Perspective

Deloitte Flash for Construction

From project risk to portfolio insight

Welcome to The Deloitte Flash for Construction—A quick read from Deloitte designed to provide you with insights into today's business issues related to construction. Our current Flash highlights ***How Programmatic Risk Management Enables Smarter Capital Allocation.***

Print

THE ISSUE:

Managing a capital budget across a project portfolio is a strategic balancing act, one where risk decisions directly shape financial performance and stakeholder confidence. When risks are poorly defined or misunderstood, funding gaps and misaligned priorities quickly emerge. Over-allocating contingency can unnecessarily lock up capital, weaken governance, and dilute accountability. Under-allocating contingency invites cost overruns, schedule disruptions, and urgent requests for supplemental funding —outcomes that strain leadership credibility and disrupt corporate strategy. In an environment where disciplined capital deployment differentiates market leaders, a programmatic approach to risk enables better-informed decisions that protect enterprise value and strengthen organizational outcomes.

Despite the material impact risk has on cost, schedule, and enterprise value, many organizations still lack a credible, portfolio-level risk management process. Instead, risk is often addressed reactively, on a project-by-project basis, rather than through a coordinated programmatic lens. In many cases, owners default to arbitrary contingency percentages, with 10% being a common rule of thumb based on convention or industry lore rather than the specific risk profile of their projects. While convenient, these blanket assumptions mask real exposure and shortcut the discipline required for effective risk identification and mitigation. Compounding the issue, many organizations underinvest in early planning and pre-construction activities and fail to aggregate risk across business units, limiting visibility into systemic threats. The result is often missed opportunities to mitigate risk, capture lessons learned, and drive more predictable outcomes across the portfolio.

INSIGHTS:

Programmatic risk management delivers measurable enterprise benefits by transforming fragmented project data into actionable portfolio intelligence. Rather than reacting to isolated issues as they emerge, organizations gain a structured view of systemic risk, enabling more disciplined capital allocation, stronger governance, and improved predictability across the enterprise. This capability is built through consistent project-level practices that roll up into a portfolio-wide risk framework.

Establish a program-owned risk repository

Leading organizations develop a centralized risk repository that captures risks, root causes, and mitigation actions across projects.[1] Unlike static risk registers, this repository functions as a living knowledge asset owned at the program level and informed by leadership, project teams, and contractors. Routine use during steering committee and portfolio reviews reinforces accountability and enables early identification of emerging systemic risks. Over time, this institutional memory accelerates risk identification on new projects and reduces reliance on ad hoc judgment.

Create a structured risk taxonomy to enable reuse and scaling

Not all risks are created equal. Some are ubiquitous across all projects, while others emerge based on delivery model, geography, asset class, market maturity, contractor experience, or other program and project characteristics.[2] By tagging risks using a consistent taxonomy—such as design-build delivery, first-time contractor relationships, or regulatory environment—organizations enable teams to filter the repository based on project characteristics. This produces a tailored "starter set" of risks for new projects, improving early risk identification and reducing blind spots. Standardization also supports consistent reporting and aggregation at the portfolio level.

Integrate quantitative risk analysis into capital planning

Qualitative identification alone is insufficient to inform capital decisions. Mature programs embed quantitative risk analysis at key estimate stages, applying probabilistic modeling to assess cost and schedule exposure. Techniques such as Monte Carlo simulation move contingency discussions away from arbitrary percentages toward data-backed forecasts based on likelihood and impact.[3] This approach strengthens credibility with sponsors, boards, and finance leaders while enabling more precise calibration of contingency reserves. Tracking realized risks through change orders and claims further refines future forecasts and improves portfolio-level capital planning.

Embed risk governance into program cadence

Programmatic risk management is sustained through structured governance, not one-time exercises. Leading organizations establish recurring portfolio risk reviews that span completed, active, and upcoming projects, giving leadership line-of-sight into systemic exposure. These forums focus on trend analysis, cross-project patterns, and escalation of critical risks rather than individual project firefighting. Standard agendas, clear ownership, and defined escalation thresholds reinforce expectations that risk management is a continuous leadership responsibility. Over time, this cadence shifts organizational behavior from reactive problem-solving to proactive risk mitigation.

Start early and evolve continuously

Effective risk programs begin at project inception and mature as design teams, project managers, and contractors engage.[4] Early-stage qualitative workshops capture strategic risks, while later phases refine exposure based on constructability, procurement strategy, and market conditions. This phased approach allows risk profiles to evolve alongside project maturity, maintaining alignment between forecasted exposure and available contingency.

Strategic impact

When executed well, programmatic risk management elevates risk from a project control activity to a strategic leadership capability. Executives gain visibility into portfolio exposure, enabling smarter investment sequencing, release of excess contingency, and redeployment of capital to higher-value initiatives. The result is improved forecast accuracy, stronger stakeholder confidence, and a sustained competitive advantage in capital deployment.

HOW DELOITTE CAN HELP:

Deloitte's Infrastructure & Real Estate team has deep experience helping organizations design, assess, and modernize their risk management functions. Our professionals combine experience in project controls, construction auditing, fraud risk assessment, and data analytics to provide integrated services.

Deloitte can help:

- Streamline and standardize the identification, analysis, and mitigation of significant project and program risks
- Apply probabilistic modelling to identify risks with the greatest potential impact on project and program cost, schedule, and performance
- Operationalize risk management as a continuous program control discipline
- Facilitate stakeholder alignment by establishing transparent communication channels related to risk to enable proactive collaboration among internal teams and external partners

With the right mix of risk management experience, audit rigor, and data-enabled tools, Deloitte helps leading construction organizations transform risk into a strategic opportunity for cost savings, transparency, and operational resilience. For more information, please contact one of our leaders. We look forward to assisting you with these important issues.

[1] Project Management Institute. (2025). A guide to the project management body of knowledge (PMBOK® guide) (8th ed.). Project Management Institute.

[2] Ibid.

[3] Construction Industry Institute. (2013). Integrated Project Risk Assessment. Construction Industry Institute.