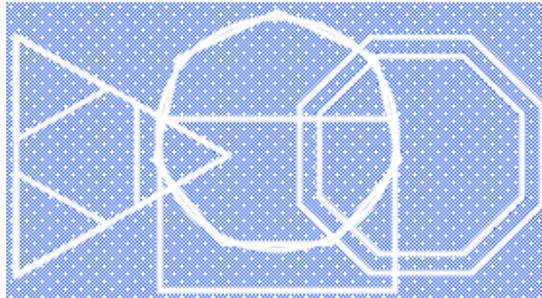

Minimize Risk beyond Statistics

Cover Your Bets by Covering the Bases

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Cover Your Bets by Covering the Bases

Introduction

A baseball coach does not disregard a field position even if a batter seldom hits to it. Decades of baseball experience has taught players and coaches the importance of seemingly minor factors. Talent, training, coordination and a weighty rulebook combine to make America's pastime repeatable and entertaining. Fans, coaches and players come together under Abner Doubleday's auspices with consistent expectations, well defined tasks, established roles, assigned responsibilities and substantial uncertainty.

Project teams often act as though a shortstop can be ignored. Shortstops might turn a play that wins a game. A coach who never sends a shortstop onto the field would surely fail to win a single game—and would likely be quickly replaced. Projects can be blindsided by comparable omissions and fail to deliver as promised.

Unlike baseball, projects do not have rulebooks. Or for that matter, a well defined playing field. Project managers can still learn about minimizing risk from baseball. Baseball coaches reduce uncertainty through study, observation, communication and repetition—*with the entire team and coaching staff*.

Baseball's success comes from delivery of entertainment and winning scores. How entertaining would baseball be if only 20% of games ended in victory? What if winning were a sure thing and everyone knew it? Who would invest in that kind of performance?

What Does Uncertainty Look Like?

Do you face an uncertain future? Who doesn't? Some matters are certain, i.e., birth, death, taxes...gravity. Can *Wisdom* be conceived, visualized, negotiated, refined and employed to reduce risk? Can wisdom reduce uncertainty? Most definitely.

In baseball, coaches and players review performance statistics, commentators cite the most obscure facts from memory and fans study trading cards until they can quote every published tidbit of information about favorite players. Wisdom does not come from statistics. Wisdom comes from personal experience through travel, attentive listening, focused study and hard work.

Can a wise individual eliminate uncertainty? Definitely not. Can a group of individuals working together share collective wisdom to reduce uncertainty and understand risks so that commitments and responsibilities can be executed? Yes.

How About That Rule Book?

The Wisdom Activation™ framework establishes a conceptual “rule book” and “playing field” for identification, assessment, analysis, communications, negotiation and coordination of risk reducing opportunities.

Units of Risk and Sensitivity Coordinates

In the Wisdom Activation™ framework, incremental progress occurs along eight coordinates. Each coordinate assigns risk to one of two symmetrical classes. Sample inquires address topics for each coordinate.

Business Wisdom:

- Finances: “How much investment is at risk and what is the expectation of positive cash flow?”
- Markets: “Who is our competition and what share might we capture? What goods and services will we produce?”
- Projects: “Will promises be kept and deliverables arrive on time? Can we allocate sufficient resources to insure quality?”
- Technology: “Do we know enough today and what more might we know in the future?”

Social Wisdom:

- Physical: “Can our available labor force perform the necessary work?”
- Logical: “Do we have processes sufficiently defined to provide reliable workflow?”
- Intuitive: “What does your gut tell you about the situation?”
- Spiritual: “If we expand our range of possibilities, how much can we accomplish?”

Framework coordinates provide a basis for presenting analysis and stimulating discussion. Each coordinate identifies a perspective from which individuals can contribute expertise and coordinate understanding.

Individual contributions combined through collaboration establish parameters for identifying, assessing and mitigating risks in each of the areas.

Accommodating Interaction among Coordinates

Neither business nor social risks remain static. A snapshot portrays conditions only at the moment the shutter clicks. When conditions change along one coordinate, conditions along other coordinates also change. These interrelationships can be called sensitivities or leverage ratios. Considering small changes along eight coordinates gives rise to 56 ratios (8 x 8 - 8.)

For example, *cost of goods sold* can be described as a ratio between a *Financial* parameter (Total cost of production) and a *Market* parameter (Number of items produced.) No responsible manager would launch a product without some understanding of production costs.

Consider another ratio, employee motivation. How much effort will an employee expend to accomplish a task? Might the value change depending on to whom the task were assigned? Can such a risk be quantified and addressed? Yes. Does such a consideration typically enter into discussions of risk? Rarely except in cases of mergers or executive turnover.

Exploring the 56 framework sensitivities reduce risk by insuring comprehensive coverage of a wide range of issues and areas of uncertainty.

Climbing Strategic Mountains on Spiral Staircases

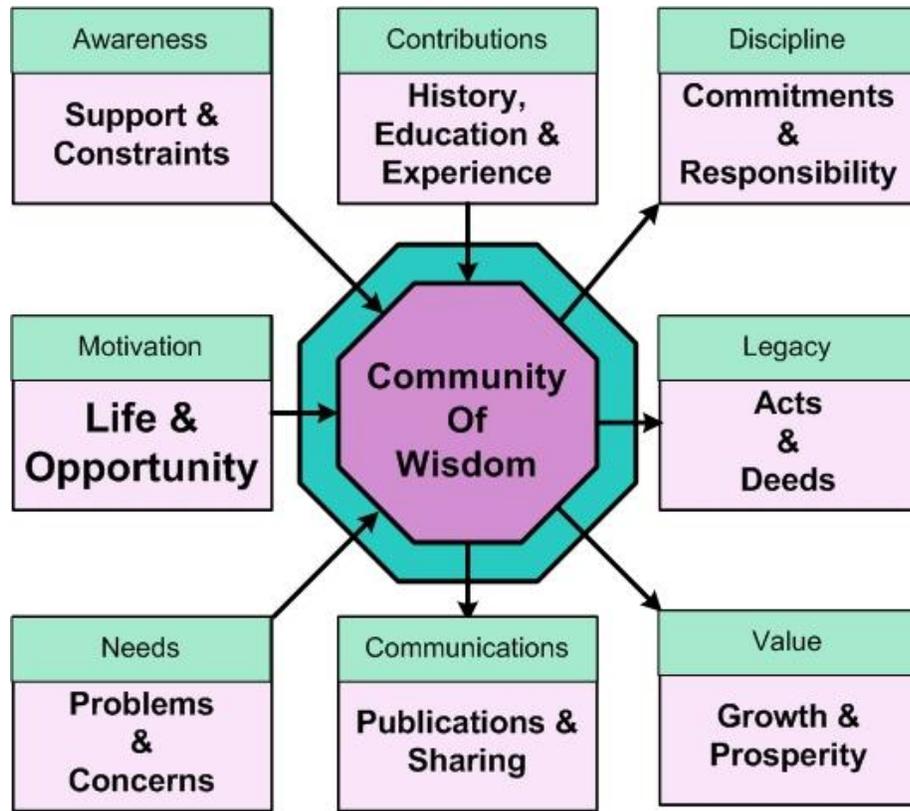
Attempting to accomplish every task in a project simultaneous would be foolhardy. With the possible exception of concurrent creation of chickens and eggs, everything cannot be done first. Even though sometimes only apparent in hindsight, human progress evolves from foundations and follows sequences. Planning attempts to reduce risks of failure by controlling sequences based on available foundations. One of those foundations should include all reasonably available and applicable wisdom.

Wisely governed actions maximize success.

The Wisdom of Wisdom Activation™

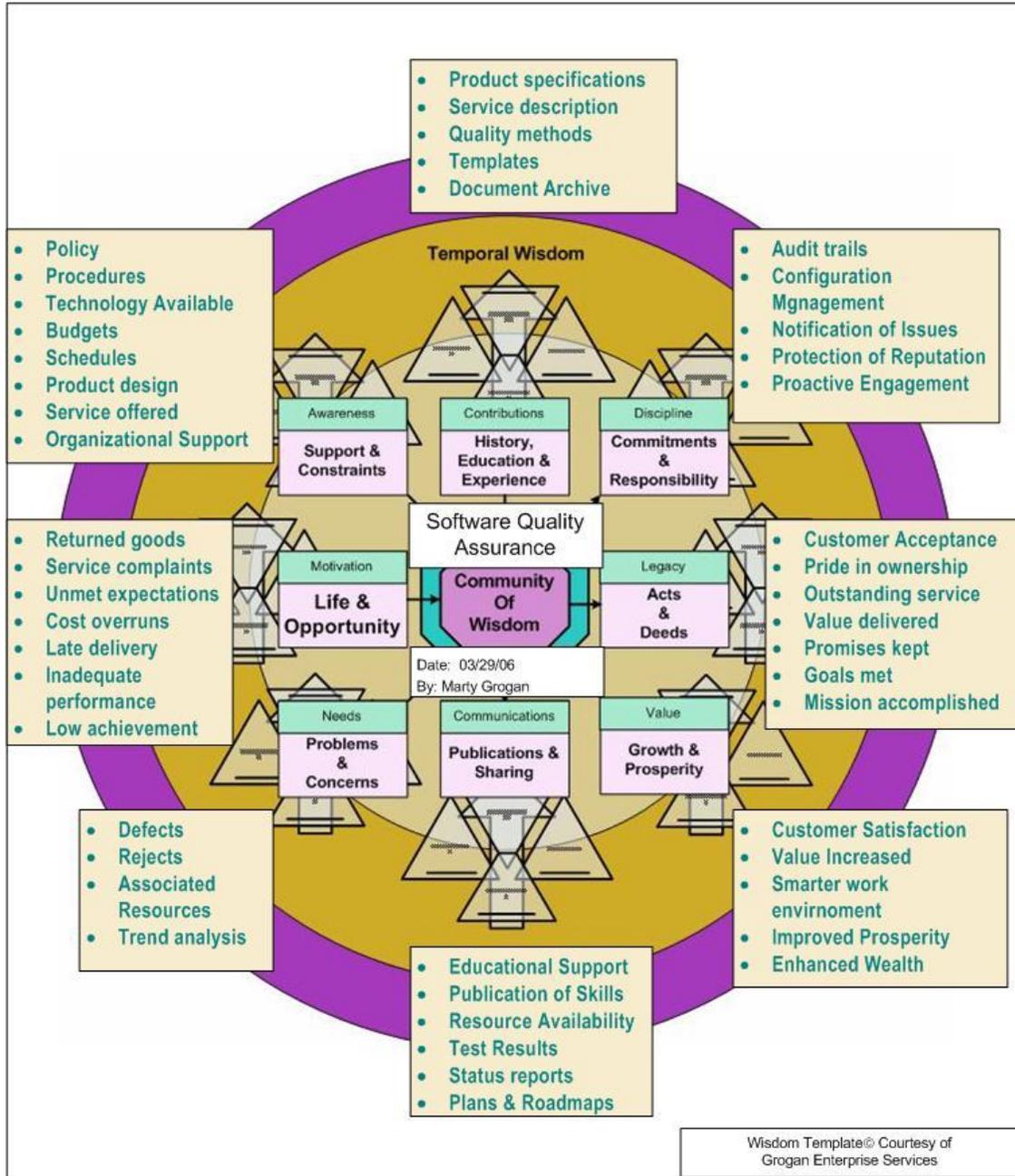
The Wisdom Activation™ framework employs a set of geometric figures for visual representations:

- Octagons – represent boundaries, i.e., a building, a corporation or a person
- Rectangles – represent movement , i.e., data transfer, document publication or delivery of products
- Triangles – represent processes, i.e., planning, production or research
- Heptagons – represent events, i.e., completion of a task, start of a project or a the French Revolution



• Figure 2: Community of Wisdom Template

Consider the following representation that depicts Software Quality Assurance wisdom.



• Figure 3: Software Quality Assurance Wisdom

The SQA diagram lists topics in each wisdom perspective for subsequent *activation*.

Making Progress

Achievement of progress through activation of tasks leads to recognition of an event.

Events carry elements of risk.

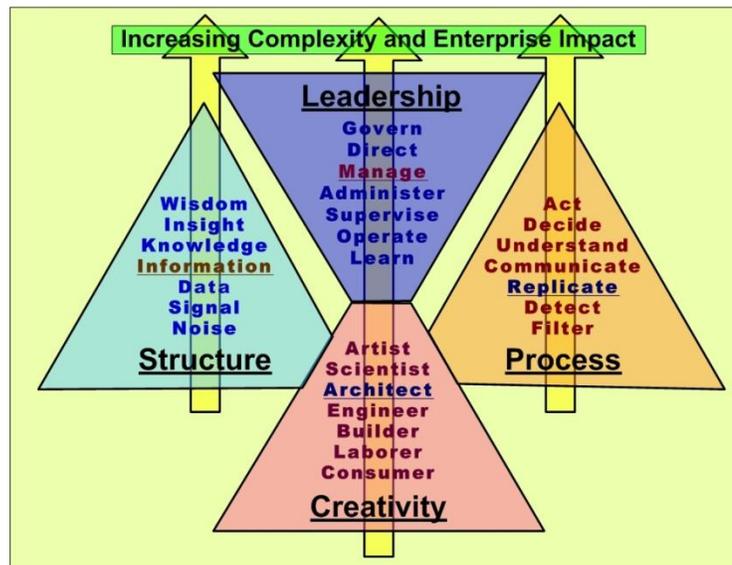
Estimates of risk result from analysis of factors that support or impede progress, e.g., successful completion of tasks.

Four categories classify events: Leadership, Structure, Process and Creativity. Examples of each type of event might be:

- Leadership: Replacement of an executive manager
- Structure: Reorganization of a company division
- Process: Development of a new workflow
- Creativity: Invention of a new device

Cumulative levels of risk depend on coordination and sequencing of events. Some events can be controlled or influenced and some cannot be. Uncertainty surrounding events can be reduced by including and considering accessible wisdom.

The diagram below, *Pinnacles of Progress*, describes levels of achievement for the framework event categories.



• Figure 4: Pinnacles of Progress

Each supporting level provides a necessary foundation for a higher level. Events that promote transitions between levels carry risks that increase with separation between the beginning and ending levels. An individual who had only visited an art gallery would not

be commissioned to paint a masterpiece. Such an event attempts to achieve the level of *Artist* directly from that of *Consumer*. No one would make a substantial personal investment based on a single Google search attempting to generate financial *wisdom* from the displayed pixel *noise*. In American politics, voters are required to select candidates to *govern* our country without clear *insight* into *leadership* abilities and the press daily reports evidence of risks realized.

Strategies and Models

A complete application of the Wisdom Activation™ framework exceeds the scope of this article. The following discussion provides a few sample artifacts.

The diagram below reflects implementation of the Wisdom Activation™ framework to manage enterprise risk using four event trajectories: *Leadership* (Dk. Blue), *Structure* (Violet), *Process* (Yellow) and *Creativity* (Lt. Blue). This diagram recommends relative investments for each coordinate area over time.



• Figure 5: Investment Profile

The diagram indicates the following investment strategy:

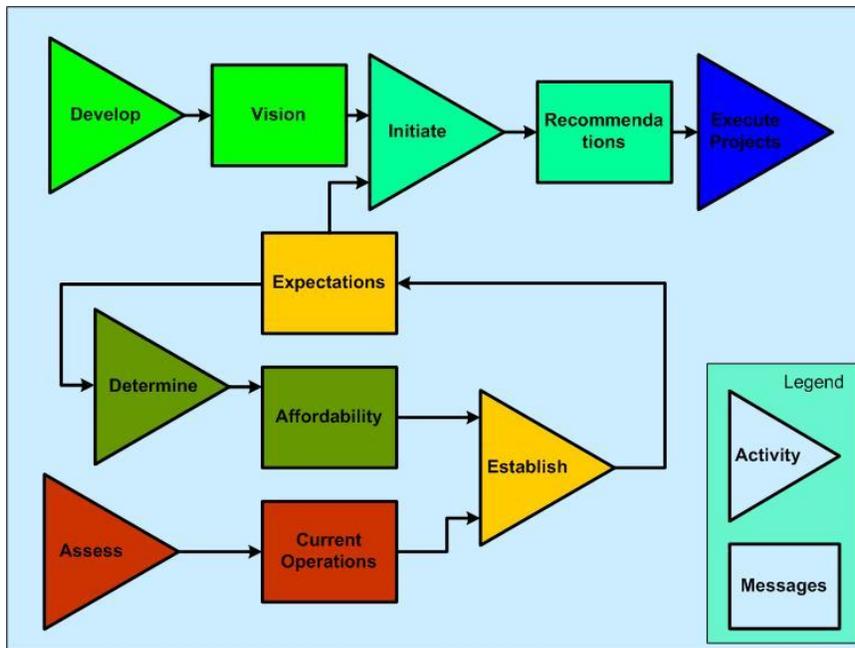
- Improve leadership capabilities,
- Develop and formalize policies, procedures and methods,
- Discourage “out-of-band” behavior and
- Empower adoption of new ideas.

Staircase Steps

Major steps in the Wisdom Activation™ Staircase are:

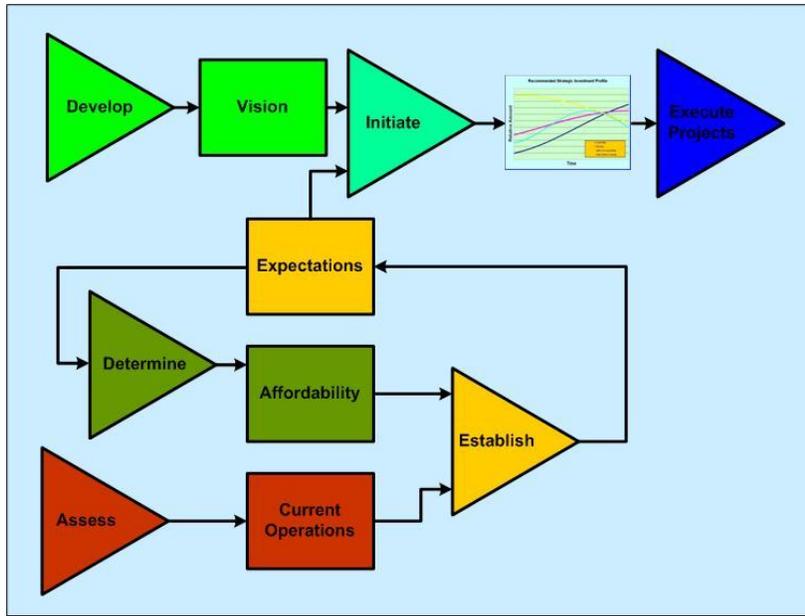
1. *Envision* your organization's desired future.
2. Understand *Current* organizational performance.
3. Determine *Affordable* support and opportunities for development.
4. Set *Expectations* by comparing *Current* performance and *Affordability* options.
5. Possibly refine *Options* based on new *Expectations*.
6. Compare your *Vision* and *Expectations*
7. *Initiate* a portfolio of projects to align performance with vision.

The diagram below represents the control sequence described:



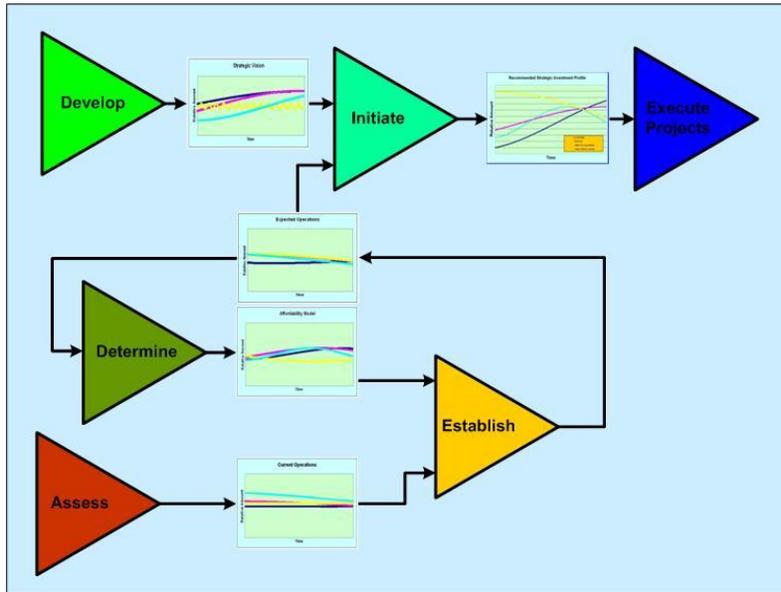
• Figure 6: Wisdom Activation Control Sequence

The following diagram demonstrates relationships between process and data:



• Figure 7: Data for Project Execution

Similarly, diagrams resulting from application of Wisdom Activation™ processes emerge to display interrelationships of various enterprise trajectories:



• Figure 8: Merged Enterprise Trajectories

Each event category forms a spiral staircase climbing through levels of progress. As achievements enable ever greater undertakings, new contexts emerge and inherent harmony and rhythm becomes apparent.

With apologies to Shakespeare, "...And enterprises of great pith and moment...With this regard their currents turn not awry... And gain the name of action..."

Conclusion

Throughout history, the future has intrigued and mystified human experience. Philosophers debate how much is certain and politicians make promises about it. Corporations, governments and individuals must all embrace risk. Whether contemplation of a merger, a declaration of war or support for a candidate, judgments generally benefit from wise counsel.

Sir Francis Bacon wrote *Ipsa Scientia Potestas Est*, often quoted as "Knowledge is power." He also wrote "The greatest trust between man and man is the trust of giving counsel."¹

Leaders need both the power of knowledge and the trust of counsel to minimize risk and deliver a certain future.

¹ The Essays of Lord Bacon, XX, Of Counsel," Fs. St. Alban, Altemus' Bookbindery, Philadelphia, circa 1870.