DoD Risk Management Deficiencies...
And How to Fix Them

Richard Sugarman
Steven Glazewski
Air Force Institute of Technology
School of Systems and Logistics
Department of Systems and Software Engineering Management
Our student inputs...

• Issue management is “daily normal”
• RM is centered on checking boxes
• Too much focus on complying with reporting directives
• Measurement of activity, not achievement
• Misplaced incentives
Recommendations

• Know your organization’s measureable objectives

• Think about tolerance to the uncertainty that matters

• Measure uncertainty – ranges and confidence... not ordinal values or red/yellow/green

• Consider how to get best return on resource investment to reduce uncertainty
RM is about **Decisions**...

...which starts with knowing organizational objectives!

Note: Outputs = measureable objectives
Recommendation #1

Know your org’s measurable objectives
What is Risk?

“Uncertainty That Matters”

* Definition from Dr. David Hillson, www.risk-doctor.com
How much RM do I need?

Event Occurring vs. Negative Impact of Event

- More tolerant
- Less tolerant
Recommendation #2

Think about tolerance to the uncertainty that matters

- Inputs
- Organizational Processes
- Outputs

More tolerant
Less tolerant

Likelihood of Risk Event Occurring
Negative Impact of Event
Which risk is “the worst”?  Which has the greatest uncertainty?

<table>
<thead>
<tr>
<th>Likelihood</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
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<tbody>
<tr>
<td>Consequence</td>
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Risk 'D' is the worst risk with a combination of high likelihood (5) and high consequence (4).
Is a risk rated “25” really 2.5 times worse than a risk rated “10”?

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<th>Likelihood</th>
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NO! Ordinal values, so...
Better ways to think about uncertainty
Recommendation #3

Measure uncertainty = ranges and confidence
...not ordinal levels or red/yellow/green

NO!!  ↓  😞

YES!!  ↓  ☺

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<tr>
<th>Likelihood</th>
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<th>Probability of Occurrence (%)</th>
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<th>85</th>
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Consequence - Schedule slip in days
- Accept
- Mitigate
- Avoid
- Transfer
- Monitor
- Research

Current Conditions

Present Time

Future chains of potential events

Reduce the likelihood of the chain

and/or

Reduce the Impact

Change the timeframe

Negative Impact to Objective
Recommendation #4

Consider how to get best return on resource investment to reduce uncertainty
“Never attribute to malice or stupidity that which can be explained by moderately rational individuals following incentives in a complex system of incentives.”

— Douglas W. Hubbard
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— Douglas W. Hubbard

“Earned Autonomy”
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- Consider how to get best return on resource investment to reduce uncertainty
Thank you!

Richard Sugarman
richard.sugarman@afit.edu
937-255-7777 x3247

Steven Glazewski
steven.glazewski@afit.edu
937-255-7777 x3230