



Human-Centered Risk Management

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by

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**Building State-of-the-Art Teamwork
In Problem-Solving Organizations**

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A note on format

- Underlined items are live links to:
 - Other slides
 - Articles on my Web site
 - Articles elsewhere on the Web
- To get a copy with working links:
<http://bit.ly/xhs8UA>
- To get a copy of the handout:
<http://bit.ly/zJGKZ6>
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Please let me know as we go along
if you want to ask a question



Core message

- Most risk management has excessive focus on project content
- Balanced risk management addresses all sources: people, organization and content
- Obstacles limit our ability to manage risk arising from people or organization
- We can circumvent those obstacles by changing how we think about human-centered risk

To deal successfully with risk, think “system”

A risk haiku

I gave estimates.

They cut all of them in half.

Next time I'll pad them.

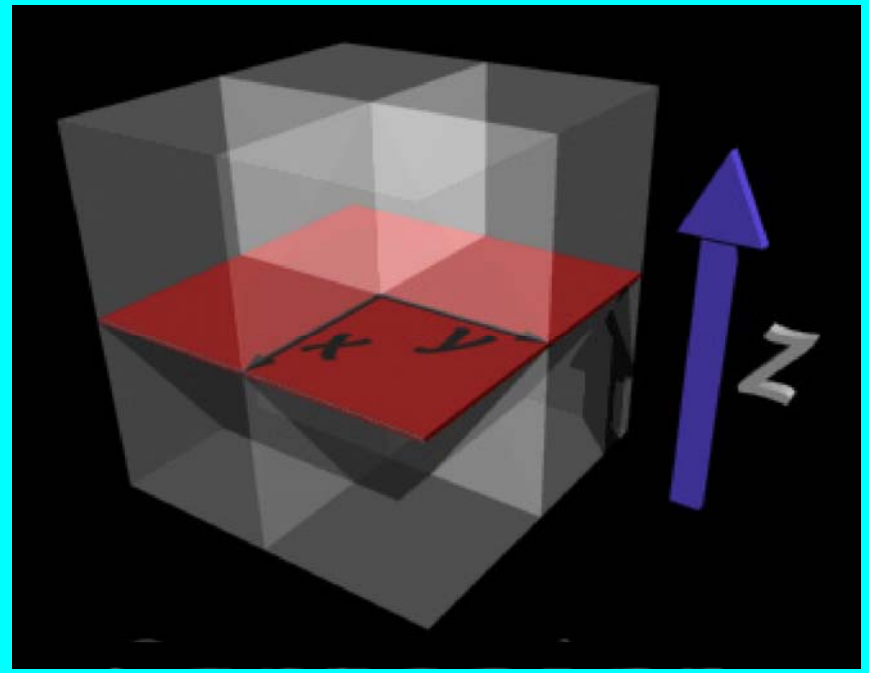
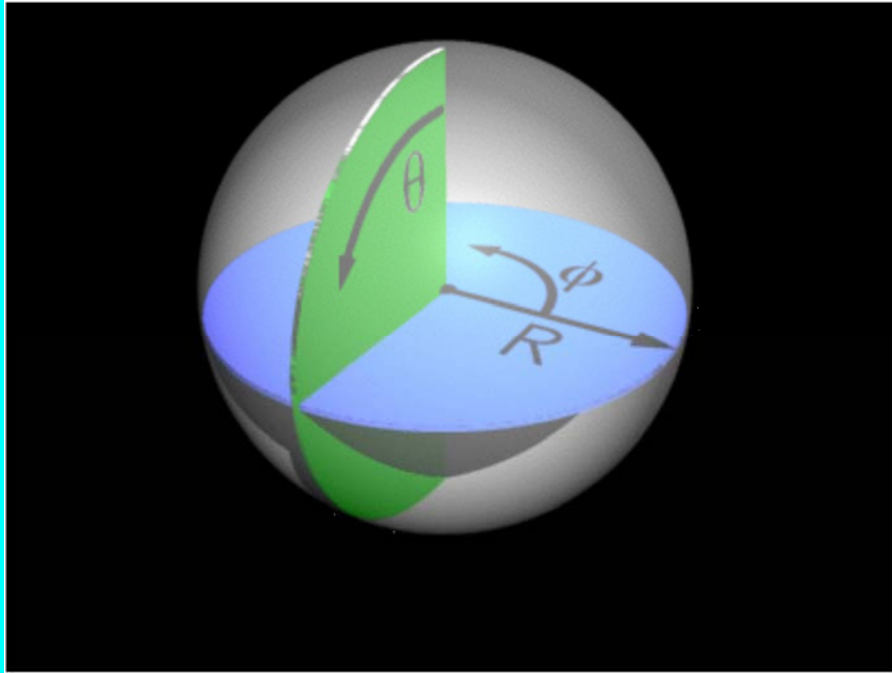
Ten Project Haiku

<http://www.ChacoCanyon.com/essays/tenprojecthaiku.shtml>

The issues

- We can do better at risk management
 - At the project level
 - At the portfolio level
 - At the organizational level
- Some classes of risks are “under-managed”
 - Many under-managed risks relate to people
 - You can’t manage risks that you can’t talk about
 - You can’t manage risks that you can’t acknowledge
- Our mental models are often inadequate for thinking about human-centered risk
- Many human-centered risks are self-inflicted

Choose a useful framework for thinking about human-centered risk



How we think about a problem affects our ability to address it

How to think about Human-centered risk

- We understand content risk fairly well:
 - Resource factors: technology, labor, suppliers, materials
 - Competition: other organizations or technologies
 - Environment: law, regulation, markets, economics, ...
- A better framework for human-centered risk:
 - Intrapersonal risk: risk associated with an individual
 - Interpersonal risk: acquaintances, group, teams
 - Organizational risk: organizationally-influenced human behavior

Thinking about human-centered risk in the same way we think about content risk is risky

Examples of sources of Intrapersonal risk

- Human error
- Stress, overwork, burnout
- Substance abuse
- Mental and physical illness
- Accident and injury
- Termination for cause
- Pathological ambition
- External life factors
 - Crime
 - Beginnings and endings
 - Impending, new, or recent marriages or divorces

Examples of sources of Interpersonal risk

- Miscommunication
 - Transmission errors
 - Reception errors
- Relationship problems: bigotry, love affairs, rivalry
- Toxic conflict: revenge loops, vendettas, duels and feuds
- Compulsive competition
- Rumors
- Oral documentation
- Coercive management
- WIIFM

Examples of sources of Organizational risk

- Dispersed team structures
- Squeezing budgets so tight that PMs plan for zero reserves
- Inappropriate risk transfer
- Budget cuts and increases
- Staff raids, resource contention
- Competitive projects
- Loss of sponsor or champion
- Reductions in force, downsizing, rightsizing, reorgs, mergers, acquisitions
- Procedural changes
- Moving targets
- Reliance on contractors

Ten principles for managing Human-centered risk

1. Monitor sense of safety and work to enhance it
2. Manage human-centered risk where it's generated
3. Limit inappropriate internal risk transfer
4. Manage global risks globally
5. Define and use risk-measurement metrics
6. Create a pay-to-play risk-trading program
7. Identify and manage risk-generating individuals
8. Identify and manage risk-generating practices
9. Reduce (human) resource contention
10. Intervene in risk-generating interpersonal interactions

1. Monitor sense of safety and work to enhance it

- You can't manage a risk that you can't talk about
- If people don't feel safe enough to speak:
 - They won't raise issues or questions
 - Risks remain unidentified
 - High count of "elephants in the room"
- Techniques for creating a sense of safety:
 - Recognize people who raise "inconvenient" issues
 - Recognize people who say "No" courageously
 - Make "killing the messenger" a performance issue
 - Make intimidating subordinates a performance issue
 - Track incidence of we-knew-but-said-nothing
 - Measure safety anonymously and track trends

How to measure safety

- Anonymous survey: an intranet Web form will do
- Ask people to report regularly (once a week or so)
- Make the report anonymous
- Sample questions:
 - How safe do you feel to report bad news?
 - How safe do you think other people feel?
 - How many “elephants” have you noticed in the past week?
 - Have you seen any intimidation incidents this week?
 - How many?
- Publish a rolling four-week average

2. Manage human-centered risk where it's generated

- Managing intrapersonal risk at the organizational level has problems
 - High cost
 - Affects many people who aren't connected to the risk
- Address individual behavior individually
- For teams in toxic conflict:
 - Treat the team
 - Recognize that it's rarely a few "rotten apples"
- For organizations with toxic politics:
 - Create a culture of positive politics
 - Training and re-education will be required
 - Failure to adopt the new ways is a performance issue

3. Limit inappropriate internal risk transfer

- Internal risk transfer:
 - Cost of risk consequences or mitigation migrates
 - Appropriate only when donor and recipient agree
 - So widespread that we think it's a legitimate practice
- Examples:
 - Facilities decides to upgrade elevators during a release
 - Management declares hiring freeze without allowing compensating project schedule adjustments
 - Salary freeze without increasing budgets to allow for turnover
- Step One: track it. What are its sources?

3. Limit inappropriate internal risk transfer

Deal with Inappropriate internal risk transfer

- Responsible manager:
 - Lowest level that spans donor and recipient
 - Usually it is CEO, EVP or Division Head
- Typical recipients: project managers, program managers
- Typical donors: executives, functional managers, project sponsors
- Typical recipients cannot mitigate transferred risk
- But recipients can deter
 - Work the political channels
 - Add the item to the Issues Section of their risk plans
- Track risk transfer via a (possibly anonymous) Web form

Transferring risk unilaterally to a point where it can't be mitigated is a performance issue for the donor

4. Manage global risk globally

- Examples of managing global risk locally:
 - Keeping extra people on projects to mitigate staff raid risk
 - Padding schedules to mitigate hiring freeze risk
- Managing globally generated risks locally is very expensive
- Vicious cycle: the extra costs themselves generate new global risks
- Managing global risks globally makes costs and schedules more predictable

4. Manage global risk globally

Example: Staff raids

- Staff raid: one project takes key staff from another
- Possible root causes:
 - Severe problems in the raider project
 - Thin capability in the organization
 - Political clout differential
- To manage the risk:
 - Elevate charges for raided staff
 - Cross train in short-supply capabilities
 - Eliminate thin spots in workforce
 - Track staff raids and detect patterns
 - Treat repeated raiding as a performance issue

5. Define and use risk management metrics

- Measurement of risk performance is:
 - Necessary for improving risk performance
 - Not sufficient to improve risk performance
- Examples of risk management measurements
 - Cost and number of risks we failed to identify
 - Cost and number of identified but unmitigated risks
 - Cost of locally managed global risk
 - Cost of inappropriate risk transfer
 - Cost of recidivist unidentified risks
 - Cost of recidivist unmitigated risks

Failure to manage risk can be an indicator of a safety issue

6. Create a pay-to-play risk-trading program

- You can't end inappropriate internal risk transfer by fiat
- To limit it, make the donors pay to play
 - Charge their budgets with the cost of the consequences of their decisions
 - Credit recipient budgets with the cost of dealing with migrated risks
- The charges and credits must be actual, spendable budget
 - “Funny money” just won't do
 - Donors usually are saving real money
 - Mitigation often costs real money
- Recognize that when risks migrate, mitigation costs often multiply tremendously

7. Identify and manage risk-generating individuals

- Risk-generating individuals:
 - People with elder care responsibility
 - Substance abusers
 - People with pathological ambition
 - Organizational psychopaths, bullies
 - People with serious health problems
 - Procrastinators and perfectionists
- Actions vary, depending on the type of risk generated

7. Identify and manage risk-generating individuals

Managing individually generated risk

- Identify as performance issues and intervene
 - Pathological ambition
 - Procrastination and perfectionism
- Refer for professional help
 - People with serious health problems
 - Organizational psychopaths
- Offer training to those exposed to elder care risk
- Notice behavioral changes and make referrals
 - Substance abuse
 - Risk-generating health issues

8. Identify and manage risk-generating practices

Risk-generating practices

Risks generated

- Coercive management
- Excessive work loads
- Long on-call hours
- Dispersed teams with little face-to-face contact
- Unrestricted use of paid leave or vacation
- Singleton experts
- Ignoring toxic conflict
- Turnover, safety erosion
- Errors
- Errors
- Team dysfunction, miscommunication
- Resource contention, load spikes
- Resource contention
- Turnover, errors, safety erosion

Many, many more

8. Identify and manage risk-generating practices

How to manage them

- Most can be dealt with as performance issues
- Examples of performance issues for managers:
 - Coercive management
 - Intimidating project managers into denying risks
 - Long on-call hours
 - Ignoring toxic conflict
- Examples of performance issues for individual contributors
 - Taking paid leave at the worst possible time
 - Seeking payback or revenge
 - Isolating a teammate
 - Padding estimates as a way of coping with management dysfunction
 - Bullying

9. Reduce (human) resource contention

- Reduce the count of active projects
 - Reduce the number initiated
 - Shorten their durations
- Coordinate project schedules across projects
- Cross-training:
 - In-house experts train co-workers
 - Increased count of journeymen reduces contention for experts
 - Use experts only for spot activities

Multi-tasking reduces total available FTEs

10. Intervene in risk-generating interpersonal interactions

Examples of risk-generating interpersonal interactions

- Toxic conflict: revenge loops, vendettas, duels and feuds
- Relationship problems: bigotry, love affairs, rivalry
- Sexual harassment, bullying
- Compulsive competition
- Rumors
- Isolation and shunning tactics
- Email flame wars
- Tweaking CCs
- Rhetorical fallacies

10. Intervene in risk-generating interpersonal interactions

How to intervene

- Prevention is your most powerful tool
- Train people in advance of incidents
 - Explain which behaviors generate risk
 - Provide ongoing support and consultation
 - Email training (believe it or not!)
 - Rhetorical fallacies
- Toxic conflict
 - Recognize that probably everyone plays a role
 - You can't help much if you're inside the system
 - Get the help of a conflict professional
- Monitor and control rumors: a Web site will do
- Sexual harassment, bullying: rely on HR

The challenge of managing personnel-sensitive risks

- Requires personnel-sensitive information
- Improper disclosure
 - Could compromise privacy of an employee
 - Could compromise enterprise or its security
 - Could place the enterprise in legal jeopardy
- Example: A family difficulty about to end
- The issue:
 - Our risk plans are too available and too open
 - We can't document these risks in the usual way
 - The risks aren't properly managed

What we can do about personnel-sensitive risks

- Organizations must provide new mechanisms
- An agenda for addressing the issue:
 - Develop a confidentiality infrastructure
 - Risk plans must be tiered in confidentiality
 - Confidential risk reviews for personnel-sensitive risks
 - Confidential budgeting and resource allocation
 - Risk managers need training in confidentiality of personnel issues

Homework

- Inventory your organization's "elephants"
- Take a nose count of risk-generating practices that you personally observe in one week
- Track staff raids in person-months per month for six months

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• Books:

- Randall, P. [*Adult Bullying: Perpetrators and Victims*](#)
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