PM World Journal (ISSN: 2330-4480)
Vol. XIII, Issue II – February 2024
www.pmworldjournal.com

Cultivating a Risk-Smart Attitude
by Laszlo A. Retfalvi
Advisory

Cultivating a Risk-Smart Attitude[1]

Tips and Techniques to Help You Lead Through Uncertainty

Laszlo A. Retfalvi P.Eng. PMP PMI-RMP

Abstract

Management of medium to large complex procurement and integration projects is a difficult challenge. All projects, no matter of development approach, face the difficult proposition of how to execute efficiently while maintaining the required focus on value delivery and potential effects of uncertainty.

The ability to effectively lead a project team and organization through uncertainty significantly improves the chances of successful project execution and organizational success. Project Managers, especially those new to the position, often feel ill-equipped or overwhelmed when dealing with uncertainty. They do not understand the linkage between uncertainty, risk, and attitude. We need to correct this.

As reported by PMI®'s *PMI (2021) Pulse of the Profession 2021 – Beyond Agility* 35 percent of traditional enterprises experienced failed projects in the past 12 months. Further, only 64 percent of traditional enterprises use standardized risk management processes. *Investment waste was 10.5 percent*, or $105 million dollars for every $ 1 billion dollars spent. These numbers are staggering. As the report states – there is room to grow and improve. I could not agree more.

Experience has shown that the lack of understanding of uncertainty and risk management principles results in projects failing to meet their goals. To avoid this, it is critical that the Project Manager be able to understand what the key project uncertainty and risk areas are and always be in a position to communicate these effectively to stakeholders. Failure to do so may expose the project to unnecessary delays, missed opportunities, negative financial impacts, and potential damage to the organization's reputation. We need to avoid this.

Introduction

PMI®'s *Project Management Book of Knowledge Seventh Edition*, 2021, Project Management Institute, Newtown Square, PA defines uncertainty as "a lack of understanding of issues, events, paths to follow, or solutions to pursue". The importance of uncertainty has been elevated in the PMBOK® by the establishment of an uncertainty performance domain focused on activities and functions associated with uncertainty and risk. This is welcome.

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[1] How to cite this article: Retfalvi, L.A. (2024). Cultivating a Risk-Smart Attitude: Tips and Techniques to Help You Lead Through Uncertainty, *PM World Journal*, Vol. XIII, Issue II, February.

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An alternate definition is that uncertainty refers to the lack of complete certainty. The outcome of an uncertain event is unknown. It does not have an assigned probability as a traditional risk nor it is an unknown risk.

Something is uncertain if we don't know what could happen or we don't know the odds of what will happen. Uncertainties are open-ended with many potential outcomes. In contrast, risks have a narrower range of outcomes with probabilities that may be estimated. We can manage and insure against risks but not uncertainties.

Uncertainty in a project environment may be broken down into components. Refer to Figure 1.
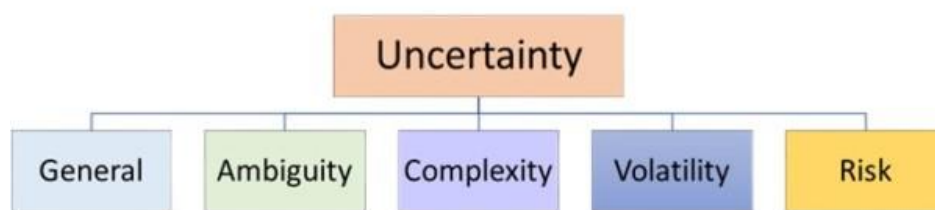

Figure 1: Project Uncertainty Components

The following component definitions assist in the understanding of Figure 1:

- General Uncertainty - all projects have a degree of uncertainty and any action inside the project may yield different outcomes. The success of these outcomes is also uncertain. The more uncertainty, the less we know what to expect.
    - To help – work on understanding the big picture, actively listen, and ask questions.
- Ambiguity - a state of being unclear, having difficulty in identifying the cause of events, or having options from which to choose. The project environment makes it challenging to get precise statements in response to simple questions.
    - To help – focus on flexibility and agility.
- Complexity - a characteristic of a program or project or its environment that is difficult to manage due to human behavior, system behavior, and ambiguity. The more complex the environment, the harder the decision-making.
    - To help – promote critical thinking and clear communications.
- Volatility - the possibility for rapid and unpredictable change. Project circumstances and the environment change quickly and perhaps drastically.
    - To help – ensure to accept and embrace change as a constant.
- Risk – an uncertain event or condition that, if it occurs, has a positive or negative effect on one or more project objectives. It includes an understanding of cause and effect.
    - To help – ensure a thorough risk management process is in place.

From experience, the above components are related. For example - the more complex and volatile a portfolio is, the harder to predict and therefore more uncertain it will be. This places pressure on projects and programs within that portfolio to successfully execute.

Readers are encouraged to learn more by referring to PMI®'s *Project Management Book of Knowledge Seventh Edition*.

Key Takeaway #1: *Uncertainty is inherent in any project. Project Managers must demonstrate awareness that uncertainty does exist, avoid the sky is falling thinking, and focus on what is important. The components in Figure 1 act as a reminder of areas to consider as part of a thorough risk management approach. Simply put - risk is uncertainty that matters on your project.*

The Importance of a Risk Smart Attitude

Context is important when dealing with risks. All projects are executed within a larger environment than that of the project itself. This larger project environment may be sources of risks to the project. This requires a much broader perspective, understanding, and effort.

From experience, Project Managers struggle with the concept of uncertainty. The main reason is that uncertainty is non intuitive due to its broad nature. Planning and communicating for the unknown is challenging. Uncertainty also does not align well with structured change management. These have a direct impact on the ability to successfully plan and execute a project. The result is many Project Managers see uncertainty as a barrier to success, as opposed *to an enabler of success.*

This is where having a risk-smart attitude comes into play. From experience, having a risk-smart attitude is critical for leading through uncertainty.

An alternative approach to Figure 1 is to consider risk management as an output of uncertainty analysis under the guidance of a risk-smart attitude. Refer to Figure 2.

Figure 2: Risk-Smart Thinking Driven by a Risk-Smart Attitude

This alternative approach presents more clearly that uncertainty is a precursor to risk. In order to have a robust understanding of project risks, we need to step back and analyze as best we can the uncertainties which may affect our project and its environment. Think of this as having additional categories in a project's Risk Breakdown Structure.

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Having a risk-smart attitude allows Project Managers and project practitioners to better understand the environment that the project is operating in. Being risk-smart is about understanding the challenges and setting yourself up for success from the beginning. This is critical to a Project Manager's success.

A risk-smart attitude also enables the development of work around plans for uncertainties which do not result in risks for further analysis. This state of mental readiness helps reduce anxiety and build trust and confidence with your team and stakeholders.

A significant challenge for Project Managers is the cultivation of a risk-smart attitude not only on their project, but across the overall project environment and context that the project operates. An example of a typical project environment is shown in Figure 3.

Figure 3: Risk-Smart Attitude Across a Project Environment

Figure 3 emphasizes the importance of the need to have a risk-smart attitude not only within the project itself, but across all contributors in the project environment.

From experience, a number of functions do not fall under the direct control of a Project Manager. For example, Engineering may develop a project solution which has significant uncertainty and risks. As this is not the detailed domain of the Project Manager, these uncertainties and risks may not be communicated properly to the Project Manager and team, resulting in a situation that may be very challenging to correct.

This is where leadership comes into play. Promoting a risk smart attitude helps create the needed bonds and relationships between functions and the project to help expose and reduce uncertainties and threats while helping identify opportunities across functions. *It helps connect the dots.*

A risk-smart attitude is foundational to mutual trust and confidence which in turn translates to success. Project Managers, with support from their supervisor and senior management, need to clearly understand and actively promote this link to success to all contributing to a project environment.

Figure 3 shows the inclusion of the Project Manager's supervisor. From experience, supervisors feel uneasy with uncertainty. The relationship between the Project Manager and supervisor is key as the supervisor has influence over career growth. This relationship is best bridged by ensuring respect and trust between the supervisor and the Project Manager. Asking for the supervisor's participation and feedback is a good thing. *Feedback is a gift.*

The detailed characteristics of a risk-smart attitude are discussed later in this paper. First however – a review of project management leadership is required.

Key Takeaway #2*: Having a risk-smart attitude is the equivalent of having street smarts. A Project Manager with a risk-smart attitude knows how to handle themselves when things get fuzzy and unclear. You are able to navigate through any uncertainty, risks, issues and challenges you have in front of you, and you are much more comfortable in doing so.*

Back to Basics - Project Management Leadership

Project Managers need to understand that management is not the same as leadership. Typically, these terms are used interchangeably and, most of time, incorrectly. Management and leadership are not the same. This is where most issues begin.

Management is the ability to get the job done while leadership refers to having a vision, sharing the vision with the team, and then setting the course to achieve the vision. Project management leadership combines both of these skills together to lay the foundation of outstanding Project Managers.

Project management leadership combines select project management and leadership skills with risk skills and accountability. Refer to Figure 4.
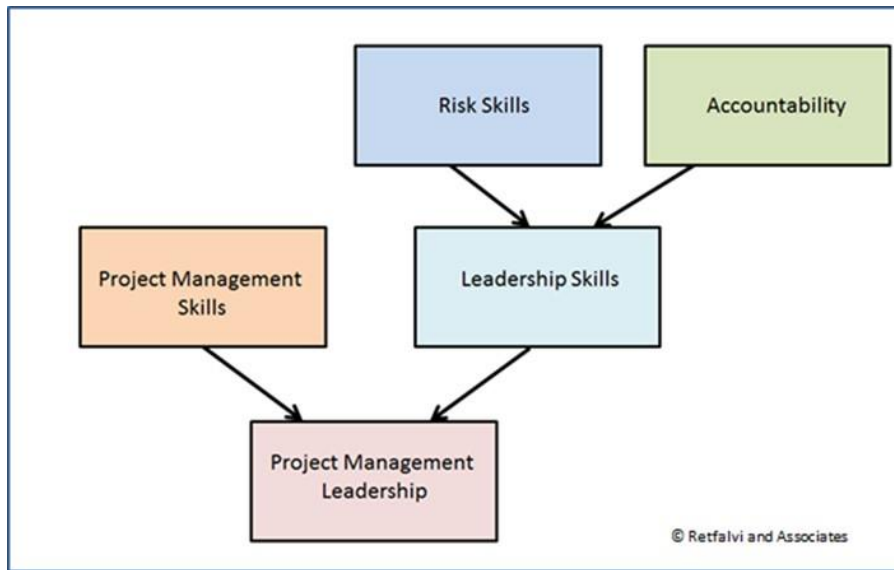
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Figure 4: Project Management Leadership

Why are these last two behaviours emphasized? Because they are very important. These two areas make such a difference in the performance of Project Managers that they need to be called out separately. Putting emphasis on these two areas individually provides a new context for their meaning and intent. They are feeders to success.

The Power of Project Management Leadership - Your Guide to How to Achieve Outstanding Results (Retfalvi 2014) introduces the Project Management Leadership Model©. The Project Management Leadership Model© comprises four key components - project management expertise, core leadership skills, a risk-smart attitude, and accountability-based behaviour - with emphasis placed on the last two.

These two areas are so important that they are front and center in the model. The Project Management Leadership Model© is shown in Figure 5.

Figure 5: The Project Management Leadership Model©

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The components of the Project Management Leadership Model© are summarized below:

1. **Project management expertise**: Knowing how to plan, manage, and handle details in a way that lets others relax. This knowledge is formed by a combination of his or her education, training, and experience.

2. **Core leadership skills**: Having a vision, sharing it with the project team, and then setting the course using your ability to *inspire trust and confidence*. You need to know how to interact with people so that they will want to help you turn your vision into a reality.

3. **Risk-smart attitude**: Honestly understanding and accepting the reality of your surroundings and where you are now. A risk-smart attitude is not about being averse to risks, and it's not about seeking risks. It's about carefully managing the balance between the two. Risks include threats and opportunities.

4. **Accountability-based behaviour**: Having a willingness to openly accept the consequences for something you have done or something that you're supposed to do. It is the foundation of project management leadership, and it's a key ingredient in implementing change.

Project management leadership helps drive an environment where there is a *healthy perspective on risk and accountability*. The goal is to have a culture where all project stakeholders appreciate how risks interact across a project, accept accountability for assigned risks, and work together to maximize opportunities among them.

Each of the above key components of the model has a number of subcomponents, or attributes. Further details of each component and associated attributes may be found in *The Power of Project Management Leadership - Your Guide to How to Achieve Outstanding Results*.

The purpose of the arrows on the perimeter of the model is to remind that the model is iterative, focused on improving Project Manager performance over time. The requirement is to work on the components and attributes of the model continually. Just as the environment around you changes, you have to change if you want to stay on top of your game.

Key Takeaway #3: *The key to achieving success with this model is to integrate all four components while ensuring balance between them. Although each individual component plays an important part in the model, the interaction between all the components is what makes the biggest difference. Refer to Figure 6.*
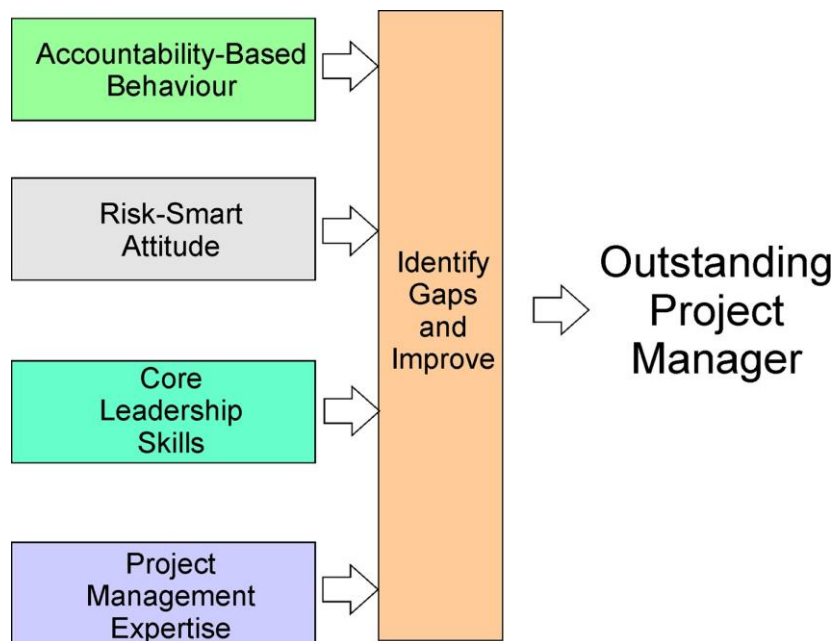
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Figure 6: The Project Management Leadership Model© - Integration

All four components must be in play at the same time if you want to be an outstanding Project Manager. The sum of the components is far greater than the individual components on their own. When all of the attributes work together, the model exhibits a multiplier effect over each individual attribute.

Risk-Smart Attitude – A Game Changer

Being risk-smart is about constantly being aware of threats or opportunities around you.
A risk-smart attitude is about awareness, and it's a key component of a Project Manager's success. When dealing with risk, you have to be risk-smart by understanding threats, opportunities, and risk attitudes.

Having a risk-smart attitude is all about setting things up for success at the start. It's not about being reactionary, but rather, about looking forward. This is not to say that you don't need to review and, perhaps, adjust your project plan as you execute it—this should be done constantly.

A risk-smart attitude is not about being averse to risks, and it's not about seeking risks. It's about carefully managing the balance between the two, being aware of the risks that are around you at all times, and understanding how others view these risks.

Project Managers need to master the five risk-smart attributes contained in the risk-smart component of the Project Management Leadership Model© as shown in Figure 7. Understanding and mastering them will greatly assist Project Managers to be more successful and achieve both personal and career growth.

Figure 7: Risk-Smart Component Attributes

1 - Understand The Basics

Project Managers need to understand risk management basics. There is no way around this and there is no excuse for not doing it, especially since there is so much risk guidance readily available. The objective of any risk framework is to facilitate the management of project risks by providing structured guidance.

One of the more popular project guidance documents is the PMI® PMBOK®. It's based on a simple yet effective six-step process. Although many guidance and framework documents are available for various industries, the PMBOK® is comprehensive and applies to most projects, most of the time. Figure 8 shows an alternative view of the PMI® approach.
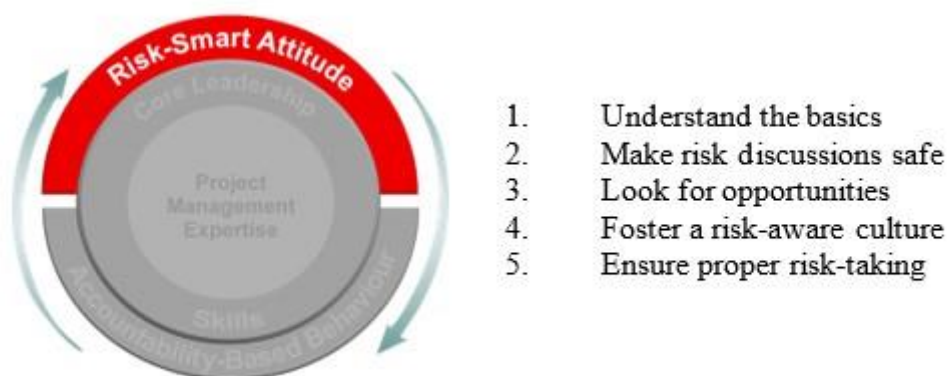

1. Understand the basics
2. Make risk discussions safe
3. Look for opportunities
4. Foster a risk-aware culture
5. Ensure proper risk-taking

Figure 8: Risk Circle of Life.

Figure 8 is referred to as Risk Circle of Life, and it serves as a reminder of the following:

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1.   Project risk management is not a supplementary or bolt-on activity. It must be properly planned and integrated into project activities.
2.   Project risk management consists of six basic steps.
3.   Project risk management requires open communications and consultation with others.
4.   Project risk management is a recurring activity. We need to review and update project risks continually, not just at the start of a project.

2 - Make Risk Discussions Safe

One of the reasons why Project Managers shun risks is that they tend to bring bad news. Project Managers hesitate to speak about risks because they are worried about getting themselves into trouble. This belief couldn't be farther from the truth.

What Project Managers, supervisor, and senior leadership need to do is create a safe environment that promotes the discussion of risks. Any idea or proposal that attempts to improve project planning or execution needs to be encouraged, especially if it deals with risks. Creating a safe environment for all conversations is key to receiving important project information in a timely manner.

If project team members don't feel safe communicating good news, bad news, or risks, they will delay or avoid doing so. This is the primary cause of surprises. Your team members, stakeholders, and senior leadership need to know that sharing these items is encouraged. Nobody will get singled out at any meeting or in any e-mail for bringing up a risk.

Project Managers need to ensure that all participants feel safe working on their project. If they feel safe, the chance of engagement increases significantly. In other words, it's all about people helping people. There is a very good chance that somebody else - within your project, within your organization, or even online in some of the excellent risk-related blogs that you can now participate in - has already experienced the same risk you are currently dealing with.

The goal is to promote the sharing of risk-related information, to get ideas from each other for how to best address risks, and to help the project that you are working on. This means that Project Managers need to ensure a safe and open environment. Project Managers need to ensure that no bullying occurs and that nobody is called out, made fun of, or spoken to in a negative manner because he/she/they pointed out a risk. This should apply to all project activities, not just risks.

Project planning at the early stages includes a collaborative development of a detailed layered schedule and a risk register. The risk register should help select candidate uncertainties and facilitate the inclusion of contingency in budgets and schedule. Keeping the risk register as a living document (does not have to complicated – the idea is to capture key thoughts) helps build a risk smart attitude and the confidence required to handle remaining uncertainties.

At the end of the day, the best ideas for addressing risks usually come from others. The only way that Project Managers will get those ideas is to create a safe environment for your project team and stakeholders.

3 - Look For Opportunities

Risks may have a positive or negative effect. Unfortunately, many Project Managers tend to think that all risks are negative, that they will actually hurt their project. Interestingly enough, though, risks can be positive in nature and can actually help a project. Understanding this idea fully requires Project Managers to shift their mindset and think out of the box.

From experience, it's unfortunate that many Project Managers and project practitioners automatically assume risks are threats because this way of thinking creates a mindset that is a challenge to change. The reality is that risks also represent opportunities, and this is in keeping with today's definition of risk in the project management industry. Many Project Managers struggle with this definition. To help - for every 3 threats that you identify in a project, stop and also find an opportunity. *This is known as the three to one rule.*

One of the reasons why many Project Managers don't consider risks as opportunities goes back to grassroots and the improper use of terms in project risk management. Many Project Managers use the term risk mitigation improperly. This is a basic risk management litmus test.

Risk mitigation is actually just one of four (not including escalation which, in the opinion of the author, is not a strategy) ways that you can handle a threat or negative risk. The others are avoidance, transference, and acceptance. The problem with risk mitigation, when used in a general sense, is that it automatically assumes that Project Managers will mitigate the risk even though there are other options. Mitigation may not be the best approach - right off the bat, your mind is biased and you limit yourself.

The proper way to look at risks is to focus on your risk response, and risk mitigation is just one of several possible responses. You need to be aware of this and to use the right terminology. To increase your success, you also need to balance the upside with the downside at all times.

Key Takeaway #4: *Remember that risks must also address opportunities. Not investing the effort to identify opportunities is simply not good business. Developing a risk-smart attitude focusing on this is one of the best investments you can make.*

4 - Foster A Risk-Aware Culture

Just like Project Managers need to make risk discussions safe and promote risk opportunities, they also have to encourage and facilitate a risk-aware culture. This requires everyone in your project and organization to be involved.

How you do this? First, you need to ensure that all participants receive proper risk management training. Project Managers also need to insist that their supervisor and senior leadership take at least a summary, if not all, of the same training. In my experience, there tends to be a disconnect between Project Managers, project teams, and the expectations of senior leadership when it comes to risk management. We need to actively address this disconnect.

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From experience, many members of senior leadership are not trained in the same way and do not understand the same language as Project Managers when it comes to project risks. This may cause unnecessary angst and significant issues during project reviews. To avoid this, everybody who's working on the project, including senior leadership must have the same training. It's all about being on the same page to promote success.

The project team and major stakeholders also have to be engaged and assist you in looking for threats and opportunities, even though it may be out of their area of responsibility. Although Project Managers are responsible and accountable for all risk management activities on their project, it is not just their job. The project and organization culture has to allow anyone who sees what could be a risk to bring it up with you and anyone else in your organization. *Transparency is key.*

Proper risk management leads to and breeds success. Risk is about success and unless you have the right culture in place, there is a very high probability that your project and organization will suffer.

5 - Ensure Proper Risk-Taking

One of the key activities a Project Manager needs to focus on when addressing risk management is to encourage proper risk-taking within the project team. Project Managers need to be realistic, not overly pessimistic, but at the same time, not overly optimistic. It's a careful balance.

Project Managers have to be sensitive - you don't want too much risk-taking, nor do you want too little risk-taking. Project Managers need to understand that even though there may be no gain trying something, you still have to be careful in your approach.

As a Project Manager, you have to know how to push the envelope in a calculated manner. It's healthy to take risks, especially ones that may lead to opportunities. Some of the most successful project organizations today achieved this point because they took risks. Rarely, however, were those risks not calculated.

While encouraging risk-taking within your team, Project Managers need to ensure that team members understand why they're doing this in the first place. In doing so, you are encouraging proper and calculated risk-taking as opposed to the shoot-from-the-hip style. Team members who want to try something risky need to have a good reason for it as well as a good idea of the outcome they hope to achieve.

Project Managers also need to avoid the big-bang approach to risk responses. If team members identify a risk they want to take, ask them and yourself if there is any way to carry out only a small portion of the risk as a test. Think of this as breaking up the risk and testing it out first. Project Managers struggle with this approach because they do not realize that risk-taking can be divided into smaller steps. However, if properly used, this approach can be extremely effective. Small steps can lead to big gains.

As a Project Manager make sure that as you encourage risk-taking in your team, *you encourage calculated risk-taking*.

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The Bottom Line

Uncertainty is inherent in any project. Uncertainty, in the opinion of the author, is more easily understood if it is viewed as a precursor to risk. Failure to understand project uncertainty and associated risks generally leads to project failure. Having a risk-smart attitude helps Project Managers and the project team better understand, plan, predictably execute, and communicate overall project performance in an uncertain environment.

End result - Project Managers have better control, pure and simple.

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About the Author

Laszlo A. Retfalvi P.Eng. PMP PMI-RMP

Retfalvi and Associates
New Brunswick, Canada

Laszlo is former Director of Enterprise Excellence and member of the Senior Leadership Team (SLT) at Lockheed Martin Canada, a division of Lockheed Martin Rotary Mission Systems (RMS). Laszlo's role focused on strategic program and risk transformation to drive excellence through the organization.

Previous roles include Vice-President of the Program and Risk Management Office (PRMO) at Allen Vanguard Corporation, Director of the Program Management Center of Excellence at Shared Services Canada, and Director of Integrated Sensor Systems at General Dynamics Canada. Previously, Laszlo held roles with the Irving Corporation and SED Systems.

A seasoned 35+ year veteran of engineering, project management and business in private and public sectors, Laszlo and his teams have successfully managed and delivered products, systems, and services to Military, Para-Military, Public, Government, and Private Customers. Areas of expertise include independent reviews, risk workshops, schedule and cost risk analysis.

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Laszlo is an award-winning instructor, author, and coach. With a passion to help individuals succeed, Laszlo is currently an Instructor at University of California Irvine Extension. Laszlo is also an Instructor at Oregon State University Professional and Continuing Education. Areas include Project Planning, Risk Management, Leadership and High-Performance Teams.

Laszlo is author of *The Power of Project Management Leadership: Your Guide on How to Achieve Outstanding Results* (CS Publishing March 2014) including the *Project Management Leadership Model©,* a framework to develop personal project management leadership excellence. A recognized industry speaker, Laszlo has published and delivered over 80 papers and presentations internationally, including PMI® ProjectManagement.com Risk and Leadership Community of Practice Premium on Demand webinars.

Laszlo has been happily married to Lisa for over 35 years and they have two wonderful sons, Andrew and Alexander.

Laszlo may be reached at laszlo@retfalviandassociates.com or on LinkedIn.