

# PMI Tallahassee Chapter

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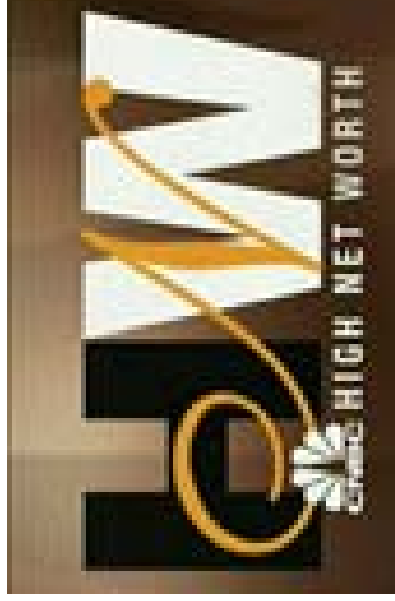
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SEBA®

*To Teach, To Instruct, Acting On Information, Acting With Information®*

## Poker Popularity



- On CNBC's High Net Worth TV Magazine host Tyler Matheson described Poker...
  - As the new golf... people are talking business at the poker table now.
  - The best poker players are also astute and successful business people.

## **Poker, Projects and Risk Management**

- **Great Poker Players...**
  - Know how to make probabilistic assessments.
  - Know human behavior.
- **Great Project Managers...**
  - Know how to make probabilistic assessments.
  - Know human behavior.



## **Probabilistic Assessments**

- Probabilistic assessments can be done.
- Accuracy is often not exact or perfect.
- Accuracy doesn't have to be exact or perfect.
- Accuracy required to improve risk management decisions is easily achieved.

## **Risk Defined**

- Project risk is an uncertain event or condition that if it occurs has a positive or negative effect on at least one project objective.\*
- Typically characterized by probability of the uncertain event and the impact of that event.

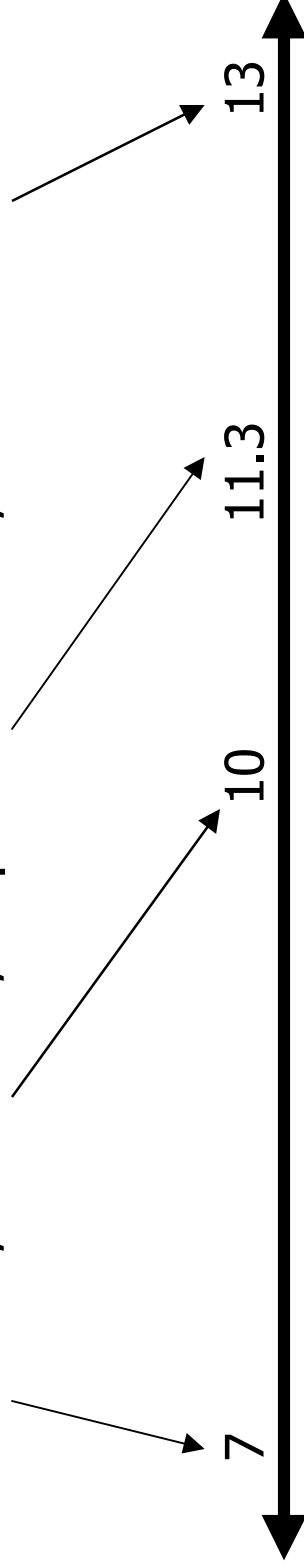
\* PMBOK® Guide Third edition page 238

## **Extreme Outcomes, Likely Outcomes**

- **As a project manager we should always know best case, worst case, expected value, planned value (baseline).**
  - This characterizes our risk, and is an input into the decision process.
  - Expected Value is probability times impact.
- **These are outputs of probabilistic assessments.**

## Extreme Outcomes, Likely Outcomes

When we use expected value we can show, best case, baseline, expected value, and worst case.



- In poker, in project management, and in life you don't get averages, you get outcomes!
- Project managers must be ready for the outcome.

## **Probabilistic Assessment Data Requirements**

- If you don't have data use judgment.
- If you have data make sure it is valid.
  - My experience has been in 3 of 4 cases people in the work environment make decisions with invalid data.
- Without data, judgment is still very helpful for assessing probability.
  - Precision is often overrated.
  - Sick Sigma™

## **Probabilistic Assessment Using Judgment**

1. Is the probability of this event greater than or less than 50 percent?
2. If less than 50 percent → Is the probability greater than 25 percent or less than 25 percent?
3. If less than 25 percent → Is the probability greater than 12.5 percent or less than 12.5 percent?
4. Accuracy with judgment beyond this point is strictly for those project managers who need another project to keep them busy.

## **Probabilistic Assessment Using Judgment**

- **Example – If you do not have the customer sign off on the requirements what is the probability of cost overruns and schedule delays?**

## **Issues, Risks and confusion between the two**

- **In the previous example... Is this an Issue or a Risk?**
  - If you do not have the customer sign off on the requirements what is the probability of cost overruns and schedule delays?

## **Differentiating Between Issues and Risks**

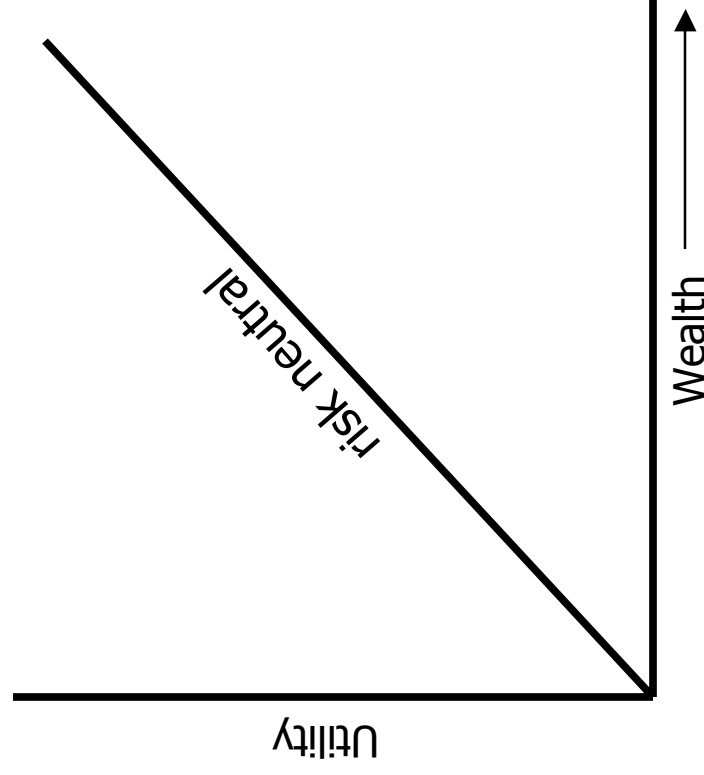
- Issues are something that are actionable.
- Risks have uncertainty associated with them.
- Issues must be managed as risks in organizations that lack leadership.
  - Sad but True.

## **Human Behavior as it Relates to Risk**

- **Project managers and Poker players need to pay attention to the role of attitude and personal bias as it relates to risk.**
- **There are three predominant risk attitudes:**
  - 1. Risk Neutral.**
  - 2. Risk Avoiding.**
  - 3. Risk Seeking.**

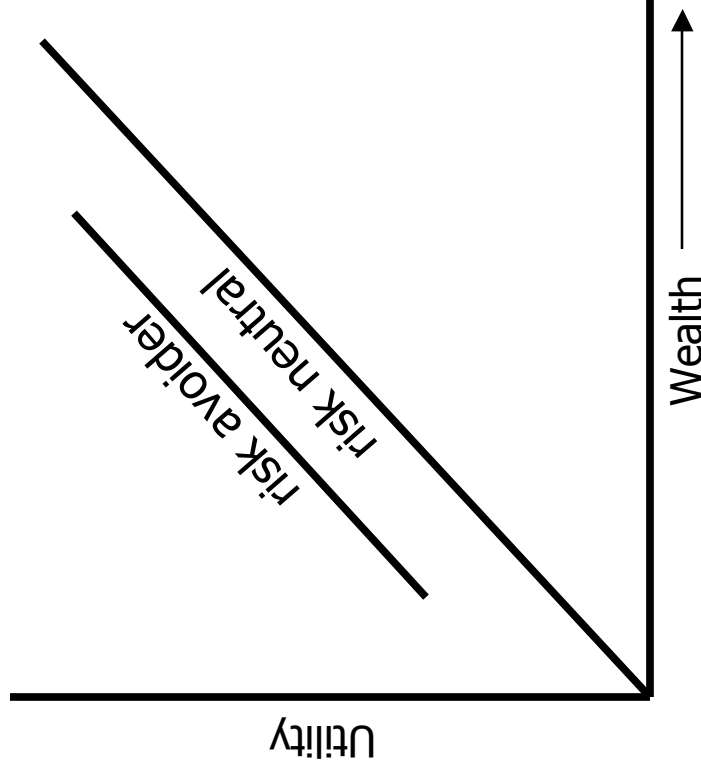
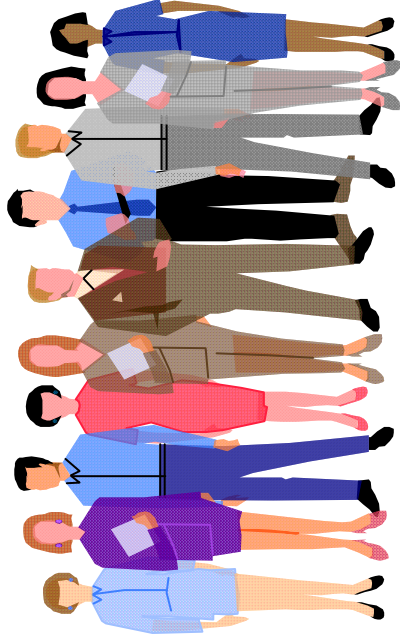
## Risk Neutral

- The risk neutral person would make every decision based on pure logic.



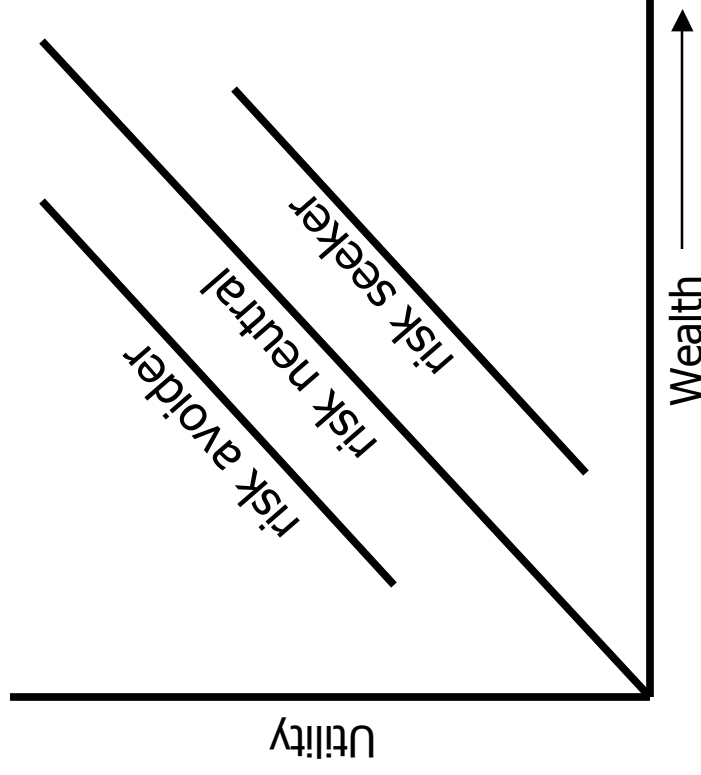
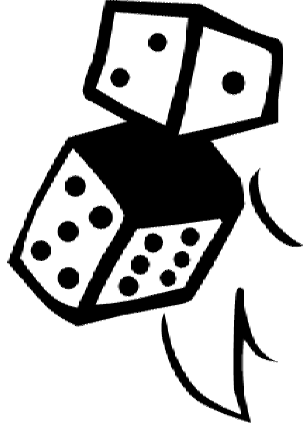
## Risk Avoiding

- The risk avoider (risk averse) is willing to pay a premium to avoid a risk. Most people are risk avoiders.

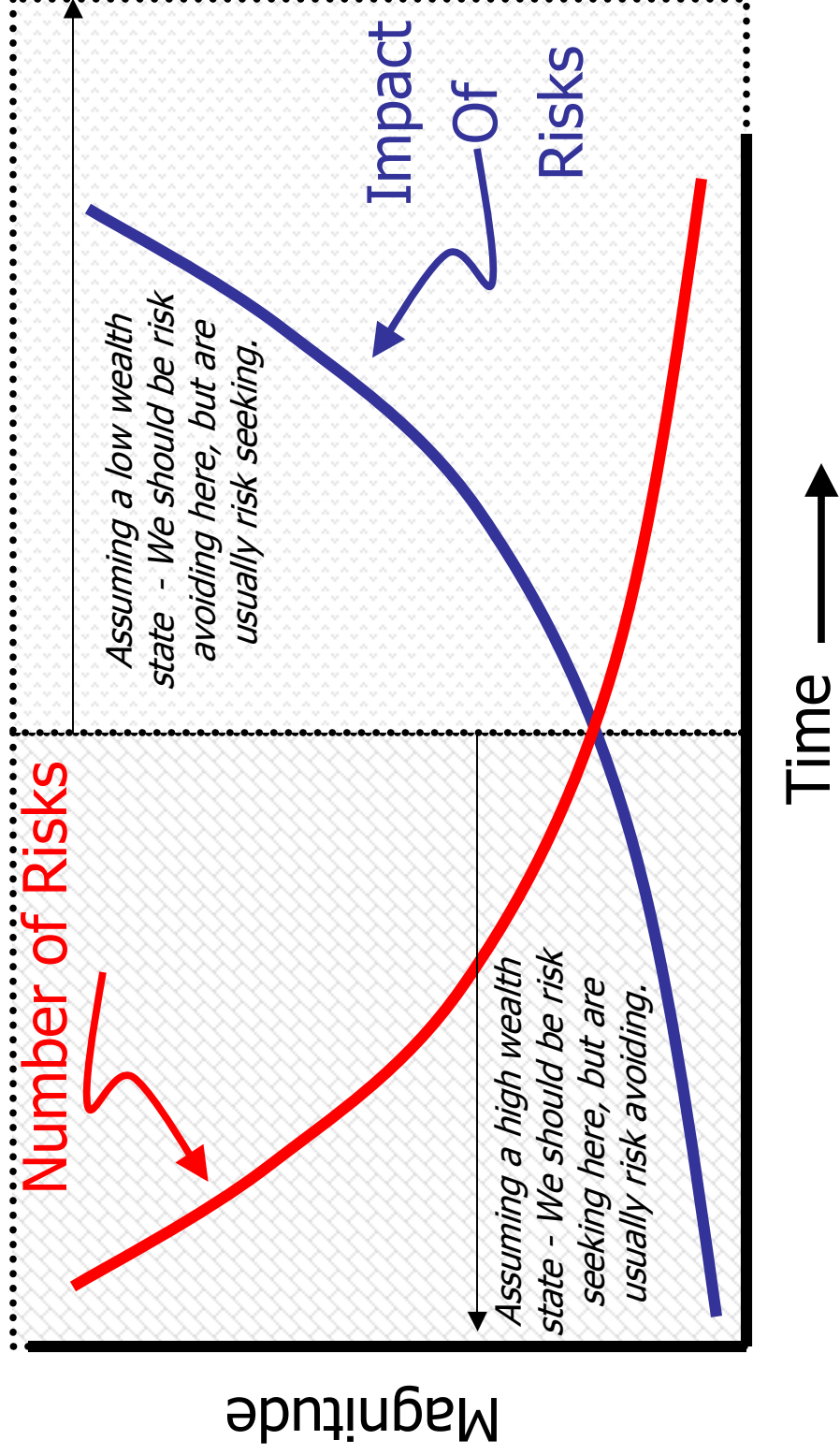


## Risk Seeking

- The risk seeker is willing to pay a premium to accept risk. Most successful companies are risk seeking.



# Risk Attitudes and the Project Lifecycle



## Summary

- Great Project Managers take action based on their probabilistic assessments and knowledge of human behavior.
- It doesn't have to be sophisticated or precise for the majority of project management circumstances.

## QUESTIONS?