need to balance structure and flexibility, with a few rigid and centrally compiled rules plus an open debate about solution approaches (Lenfle, 2011; Andersen, Garvey, & Roggi, 2014)

In this chapter, we will analyze where, when and by whom structure or autonomy should be made use of in project-oriented organizations, and which kinds of structure and autonomy are appropriate. Thus, our questions to be answered in this article are:

- Which structures make sense for ‘maturity’ of project-oriented organizations in complex or even chaotic environments?
- Where is the place for autonomy? Where for structure?

It is our thesis that project-oriented organizations have to face environments differing in complexity; accordingly, they need varying degrees of maturity in dealing with (internal and external) uncertainty. While organizations in complicated environments get by with a well-developed risk management, ‘mature’ organizations are characterized by being able to deal also with complex situations with a high level of uncertainty.

The chapter starts by investigating the concept of risk in project management maturity models. Demonstrating the need for a clear distinction between the concepts of risk, uncertainty and the unexpected, the authors explain them based on the organization theory inspired by decision-making and systems theory (March & Simon, 1958; Luhmann, 2000).

The understanding of individual decision-making has developed from rational choice theory to models beyond rationality. Outlining this development will help understand that the prevalent risk discourse in project management on risk and uncertainty management had to come under scrutiny.

Newer approaches such as adhocracy or practices taken from High-Reliability Organizations which promise a change towards better managing the unexpected will then be discussed.
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