The Politics of Risk

RISK IS BEAUTIFUL

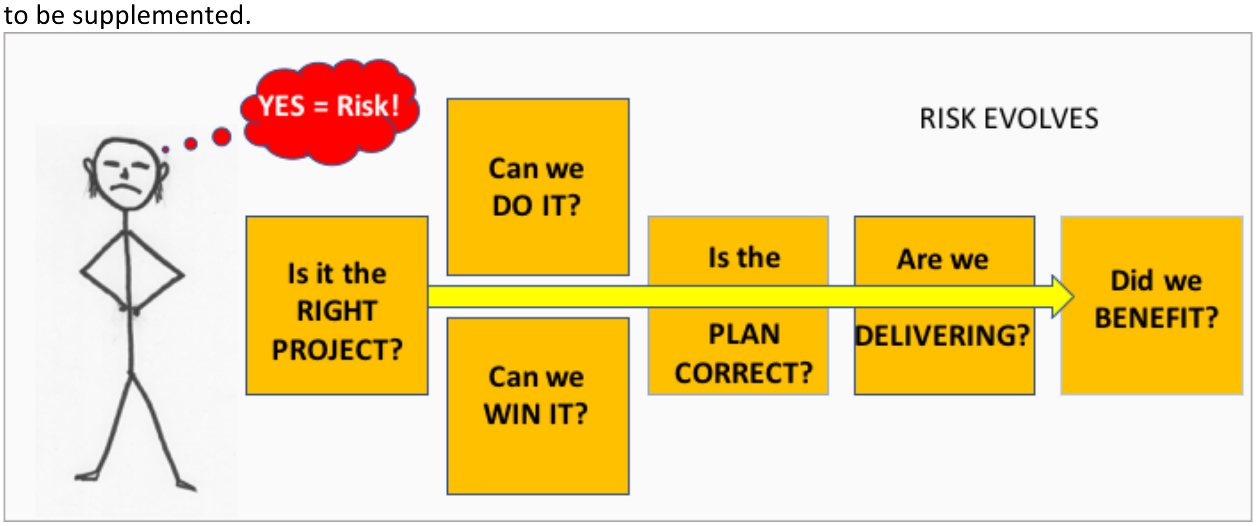
Risk comes in many flavors, even banana! It pervades our lives, shapes our strategies, and influences our behavior. It is also an accompaniment to every project. And unlike the triple constraint, you can even ignore it and (with some luck) be successful. Ignoring risk, however, is not a recommended approach. In fact, several years into my career I became convinced that expertise in risk management should be a priority for every project manager (PM), right after gaining an understanding of the triple constraint. The payback is excellent, probably better than the proposals on quality in post#3.

I wonder if you read the title of this post and thought it was the wrong way around - should it be the risk of politics? Assuredly, politics is a project risk and often ignored because of politics (I think that makes sense). No - what I want to explore is the possibility that although risk possesses a political dimension that might work against the PM, given some skill it can actually be used to make the PM's job easier and improve the project's odds of success.

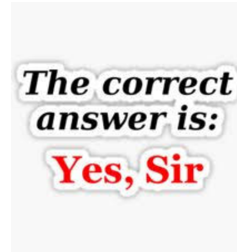
Risk, of course, is uncertainty. This sets it apart from all the other areas of knowledge that make up the PM's expertise, where definitiveness is used to manage the specifics that will achieve the objectives. This is part of its charm. The more fluently a PM can speak the language of risk, the more likely to avoid the personalization of failure and an excess of finger pointing. So rather than a futile accusation "you screwed up", the conversation is made to center around the risks and what should be done about them.

POLITICAL IMPONDERABLES

To feel more confident about the politics of risk and the associated imponderables, we must vastly improve our risk modelling. The risk event model described in PMBOK® and most other risk texts needs to be supplemented.



Project risk is an evolving animal. Not just in the sense that severity and probability of risk events might change from one period to the next, but the object of the risk analysis itself. Recall: risk is what might prevent us from reaching our objectives, and in a well-structured project the priority of objectives will change as we proceed. Think about it from the perspective of a PM asking the gut question for the phase of risk under consideration (there are five risk phases in the evolution model). Let's put the question for the first phase – Is this the right project? There are political overtones to this question.



Remember, in almost all circumstances, 'yes' is the easiest answer to provide and is the one expected. Counterintuitively, the 'yes' answer should cause the most anxiety because now we must get busy analyzing the factors that threaten this cozy assurance. A 'no' answer will at least come with a clear reason. THIS MUST BE THE PERSPECTIVE FOR EACH OF THE FIVE PHASES! If the answer is 'no' then there is no project, no risk, and we can take the day off. Or for some of the later phases if the answer is 'no', and the project isn't then cancelled, we have to do the work to fix it first, and then get busy analyzing the risk factors, just as if the answer was 'yes'.

You can see how the evolutionary risk model, focusing on risk factors, probabilities, and analytics, might help diffuse potential political issues, or at least move the assessment onto more constructive ground. Speaking truth to power needs an impersonal framework, as well as guts.

WHERE DO YOU STAND?

The PM is not consistently engaged through each phase of risk as it evolves, so we must clarify the PM position in each phase in order to select an effective stratagem. To assist, I will list a generic answer (perhaps the 'logical') answer to the prime risk question for each of the five risk phases. But please treat this as a baseline to be modified. Your organization might see things differently. Find out.

The PM's position in the event of:

1. *Choosing, or bidding, the wrong project*. An organization can choose the wrong project based on faulty strategy, sponsor's partiality, incorrect assumptions regarding benefits, misreading the marketplace, missing technology advances, and many other reasons. For the commercial firm, bidding the wrong project is usually related to moving too far away from the firm's core technical or industry expertise, or ignoring a cultural divide between the firm and the potential client. The PM has little mandate for engagement in this phase, as the project is only at the feasibility stage, but must be prepared to offer an assessment if asked. A more influential role would be required if the PM carried accountability for the benefits, and not just the deliverables of the project.
2. *Not winning the project, or failing to initiate the project.* This is a colossal risk for commercial firms as resources are expended to propose and price the project, almost always in the face of competition. Sometimes the client will modify the scope, or even cancel the project before completing procurement. The vendor PM is usually a junior partner in the sales effort, led by the sales executive who carries accountability. The PM's efforts are directed more towards the risks in phase 3, and ensuring any price reductions are counted as discounts, and not cuts in proposed project resources.

   For purely in-house projects, the risks of commitment are less dramatic, but still must be considered. They usually revolve around resources – availability, skills, and experience. And sometimes belatedly discovering it is the 'wrong' project! Assuming the risk of proceeding without an assigned PM is not the issue, then accountability is in a transitionary stage as the sponsor is stepping back and the in-house PM is picking up on commitments presumably made by his superiors. The PM must have a clear understanding of those commitments.
3. *Not planning, or contracting, the project correctly.* This phase overlaps with phase 2 above, as a project may be lost due to inadequate planning. But it can also be won! Inadequacies can be rectified prior to contracting, but then the parties might fail to agree a contract cost increase. If not rectified, project delivery risks will increase. This requires significant PM engagement and authority, on a par with the sales executive, who remains accountable until the contract is signed.

   For in-house projects, the signing of the project charter is probably the closest to this commitment point. The sponsor and PM are expected signatories, though a client liaison manager, head of the performing department, and the resource manager may also sign depending on the organization.

4. *Not executing the project correctly.* The somewhat hypothetical assessment of risk is now replaced, or supplemented, by the actual performance of the project. This is the direct accountability of the PM who should be 100% responsible for the project.
5. *Not delivering the expected benefits.* Unfortunately, although a project may be delivered successfully, it may not deliver the benefits to the organization that justified its selection. This may be because the benefits were too speculative, or insufficiently analyzed, but is more frequently due to insufficient follow-through by the project sponsor. For this reason, there is a trending opinion that benefits should be added to the PM's responsibility (traditional theory would leave this with the sponsor). The PM must be very clear on his mandate regarding this point before the project starts. If he is to be held accountable, then he must be properly engaged in risk phase 1.

THE POLITICAL DIMENSION

The question is often asked – can a PM stay above organizational politics? The short answer is 'no', but the real question is how best to engage. My contention is that the creative use of risk analysis is a good framework, though of course there are specific issues that demand a direct response.

A frequent issue is the lack of support from stakeholders who are negatively affected by the project. The matter should be addressed during risk phase 1, but seldom is. Projects are rarely 'win-win', despite the declarations of promoters. The PM has two actions. First, cultivate a relationship with the sponsor that permits discussion of the issue. Second, keep the naysayers in the loop (despite temptations otherwise). Do nothing to further alienate them, but do not expect to convert them into project supporters. You won't.

Another issue that possesses a political angle is privileged information; whether and how it should be shared. There isn't a lot to be done about stakeholders or superiors who withhold information from you, but you have to make decisions about your own info sharing policy, particularly with your team. If the information affects the team member directly, then it should be shared. In the book, we say a lot more.

Finally, what about the 'speaking truth to power' mantra? The reality is, if you are dealing with significant organizational or personal power, your unpalatable news will likely be ignored unless it's a showstopper in black and white. My painful career example was telling a CFO that the hardware was underspec'd, requiring a major upgrade. The political fallout came not from him (just anger) but from the manufacturer who was assuring him that the spec was adequate. I was blacklisted.

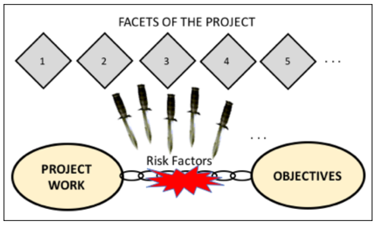
But black and white is a tough criterion. Take the more usual example of a client demanding a tight deadline. Can you really stand up and clearly state that it can't be done? Very rarely, and if you do, you lose your job. The point is that in these situations we are dealing with estimates, and the client will view your estimate as inferior if it doesn't meet her needs. In such cases, reference the estimating triangle (below) and focus your client's mind on the risk and assumptions behind your estimates. To create a different outcome, you need her support for risk mitigation and alternative assumptions. Thus, a risk-based dialogue might bring you both to a conclusion you can live with.

SOME SPECIFICS

Support the PM with a Delivery Manager

Reading the above, as a PM, you might be saying "ok, but I just don't have the authority". Or, many times, you are just not yet assigned! The solution is for the organization (commercial or in-house) to create and give power to delivery management. This provides continuity if the PM is missing, and a signature of authority equal to the sales manager or in-house client manager.

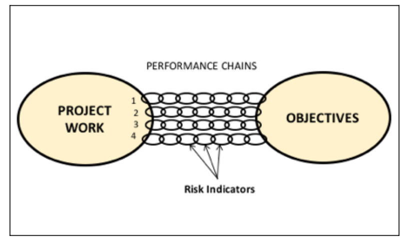
Use a Risk Factor Model of Risk



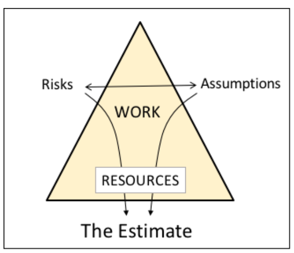
Using a risk factor model during the risk phases 2 and 3 - commitment and planning - further supplements the tired risk event model. It provides common ground for all factions and, if not neutralizing the politics, at least promotes logic-based analysis. The model predefines universal facets of the project where risk factors lurk. These are prelisted and assessed during risk analysis, resulting in a risk rank for the project and suggestions for mitigation.

Use a Risk Alert Model of Risk

During risk phase 4 – execution – the risk factor model is replaced by the risk alert model. This model deals with prelisted risk indicators for each of the predefined project performance chains. The assessment provides a forecast, or *leading indicator,* of imminent or future divergence from the plan and hence a trigger for management action. Every effort is made to measure *objective* indicators, and a summary alert report should be distributed and discussed with all senior stakeholders. This is a very powerful tool that reinforces PM authority.



***Always** use the Estimating Triangle after Scope is Agreed*



Never table a scope of work estimate without reference to the estimating triangle. The client must absolutely be aware that an estimate depends on numerous variables including a matching set of risks and assumptions. Therefore, changes to estimates (up or down) must be accompanied by changes to perceived risk, risk mitigation, contingency, assumptions or resources. QED. If you don't operate this way, and allow your estimate to be dragged down with no concomitant changes, your credibility declines.

THE TAKEAWAY

Expertise in risk analysis is a valuable asset for a PM. When confronted with power that might be averse to the project, or situations where pressures are being applied, or where personal preferences are over-riding logic or reality, the PM can use risk methods to steer the agenda towards a more constructive process and better outcomes. Deployed proficiently, this will reinforce PM authority and improve success probability.

Note: The book treats risk as an overall project system, including comprehensive descriptions and examples of both the risk factor and alert models with design and setup instructions. The context is the commercial vendor/client environment, though factors specific for in-house use can be easily substituted.

Robin's new book Commercial Project Management – A Guide for Selling and Delivering Professional Services published by Routledge is a complete exposé for the commercial environment. The complementary 2-day seminar, delivered in Robin's enthusiastic style, is packed with insider tips, techniques, and (mainly) true cautionary tales. Contact Robin at tmi@telus.net. A pdf download of this article can be found at www.tmipm.com

---

https://www.routledge.com/Commercial-Project-Management-A-Guide-for-Selling-and-Delivering-Professional/Hornby/p/book/9781138237681

