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Facilitated Discussion with
ASMC San Diego Chapter



(Including Session Annotations)

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☰ Risk Management Blunders



Non-Attribution

- We encourage and expect full and candid discussions during this session
- Our objective is to enable all participants and facilitators to express their views freely and without concern for possible attribution or embarrassment
 - Use discretion with sensitive points/privileged information
 - Don't repeat content or connect speaker with views expressed
 - Don't embarrass another by repeating personal views as support or criticism

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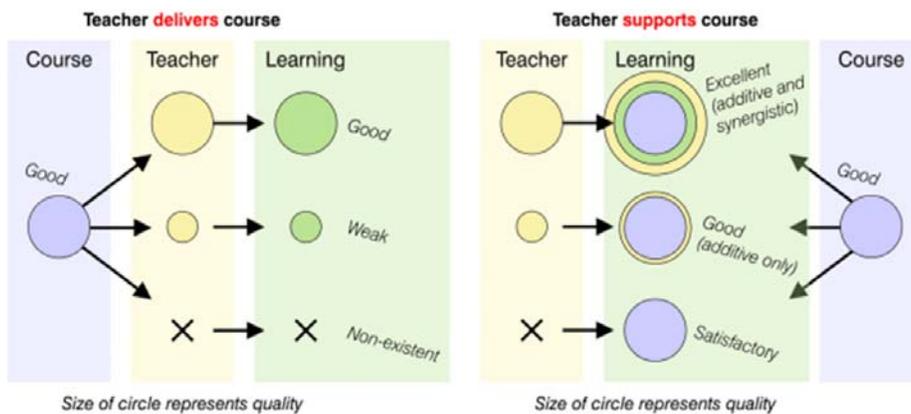


Questions? Comments.
Emotional Outbursts!

Yours are welcome...always
(even now)



Goddard: Not "sage on stage," rather "guide on side"



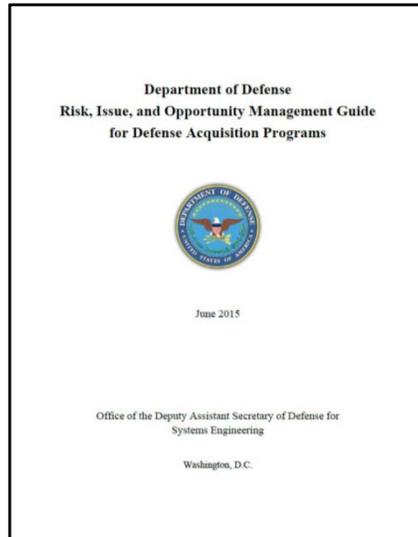


My opening gambit:

Many claim to understand risk management, but regularly commit risk management blunders with far-reaching consequences



YOU MAY HAVE HEARD...



- Replaces DoD Risk Management Guide v.6 (August 2006)
- Went through several drafts over several years
- Now called DoD Risk, Issue, and Opportunity Management Guide
 - Not called v.7
 - Released June 2015

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Managing Risks: A New Framework

“For all the rhetoric about its importance and the money invested in it, **risk management is too often treated as a compliance issue.**”

A rules-based risk management system may work well to align values and control employee behavior, but it **is unsuitable for managing risks inherent in [an entity’s] strategic choices or the risks posed by major disruptions or changes in the external environment.** Those types of risk require systems aimed at generating discussion and debate.”

Robert S. Kaplan & Anette Mikes
Harvard Business Review, Jun 2012

Smart organizations match their approach to the nature of the risks faced.

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Why Manage Risks?

- Prevents problems before they occur
 - When it is easier and cheaper to do so
- Improves product quality
 - Focuses on gaps to program's objectives
- Enables better use of resources
 - Allows earlier reallocation
- Promotes teamwork
 - Aligns people at all levels on shared product vision & the means for achieving it
- Decreases overall risk of program
 - Convert “unknown unknowns” to “known unknowns,” so identified risks are less likely to occur

Provides disciplined environment for daily, proactive decision making

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If Risk Management is so wonderful, what gets in the way of us doing it well?



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What inhibits us from doing RM well?

- Documenting risk
- Not knowing how-to
- Communication disconnect
- Habit – same way
- What is potential risk?
- Perceived lack of time
- Defining risk
- Awareness of risks
- Lack of resources (people, knowledge)
- Unknown cost/benefit
- Bureaucracy (red tape)
- Fear of acknowledging risks

(As Surfaced During Session)

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What inhibits us from doing RM well?

- I don't have time. There's too much regular program work to do.
- It's not rewarded. Nobody wants to hear about what we cannot do.
- It's a bureaucratic nightmare. The processes are too complicated and time consuming.
- I don't want to look stupid, especially in front of upper management.
- We already know our risks. We did an assessment at the beginning of the program. Once is enough!
- This is just another management initiative. I'll wait to see if they're serious before I put anymore effort into it. Why waste time and energy?
- They shoot the messenger. If I had a solution, I wouldn't need to bring it up in the first place.
- Identifying risks means you need to solve them. We already have enough to do.

(Goddard's
pre-responses
going into
today's
session)

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“It’s not our disadvantages or shortcomings that are ridiculous, but rather the studious way we try to hide them and our desire to act as if they did not exist.”

Giacomo Leopardi
Philosopher



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A short course in risk management

1. We learn by instruction in the basics
2. We internalize learning through practice
3. We succeed by repeating successful techniques
4. Over time, we tend to replace successful techniques with **deviations, skipped steps, short cuts, inattention, or other blunders** ← For today, let's identify these
5. We recover by returning to Step One

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RM Blunders

“an error or mistake resulting usually from stupidity, ignorance, mental confusion, or carelessness.” *synonyms: gaffe, faux pas*
(Merriam-Webster Unabridged Dictionary [accessed 1/15/15])

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Please share RM blunders...

- Texting while driving
 - Texting while in meeting
 - OPM data breach
 - Cellphone in classified facility
 - Templates vs actual analysis
 - Complacency
 - PII
 - Don't read funding documents
 - Ignorance
 - ADA violation – not managing controls
 - Classified information left out
 - Not reviewing controls to verify continued effectiveness
 - Unauthorized commitments
 - Poor time management/resources
- (As Surfaced During Session)

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Goddard's list of RM blunders...

- Confusing risk, issue & opportunity; risk & opportunity = uncertainty; issue = certainty
- Negative risks (threats) only; positive risks (opportunities) are ignored
- Limited root cause analysis; attempting to manage pseudo-risks (Whac-a-Mole®)
- No tailored definitions for likelihood and consequence; or lacking definitions entirely
- Confusing risk matrix (2D) with risk cube (3D)
- Kneejerk qualitative analysis; as if placing risks on a matrix is tantamount to management
- No red (insight) in sight; unreasonably optimistic assessment
- Mythology that mitigation only reduces likelihood
- Overrating the impact of each mitigation step
- Computing risk exposure as a mathematical product of ordinal numbers (that is, likelihood times consequence)
- Limiting the number of total risks to a pre-selected, single-digit number, even for MDAPs
- Confusing safety risk with programmatic risk
- When aggregating cost, schedule, and performance consequence scores, taking the average, rather than the worst case, as the overall consequence score
- Confusing the roles of metrics and drivers

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Better Buying Power (BBP)

- *Risk* appears on about 1/3rd of pages in BBP 3.0 guidance document
 - 34 times in 35 pages
- Let's emphasize these portions:
 - Eliminate Unproductive Processes and Bureaucracy
 - Streamline documentation requirements and staff reviews
 - Improve the Professionalism of the Total Acquisition Workforce
 - Strengthen organic engineering capabilities
 - Improve our leaders' ability to understand and mitigate technical risk

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BBP Emphasis

- Streamline documentation requirements and staff reviews
 - Excessive PM time is spent supporting staff reviews and preparing review documents, instead of focusing on program execution
 - Options to condense the staffing process, reduce document content, or completely eliminate a document are available
- Strengthen organic engineering capabilities
 - Via a strong engineering workforce, take active steps to better understand the technical risks associated with execution of development programs; cutting-edge systems *always* carry technical risks
- Improve our leaders' ability to understand and mitigate technical risk
 - (Pro)active risk management requires investment based on identification of where to best deploy scarce resources for greatest impact on the program's risk profile
 - PMs and staff should shape and control risk, not just observe progress and react to risks that are realized

Hone our
tradecraft

Per Hon. Frank Kendall, we have become "risk watchers...focused too much on the process"
(Defense AT&L JanFeb 2015)

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Concluding...
Questions? Comments.
Emotional Outbursts!

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