Ten Myths about Risk Management – Debunked!

By Vaishali Belsare
AT&T

Abstract

Risk management is a very effective tool to manage projects/programs successfully. Active risk management eliminates and/or reduces event-specific failures by identifying and addressing such situations BEFORE they occur. A major benefit of proactively looking at risk management is a decrease in the number of changes that need to be introduced. This reduction in churn increases the quality of the project deliverables and ultimately the quality of the functional benefit from that project. In spite of this, risk management is taking a longer time to “internalize” within the IT community and specifically PM community. This article attempts to debunk some myths around risk management so PMs start to view risk management as an effective tool to help manage their projects.

Ten myths about risk management - Debunked

In our everyday lives, we work towards certain goals or objectives, such as exercising, reading, getting that report done, etc. Many times, as we try to achieve those goals, we encounter problems and we deal with them as they arise. Sometimes we are able to solve those problems, sometimes we neatly sidestep them and yet other times we completely mess them up. It seems obvious that if we somehow knew of the problems beforehand, we could better take steps to avoid them. Let’s look at some everyday examples. That mortgage payment we make every month allows us to avoid risk of mortgage default and bad credit. Having a back-up plan for that outdoor party we’ve planned allows us to enjoy the party in spite of risk of raining. This is “personal” risk management. It is something we do every day for many activities, many times without even realizing it!

If we do this in our personal lives, why is it that we still find risk management an alien concept in our professional lives? In the IT community specifically, this problem is pervasive amongst project managers. Why is it that PMs resist this immensely effective tool to manage their project?

I believe it is because of many misconceptions about risk management. Many project managers are simply not aware of risk management; some know about it but are not
sure how to utilize it. Below I have debunked some common misconceptions around risk management. Hopefully, this will clear up some confusion and speed up the internalization of this wonderful tool.

1. **I don’t know risk management.**

   Although we do risk management in our personal lives daily, we often don’t label it as “risk management”. Simple things like vaccinating your child against diseases is an example of risk management against getting sick. So, you KNOW it, you DO it, you just don’t identify it as risk management!

2. **Risk management is not the job of the Project Manager.**

   The Project Manager’s job is to deliver the project benefit to the client with superior quality. Anything that impedes this objective, needs to be identified, addressed and resolved. Risk management allows you to do that in a structured way. As a steward of the project, it is VERY much a PM’s responsibility to manage the risks for their projects.

3. **Risks have to be monumental in order to be identified.**

   This is a very common misconception. Team members often believe that the risks they have identified are small or not “that” critical and therefore merit no attention. This is an inaccurate perception of risk. Risks can be either small or big. In fact, identifying many smaller risks is a sign of a mature team – one that is well conversant with the project and its objective and is thinking expansively. It is true that bigger risks may garner more attention, but that does not and should not diminish minor risks. Frequently, many smaller risks that occur together overwhelm even the smartest teams. So, once more, risks can be both small or large and both types of risks are relevant for the success of the project.

4. **I cannot identify risks since this is new project.**

   If I had a $ for every time I heard this reason, I would be a rich person today ! Seriously, though, risk identification is simply a brief exercise in critical thinking skills. For example - when going out for something as simple as a long hike or walk, how many of you have brought water, a hat, a cell phone, told someone where you were going or when you should be expected back. You have done this because you briefly thought about what could go wrong and what you might need if it did. We do this all the time.
Often, team members get paralyzed when they start a new project. They think that because they have never attempted “exactly the same” project before, they just cannot begin to understand how to start the process of risk analysis.

This perception does not allow team members to leverage what they DO know. Even though the “exact same” project was never attempted before, was something similar in end objectives done before? May be not in your department but some other part of company? How about reviewing a project of similar scale – if not objective – to see what they have gone through? Does your company keep key learnings from previous projects – both successful and unsuccessful? Such databases can a gold mine in identifying risks.

If you absolutely have nothing within your company to start risk management, how about looking outside the company? The idea is to find “relevance” in sectors/companies – even if they are not from your own sector. Working together, you can extrapolate the learnings from such projects to your projects and get started. There is always a way – when one looks for it!

5. **Risks are managed only at the beginning of the project.**

I have no idea why this idea persists but let me be crystal clear - this is wrong. Risk management is a continuous process, not a one-time activity. If the team has done their job thoroughly, the incremental risks that get identified over the life of the project may be smaller. However, that does not mean risks just stop occurring after the initial review. As the project progresses, the team needs to continually look for new risks and how to mitigate them effectively. Sometimes, the same risks can pop up repetitively if there are different triggers for it in different phases of the project. So, the team has to be vigilant for risks throughout project life cycle.

6. **Risks are only managed once they occur.**

The whole idea of risk management is to manage problems before they occur – not after – in order to prevent them from occurring! Once a risk occurs, it is no longer a risk. It is an issue at best or a jeopardy at worst. I think every project manager would agree that managing issues and jeopardies is a very stressful activity. The key is to not let risk be realized – meaning not to let risk turn into an issue or
jeopardy. That is mitigating a risk. Once a risk is realized, it can only be dealt per a contingency plan.

7. **Risk management does not add any value.**

This issue is rooted in the perception that risk avoidance benefits are seldom quantified. However, problem avoidance means cost savings in problem fixing. If possible, teams should either provide an expected problem fixing cost “guesstimate” or look to previous projects for similar costs. The trouble is, these costs are seldom allocated and thus not always available for empirical analysis. However, even without quantifying the cost, problem avoidance and elimination is worth its weight in gold. Even if you are unable to completely avoid the risk, planning beforehand how you will respond when the risk is realized goes a long way in managing the project in a successful and less stressful manner. To change the old James Bond adage, “Experience and risk management has no substitute”.

I can attest from my own professional experience where risk identification has saved us from contract compliance issues and project quality risk issues. For example, while working on one of our release, we heard that a module from a different release required $$$ for their contract extension. This news got us thinking about some of the modules in our own release. We found that contracts for some of our modules would have expired earlier than we thought. This knowledge led us to work on securing contract extension. This avoided hefty contract compliance fines. In this case, we did not think of this risk ourselves but got an idea by observing other projects and yet helping our own project by doing so.

8. **If I cannot address the risk, then, it should remain unidentified.**

Just because we don’t know how to handle a risk, does not mean it should remain hidden. The reality is that, once risks are identified, teams will struggle through identifying mitigation and contingency option that best deals with that risk. It is not expected that the risk will come neatly packaged with its mitigation and contingency plan clearly defined. This is where a team’s effort, understanding and subject matter expertise comes into play. You don’t have to know all the answers up front, but you do have to start somewhere!
9. **All risks need to be mitigated.**

This is not true. If you live in an earthquake prone area, then, earthquake is a risk you have to address on a contingency basis. You cannot mitigate or stop an earthquake from happening but you CAN plan ahead how you will address such a situation. So, when it does occur, the situational inertia does not need to settle in. You have thought through these steps when everything was calm. Now, you just execute that plan.

For example, some companies have a Catastrophe management plan whereby their employees are trained on how to “check in” with the company in the event of an emergency in their area. This is an example of contingency measure deployed by the company to address risk of resource impact in event of catastrophe.

10. **Smaller projects do not need risk management.**

Every project needs risk management. The size of project does not matter. It does not matter because every project is being done to deliver some benefit – tangible or intangible - in an efficient, effective manner. So, risk is all pervasive.

**Conclusion**

Risk management should be an integral part of any project. Risks management is an ongoing activity and it also fosters team spirit since everyone has to pitch in to share ideas and find solutions. No risk is too small. Risk management will improve quality of projects and thereby improve impact to your business!
About the Author:

Vaishali Belsare
Author

Vaishali Belsare is a Sr. Project/Program Manager for AT&T. She has worked in the IT industry for 19 years. Her experience covers multiple areas within IT including programming, business analysis and project/program management for large scale enterprise projects. Her certifications include PMP, Certified business architect. She holds a bachelors and masters degree in Computer Science as well as an MBA. Ms. Belsare can be reached at vbelsare@yahoo.com