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Deliberate ignorance in project risk management

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Abstract

The management of project risk is considered a key discipline by most organisations involved in projects. Best practice project risk management processes are claimed to be self-evidently correct. However, project risk management involves a choice between which information is utilized and which is deemed to be irrelevant and hence excluded. Little research has been carried out to ascertain the manifestation of barriers to optimal project risk management such as 'irrelevance'; the deliberate inattention of risk actors to risk. This paper presents the results of a qualitative study of IT project managers, investigating their reasons for deeming certain known risks to be irrelevant. The results both confirm and expand on Smithson's [Smithson, M., 1989. Ignorance and Uncertainty. Springer-Verlag, New York] taxonomy of ignorance and uncertainty and in particular offer further context related insights into the phenomenon of 'irrelevance' in project risk management. We suggest that coping with 'irrelevance' requires defence mechanisms, the effective management of relevance as well as the setting of, and sticking to priorities.

Keywords: Project; Risk; Process; Irrelevance; Effectiveness

1. Introduction

Institutions such as the Project Management Institute (PMI) and the Association of Project Management (APM) promote 'best' practice project management standards. Project risk management, as one of the key disciplines of project management, is defined as the systematic process of identifying, analysing and responding to risk as project-related events, or managerial behaviour, that is not definitely known in advance, but that has potential for adverse consequences on a project objective (Project Management Institute, 2004). Project risk management claims to enable project managers to effectively manage risk-related information.

Raz and Michael (2001) have investigated the extent to which project managers perceived project risk management as effective. Specifically, they looked at an extensive range of risk management techniques, rating each against a 'project management performance' index based on the responses to their survey. This was a rare occasion where the inputs, as opposed to the outputs, of the risk management process were examined. More problematically, the precise nature of the inputs does not seem to have been explored adequately in previous research. In order to address some of these shortcomings, this study investigates how 'irrelevance' (the deliberate ignorance of risk-related information) manifests itself in the context of project risk management and how it constrains the perceived effectiveness of project risk management. In doing so, we seek to add to the debate on the effectiveness of risk management processes by considering the influence of social and cognitive factors as intervening conditions in project risk management.

2. Best practice in project risk management

Risks potentially endanger the ability of the project manager to meet predefined project objectives of scope,

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time and cost. This ultimately means that tasks may take longer than planned with a negative consequence on the project manager's fulfilment of the project objectives (Project Management Institute, 2004). Because of this potential to adversely influence a project's performance, the PMI acknowledges the management of risk as one of its nine key knowledge areas in its *Guide to the Project Management Body of Knowledge* (Project Management Institute, 2004). According to Pender (2001), this represents 'best' practice in the area of project management.

Beyond the PMI standards, there are a number of other "best practice" project risk management processes such as the British Standards Institution (2000), the Office of Government Commerce (2007) or the UK Association for Project Management (2005). The basic structure of all these models is similar. Table 1 gives an overview of the key elements.

Regardless of the number and definition of stages, the mentioned project risk management processes have one element in common: "an activity that deals with planning actions that will be implemented in order to reduce the exposure to risk" (Ben-David and Raz, 2001). This principle activity can be subdivided into four major stages: planning, identification, analysis, and response. Firstly, a project manager can apply risk management *planning* to define what activities should be taken to approach project risks. Secondly, risk *identification* allows project managers to single out risks that may affect the project objectives. Thirdly, by using risk *analysis* a project manager evaluates quantitatively or qualitatively the likely consequences of risks as well as the likelihood of occurrence (Raftery, 1994). Fourthly, risk *response* helps a project manager to develop procedures and techniques to mitigate the defined risks, and enables the project manager to keep track of these, to identify new risks during the project and to implement risk response plans (Project Management Institute, 2004).

Best practice project management standards, as set out by the PMI and APM, indirectly claim to be self-evidently effective. In this respect, Williams (2005) argues:

> "Project management as set out in this work is presented as a set of procedures that are self-evidently correct: following these procedures will produce effectively managed projects; project failure is indicative of inadequate attention to the project management procedures."

Project risk management processes such as those described have their foundation in expected utility theorem (EUT) (Association for Project Management, 2005; Tversky and Kahneman, 1992). Expected utility is "a weighted average of the utilities of all the possible outcomes that could flow from a particular decision, where higher-probability outcomes count more than lower-probability outcomes in calculating the average" (Borge, 2001). In other words, the utility of decision making choices are weighted by their probabilities and outcomes (Tversky and Kahneman, 1992; Arrow, 1983).

EUT has generally been accepted in the literature as a model of rational choice for taking risky decisions (Tversky and Kahneman, 1992; Borge, 2001) and is considered a fruitful framework for decision-making in situations where risk is a factor (Einhorn and Hogarth, 1986). A key feature of EUT is the presumption of rationality, or what Weber et al. call 'hyper rationality' (Weber et al., 2004). This prevailing normative and explanatory framework in decision making under uncertainty tends to ignore the absence or 'distortion' of truth. Hence, social influences are downplayed. For example, ignorance is excluded.

3. The role of ignorance in project risk management

Recently, some attention has been paid to ignorance in various contexts (Congleton, 2001; Ehrich and Irwin, 2005). Research has increasingly concentrated on the pursuit of certainty and how to overcome ignorance, which is often cited as a lack of 'true' knowledge (Greisdorf, 2003). Although this definition deserves credit, developing a single definition would be inappropriate because ignorance is a multidimensional concept with various facets (see Fig. 1). In particular, a useful distinction can be made between deliberate ignorance, driven by social factors and/or conditioning, and ignorance as an affective impulse, meaning it is beyond one's control, both systemically and cognitively (Slovic et al., 2002). The concept of *error* including its various sub-concepts (see Table 2, Fig. 1), such as distortion, relates to the passive connotation of

Table 1
Overview of main project risk management processes.

Major steps in project risk management	PMBOK – PMI risk management process (Project Management Institute, 2004)	OGC – management of risk (Raftery, 1994)	PRAM – APM risk management process (Borge, 2001)
Planning	Risk management planning	Context	Focus Define
Identification	Risk identification	Risk identification	Identify Structure
Analysis	Risk analysis	Assess – estimate Assess – evaluate	Estimate Evaluate
Response	Risk response planning Risk (monitoring and) control	Plan Implement Communicate	Plan Ownership Manage