Risk Type and Behavioural Bias: How Projects Fail and What to Do About It

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ABSTRACT

There are two distinct approaches to risk. Firstly, the ‘objective’ approach is numeric, probabilistic and focused on the risk itself; it is concerned with people in general rather than in individual terms. Secondly, the ‘subjective’ approach recognizes that risk issues have personal and individual dimensions. It is argued that the progress achieved by technical advances in project management are being stalled by failure to make similar advances in addressing Human Factors. Reliance on ever-tightening controls and micro-managing workplace behavior or pursuing zero safety incidents can be counterproductive both for compliance and for the bottom line if individual risk dispositions are not part of the solution. Professional, regulatory and standards bodies increasingly emphasize employee participation and risk leadership as important for the mutual trust and respect necessary for safety objectives to be fully realized. This article reports how Risk Type is impacting these issues.

KEYWORDS

Accountability, Behaviour, Compliance, Culture, Human Factors, Participation, Personality, Psychological Consultancy Ltd, Respect, Responsibility, Risk Attitude, Risk Tolerance, Team

INTRODUCTION

There are inevitably people you get along with and others that you don’t, and some that you have to get along with - your boss, colleagues in your team, and even members of your family – those who you will make the effort with and find a way to jog along to keep the relationship viable, because you have to. The difference in the quality, effectiveness and fruitfulness of those relationships will be considerable. Being with someone you are easy with, whether in a work context, socially or in a relationship, is motivating, rewarding and requires little effort. Working with someone who irritates you, frustrates you, is difficult to communicate with and you just don’t “get” where they’re coming from – that requires a lot of effort - sometimes too much and you blow it.

In project management terms, these dynamics will be very significant. The problem is that these ‘Human Factors’ are not easy to get to grips with. Dealing with disputes, unacceptable behaviours, poor performance, unreliability and the complexities of relationships and team dynamics is unlikely to be what you got into project management for. My guess is that many or even most project managers are more comfortable dealing with the technical side of things;

- The processes, procedures and systems that define what and how people will contribute
- How they will communicate and collaborate
- How the various strands of the project will come together to achieve the desired solution
This ‘project architecture’ is emotionally neutral. It can be defined in detail and turned into systems, organisational diagrams and flow charts. Project management has embraced many systematic approaches from the wider field of management methods such as Lean, Agile and Sixth-sigma. It is logical, rational and dependable; all the things that individuals cannot be relied upon to be.

The debate about the relative merits of ‘objective’ approaches to risk management (technical, systems, probability-based methods) and ‘subjective’ approaches (social, cultural, human factors or psychometric approaches) goes back a long way. I quote here from a paper written in 1989: “Improved technical analyses are not the key to improved risk management and risk communication decisions” (Bradbury, 1989); and, more recently, “high levels of employee consultation are associated with lower levels of injuries, near misses and stress” (Fidderman and McDonnell, 2010). The inevitability of Human Factors as an important consideration in project management derives from the impossibility of maximising risk management and project objectives solely on the basis of technical know-how (Annual Report of the UK Government Chief Scientific Adviser, 2014).

The basic objective vs subjective distinction is between approaches that tackle the risk, the hazard or threat, and those that consider the perception and experience of that hazard or threat by an individual. From a personal perspective, risk evaluation is always subjective. Right now, the idea of riding a 10-foot-high monocycle while juggling flaming torches will seem extremely dangerous. If, however, for the next two weeks, you devoted yourself entirely to mastering a regular size monocycle, which you could, you would see that riding the 10-foot version was challenging maybe, but not impossible. As to the juggling with flaming torches, we’ll deal with that when we get there! The point is that what seems dangerous to one person may seem exciting to another. Circuses depend for their living on the difference between what looks dangerous to the audience but doesn’t look dangerous to the performer.

In professional life, different views about what is safe or prudent can create dissent, interfere with work relationships and impede progress. Yet, at every level, risk evaluation relies on subjective personal judgement to a greater or lesser degree. From the design of algorithms used in automated financial trading through to the decisions of underwriters and the calculations of actuaries, personal judgement always plays its part. And this is especially likely to be the case for risk and project management because “risk failures are mostly attributable to human factors” (Mazarr, 2016).

Project management needs to address matters of human nature, and as such psychology has something significant to add to the more familiar risk management approaches. Both disciplines need to find pragmatic ways of delivering, wherever possible at the level of certainty that is available, realistic and useful. The big question within project management is: how do you achieve the necessary chemistry between objective approaches and the more personal subjective approaches? How can any significant developments in risk psychology be exploited in a systems-oriented profession?

The following might have been written yesterday; in my view, it still reflects exactly where we are in terms of the developments of the respective sciences of personality and project management. It appears in a nicely named publication: “Usable Knowledge, Usable Ignorance: Incomplete Science with Policy Implications” by J. R. Ravetz (1987). He argues that our “one-sided experience of science as the facts”, which is “deeply embedded”, does not prepare us for dealing with the many policy-related science issues that we face. Both risk assessment and personality science are incomplete; neither can deliver with the precision we would prefer but, within the terms of any project, policy and management decisions have to be made, and made within a timeframe. Absolute certainty is something to aspire to but, for now, is way out of reach; pragmatism and informed personal judgement is about as good as it gets.

I suspect that, through their training, professional associations and specialist literature, project managers probably have a high awareness of the technical knowledge available and will draw on it to good effect. I doubt that the same could be said for access to and use of the knowledge available about differences in personal characteristics, although this will be equally important to project success. Personality psychology is an area that has seen very significant advances and considerable growth in applications over the past decade, so how can we get to grips with it?
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