The Art of Risk Management:

Characteristics of Successful Risk Managers

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The Art of Risk Management: Characteristics of Successful Risk Managers

Success is going from failure to failure without loss of enthusiasm."—Sir Winston Churchill

The Risk Management Challenge

In risk management, much of the focus of risk managers is on the process – identification, analysis and mitigation. While this process-oriented focus is important to successful risk management, it understates the essential characteristics of the risk managers that take on these responsibilities, often times in the face of stiff organizational resistance. What makes these individuals succeed or fail? Why are some risk managers able to implement rigorous and repeatable processes while others seem unable to move risk to the top of an organization’s list of priorities?

At a time when risk management is purported as a scientific discipline with endless new techniques for quantifying, correlating and innovating, the best risk managers bring a core set of leadership and communication skills that ensure that those cutting-edge techniques are applied within the best environment for success. This paper is not a rejection of advanced risk analysis techniques, nor is it a critique of the numerous new perspectives in the area of risk management. This paper is simply, a risk manager’s perspective on what makes a risk manager successful based on personal experience, observations gleaned from numerous programs and colleagues, and a recent industry survey conducted by Active Risk, a project and enterprise risk management software company. This paper is directed toward those individuals who are new to the field of risk management or those that have been in the field for some time and have, in one form or another, arrived at many of the same conclusions. More than anything, it is recognition that the core fundamental aspects of leadership are central to any successful project, but perhaps most to the success of a risk manager. The central theme/message of this paper is that the fundamental characteristics of a leader are essential to every successful project and perhaps are most important to success in risk management.

The Goal of the Project Risk Manager

Most assessments of a successful risk management program begin with gaining an understanding of the risk manager’s role within an organization. While this aspect of such assessments is important, understanding why a risk manager exists, versus simply defining what a risk manager does, is critical to identifying the personal characteristics that contribute to success. In other words, we must first understand why a risk manager exists and what their purpose is within an organization.

Much of the current discussion surrounding risk management focuses on the increasing use of advanced analytic techniques to identify and assess risk. The influx of algorithms, models, and simulations aspires to quantify risk with ever-increasing levels of precision. As a discipline inherently bound by uncertainty, this increasing focus on precision within risk management is counter to the environment in which risk exists. Of greater importance is the concept of accuracy. Oftentimes, risk management decisions involve making choices or trades between future events from which one can expect to get relatively accurate, but not precise, results. The challenge, particularly for senior leadership, is being able to adapt to an environment in which critical decisions about the future are made with enough, but not all, the data. What this requires is that organizations and leaders not be able to predict the future (this drives heavy statistical
and quantitative analysis), but rather abstract enough information about future events based on current insights to make the best possible decisions.

Therefore, a risk manager's goal is to move an organization toward a cultural environment that embraces and understands the relationship between accuracy and uncertainty. To accomplish this goal, organizations and leaders that embrace risk management must be capable of abstraction (i.e., arriving at conclusions by operating with concepts and frameworks). This is the risk manager's primary objective. To operate within a future state, a risk manager must be able to define and communicate a future reality that differs from the one at the present. This requires a risk manager to apply different thinking to today’s organizational perspective to arrive at what might happen in the future. The ultimate goal of a risk manager is to instill within an organization a cultural acceptance of risk, an appreciation for its strengths and limitations, and an environment that rewards leaders that embrace the principles of risk management.

**The Roles of the Project Risk Manager**

The role of a risk manager is much more specific than the previously described goal. A risk manager's role is defined by the job he or she performs on a weekly, monthly, quarterly, and annual basis. The risk manager’s role is, quite simply, to perform the set of activities and tasks to achieve the goal described above. The risk manager is responsible for: (1) architecting the risk process and monitoring its performance, (2) integrating risk management with other organizational processes, (3) communicating the value of risk management and educating the organization on the risk management process, and (4) serving as an organizational “honest broker” to ensure success.

**Process Architect**

The risk manager's primary role is to architect the organizational risk management process. This is the most recognizable role of a risk manager. From establishing decision-making processes to risk analysis criteria to process improvement measures, a risk manager's first responsibility is to build the infrastructure to manage risk. The risk manager is responsible for creating and documenting the risk management process within the organizational risk management plan. The risk manager's objective is to make certain that the process is comprehensive but not so complex that it detours participation in it. Risk processes are successful only when everyone in the organization actively participates in the process.

**Integrator**

The risk manager must also play a role in building a bridge to other functional and business areas within and outside of the organization. Risk managers are among the truly horizontal integrators within an organization. The risk manager must understand and analyze interdependencies across the organization and provide insights into relationships that unit, product, or project managers may not recognize due to their singular emphasis. The ubiquity of risk within a project or program gives risk managers a “back stage pass,” which must be used responsibly in providing new insights and learning to the organization. The role of “integrator” requires a risk manager to roll up his or her sleeves and become involved in multiple areas of a program to ensure that the project groups not only know what risk management involves but also actively participate in the process.

This role of integrator extends beyond the risk manager's organization. The risk manager is responsible for building a bridge between an organization and the broader risk management community. The risk manager should be a conduit for connections to academia, industry, government, and to the other great
thinkers who are addressing the topic of risk. The risk manager should stay connected to industry best practices and benchmarks to recommend process enhancements based on that learning.

**Evangelist and Educator**

Another important role of the risk manager is to continually campaign for and communicate the value of risk management. The risk manager must communicate both the institutional and individual value of risk management by educating the entire organization on the importance of risk management and encouraging individuals to participate in the risk management process. Great risk managers realize that the most effective processes are decentralized and that in order to get risks to “bubble up” from within the organization, they need to teach project team members about the process and philosophy of risk management. Risk managers need to view themselves as educators who bring people into the process, and they need to realize that no one person holds the key to all possible risks on the program. It is not enough for the risk manager to have influence over an organization; a risk manager must transfer knowledge. Having a strong risk process requires a diverse opinions and perspectives. Risk managers are continually identifying internal champions, educating newcomers, and working to understand the concerns of detractors.

**Honest Broker**

The role of a risk manager is also to uphold the integrity of the risk management process within an organization. The risk manager’s job is to resist the tendency towards “group think” and remain an independent arbiter (i.e., an “honest broker”), particularly when dealing with senior leadership. Risk managers should embrace the unique position they have to push back against leadership and, quite simply, say no. If every person in an organization is preaching the same message, some type of checks and balances is needed to ensure organizational success. This is the job of a risk manager, to be the independent assessor of problem areas within the program.

**Common Mistakes Made by Risk Managers**

In an exploration of the roles and goals of risk managers, it is worth mentioning the common pitfalls and mistakes that risk managers often make that align to their roles on the program. These mistakes are quite often the result of the well-intentioned desire to make progress and be successful. Among the most common mistakes a risk manager can make are to (1) assume that they are responsible only for the risk process, (2) move too quickly to advanced techniques before establishing a sufficient infrastructure for risk management, (3) fail to educate and train other risk managers, and (4) not embrace their responsibility to communicate the true program risks and/or sweep bad news under the rug.

**“I’m Just the Process Owner”**

A common mistake is for a risk manager to assume that his or her sole role within the organization is to architect and manage the risk process. All too common is the risk manager that lacks insight into the organization, fails to understand the technology being used, and/or is unable to speak to the content of the organizational risk themselves. Risk managers that limit their role only to managing a process, increase the burden on risk owners and leadership, which discourages participation. In order for a risk manager to be able to lead the program to operate in a sense of the future they must be conversant in the technology, program or organization, and content of the risks.
Putting the Cart before the Horse

Another common mistake made by risk managers is to move too quickly to advanced risk process or analysis techniques (e.g., integration with schedule management, Monte Carlo simulations) before sufficient investment in the basic risk management infrastructure has been achieved. In their role as “integrator” of the risk process, setting up a risk infrastructure and using advanced analytical techniques is a delicate balance to achieve. Before the risk manager can integrate more sophisticated risk processes into an organization, the required groundwork should be implemented first. Among the essential elements of a risk infrastructure are (1) a well-structured governance model, (2) a standardized risk rating criteria, (3) tools and templates for risk reporting, and (4) organizational training. Without these foundational elements, risk managers can potentially confuse leadership with overly complex models and/or alienate critical stakeholders by not building sufficient advocacy. Additionally, the data that is used to evaluate risks could be misleading or not beneficial to decision making.

An Army of One

Risk managers who fail to educate and apprentice others in the risk management process are destined to fail in the long run. Risk managers who view themselves as singularly central to the process and responsible for every aspect of it fail to recognize that the best risk management processes and environments are distributed and decentralized. Risk managers are essential to expanding the process, recruiting advocates, and educating stakeholders on the value of risk management. Particularly in large organizations, a risk manager must educate and train a cadre of junior and mid-level risk managers who can expand organizational coverage. Risk managers who rigidly insist on centralizing the process around them will ultimately become overwhelmed with the workload and become ineffective.

The “Yes Man”

Risk managers regularly suffer from the reputation as being the “bearers of bad news.” Risk managers often over-compensate to counter this reputation by catering to leadership, agreeing to shift the process too quickly, or not showing a critical risk, for example, for political reasons. Risk managers could compromise the integrity of their craft by shifting too dramatically toward constant agreement with leadership as a way to encourage participation in risk management. One frequently seen example of this mistake occurs in the risk rating process, in which a senior leader wants to lower a risk rating from “high” to “medium” for the purpose of “telling a better story.” It is a risk manager’s obligation to maintain integrity in the process and work against the tendency to adhere to leadership’s sometimes political agendas.

Finally, risk managers must be willing to air the organization’s dirty laundry. This is not to suggest that it should be done without sensitivity to organizational, business, or political realities. However, risk managers must not consistently sweep bad news under the rug for the purposes of “saving face.” Risk managers must not be afraid to be honest with leadership. While hiding or muting bad news may work to build temporary alliances within an organization, it also risks both damaging the integrity of the process and long-term failure to address real problems. Oftentimes, the end result of ignoring a problem has a greater negative effect than getting it out in the open early on.

Characteristics of Successful Risk Managers

The culmination of this awareness around goals, roles, and common pitfalls is a profile of a successful risk manager who is able to achieve those goals, fulfill his or her roles effectively, and overcome or avoid
common mistakes. In short, a strong risk manager has the ability to (1) be flexible enough to accommodate organizational changes and realities, (2) have influence with senior leadership, (3) communicate in a compelling and persuasive way, and (4) be persistent in the face of continuous challenges and resistance.

**Flexibility**

A strong risk manager understands that there is no “one-size fits all” solution to establishing a risk management process. As the chief architect of the risk process, the risk manager has the flexibility to adapt processes, structures, decisions, and even his or her own behavior to the personality of the organization in which the risk manager operates. Risk managers must constantly ask themselves, “How can I make this better?” and “What am I learning about the organization to make this process more effective?” A risk manager should have the ability to document the aforementioned changes and realize there is a balance between ensuring compliance and adapting to the realities of an organization. While the risk process cannot be too open-ended, it needs to have the flexibility to fit within that organization’s structure. One way in which the risk manager ensures that this happens is by being a “bridge” to industry to incorporate best practices, innovative techniques, and new thinking into the risk management process.

**Organizational Savvy and Influence**

A strong risk manager builds alliances not just with people but also understands how decisions are made within the organization. Risk managers work within both the organizational process and leadership bureaucracy to efficiently create the risk process. This does not apply to just the risk process but also to the critical aspect of encouraging participation in the process and in identifying internal risk champions. A risk manager may create a perfect process within a risk management plan, but if people are not participating in the process, it is nothing more than words on paper. Therefore, the best risk managers understand that they need strong, capable, and influential leaders in the program to expound the virtues of risk management.

In many respects, this represents the ability to seek opportunities within an organization and leverage those opportunities to achieve secondary goals. This takes both the intelligence to recognize an opportunity and entrepreneurial courage that prompts the ability to take advantage of it. This ultimately is manifested in a level of influence within an organization that places a successful risk manager in a position to drive change within that organization.

**Communication, Communication, Communication**

Risk can be confusing and, at times, overcomplicated. As indicated earlier, risk management is inherently bound by uncertainty. A successful risk manager has the ability to distill complex concepts into simple, understandable terms. They are able to tailor communication levels to the required audience – can be brief for executive reviews and tactical communications for more in-depth risk process discussions. While, an examination of the art of communication requires its own in-depth discussion outside the boundaries of this paper, without the ability to communicate on multiple levels, a risk manager will not be able to fulfill the role of risk evangelist and, ultimately, will be unable to serve as the organizational integrator. In addition, this skill is essential to training future risk managers and leaders.

**Persistence and the Ability to Overcome Resistance**

There are detractors and obstacles in every organization, particularly when it comes to risk. A strong and effective risk manager can identify these detractors early on and work with them to overcome differences,
build alliances, or reach a compromise and, when that is not possible, is able to work around them. Much like politics, one cannot win every vote, so understanding the critical members of the constituency is essential. This requires persuasiveness and politeness but also the ability to take a long-term view of these challenging relationships. Many psychologists would call this high self-esteem; the inherent ability to overcome resistance and not let failure reduce one’s enthusiasm for continuing to push a program or project forward.

**Conclusion**

Strong risk managers must practice what they preach and be an exemplar for risk-taking within an organization. Whether having the courage to publicize an unpopular perspective or risk, or challenging program leadership to pursue non-traditional techniques, the risk manager must be willing to fail. In failing and yet continuing to help the program forward, the risk manager sets an important tone for success—that it is not the absence of risk that determines program success but the manner in which risk is identified and managed.

A risk manager is a key leader for a program and, when effective, possesses the attributes of other successful leaders: flexibility, influence, persuasion, persistence, and courage. A recent survey conducted by Active Risk Inc. reinforces this observation. While the traditional view of risk managers is that they are overly pessimistic, analytical, logical, and focused solely on facts and data, a growing trend of risk managers possessing skills outside this stereotypical set suggest a new appreciation for the strength and value of risk management within an organization. No longer are risk managers buried within an organization and rarely made part of strategic-decision making. Instead, the characteristics identified in this paper of successful risk managers identify a new, emerging breed of risk manager, one that embodies the principles that make risk management an essential element of organizational success.

Active Risk (formerly Strategic Thought Group) has launched a survey of risk professionals in North America, Europe, Australia and the Middle East. For those involved in risk management, this is an opportunity to discover the personality characteristics and traits that make a great risk manager. Go to [www.activerisk.com/survey](http://www.activerisk.com/survey) to take part and receive a confidential personalized profile with advice on how to make the most of your personality traits in the context of the risk management discipline.

The cumulative results of the research and a series of related white papers will be available at [www.activerisk.com/riskmanager/](http://www.activerisk.com/riskmanager/).