

Defining Professionalism

INTRODUCING THE RISK MANAGEMENT PROFESSIONALISM MANIFESTO

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INTRODUCTION

Professionalism in Risk Management

Clearly professionalism is "A Good Thing", but it is not always clear what it entails or how it can be measured. This is particularly true for risk management, which involves the inherently uncertain future. A risk management professional is required to provide advice to clients on concerns that may or may not become reality. As a result it is very difficult to determine the quality or effectiveness of the service offered by a risk management professional. If a risk is identified and the professional suggests a course of action to deal with the risk, the fact that it does not occur might be due to good luck or chance, or it might be due to the effectiveness of the recommended action. This means that whether or not specific risks occur cannot be used as a determinant of risk management professionalism. Other criteria must be used.

This **Risk Management Professionalism Manifesto** captures the characteristics of a professional relationship between a risk management practitioner and the client or sponsor. It provides ten criteria against which the relationship can be tested to determine whether it can be described as "professional" or not. This can be used by risk management practitioners to support and promote the service they offer clients, and it can also be used by clients to ensure that they are being treated professionally by those offering risk management services.



What does it cover?

The Manifesto criteria cover ten areas which must be properly defined and agreed in order for the relationship between a risk management practitioner and the client to be described as professional. The ten areas are:

- 1. Scope*
- 2. Context*
- 3. Competence*
- 4. Processes & tools*
- 5. Quality of advice*
- 6. Language*
- 7. Recommendations*
- 8. Conflict of interests*
- 9. Inappropriate application*
- 10. Objectives*

Who is it for?

Risk management is a very broad discipline, permeating a wide range of sectors. The Manifesto is intended to apply to all types of risk management professional, and it can be used to define any risk management engagement where a professional works for a client.

The Manifesto has been presented to members of the global risk management community through a range of professional bodies, and has received largely enthusiastic and positive feedback. It is now offered for general use in the hope that it will promote increased professionalism and more effective risk management.

Feedback and learning

PMProfessional invites comments from both professionals and clients who have used it to define and manage their relationship. We are interested in case studies where the Manifesto has worked well, and in those where the need for improvements have been identified. The search for professionalism requires ongoing commitment, and we are all embarked on the journey together. Please direct your comments to David Hillson (details below).

Acknowledgements

The ten criteria of the Manifesto were developed by David Hillson of PMProfessional Solutions in collaboration with Aidan Ward of Antelopes and Martin Thomas of 4D Consulting. They can be contacted as follows :

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THE RISK MANAGEMENT PROFESSIONALISM MANIFESTO

Motivation and Objective

Professionals occupy a position of authority with their clients, employers and sponsors and with the public. This is based on the qualities of credibility and trust which require a clear relationship and understanding between the professional and the client, where the scope and responsibilities of all parties are agreed and accepted. All professions share a set of characteristics defining the relationship between the client and professionals. This Manifesto provides a leadership statement defining demonstrable characteristics and competencies specially associated with a professional approach to risk management. Practitioners, clients and sponsors can use it to distinguish professional from unprofessional practice. This Manifesto is not however intended to define the limits of legal or contractual liability, or to detail remedies in cases where the client is not satisfied with the relationship.

Principles

1. Scope

The scope of a risk management intervention is the responsibility of the client (or sponsor). However the risk management professional is responsible for providing advice regarding the likely effectiveness of the proposed scope of work. Risk management professionals must inform the client if they believe that the chosen scope will be ineffective in achieving the intended outcomes, regardless of the client's possible reaction.

2. Context

Risk management professionals must be able to demonstrate understanding of the context in which they offer advice, and explain the boundaries within which their advice is given.

3. Competence

Risk management professionals must be aware of and stay within the limits of their competence. If they encounter areas outside their competence, they will notify the client. They will also call for review where there is substantive doubt about their proposed advice.

4. Processes & tools

Risk management professionals take responsibility for the appropriateness and effectiveness of the processes and tools used by themselves or recommended to the client.

5. Quality of advice

Risk management professionals take responsibility for the quality of their advice. The client must be informed of any limitations in the processes or tools used, together with possible consequences for the quality or reliability of advice offered.

6. Language

Risk management advice is likely to be ineffective if expressed in a language or framework foreign to its recipients, such as offering engineering risk advice to business managers. Risk management professionals will frame advice in the language and framework understood by its recipients.

7. Recommendations

Risk management professionals must ensure that recommendations are feasible, achievable and justifiable within the context of the client's constraints, and that they are communicated in an appropriate and timely manner.

8. Conflict of interests

All advice and recommendations given by risk management professionals must have the explicit aim of managing risks to client objectives. Advice whose purpose is to defend or promote the interests of the professional, their business or colleagues is inappropriate. Risk management professionals will protect the client's competitive and proprietary information at all times.

9. Inappropriate application

Where a client indicates that they intend to use risk management advice or risk assessment results for ends other than the management of risk, risk management professionals will point out the consequences of such uses.

10. Objectives

The client, their organisation and stakeholders have many interlocking sets of objectives: strategic, business, project, safety, operational etc. Risk management professionals ensure that their advice relates to risks affecting those specific objectives for which they have been consulted, while taking into account the effect of risks on other objectives where they are aware of them.

HOW TO USE THE MANIFESTO

The **Risk Management Professionalism Manifesto** outlines the characteristics and competencies associated with a professional approach to risk management. It is intended for use by both sides of the professional relationship, namely risk management professionals as well as the clients, sponsors or employers who use their services. The Manifesto provides a framework or benchmark against which practice can be assessed to determine the extent to which it can be regarded as professional. It is intended to provoke discussion between the various parties on the key points of a professional relationship, and to ensure common understanding and expectations. It can be used either for engagements where the professional is an external consultant, or for in-house engagements where the service is provided from within the client organisation.

This guideline indicates how either a professional or a client might use the Manifesto to define and manage their relationship. Step 1 is different for the two parties, but the process is common from step 2 onwards.

Step 1 – For the professional:

The professional should present the Manifesto to a potential client prior to undertaking an engagement, and inform the client that the items outlined in the Manifesto describe the characteristics and competencies to which the professional intends to adhere during the engagement. This might be particularly useful when a professional is tendering competitively for an engagement, to describe the type of relationship envisaged by the professional.

Step 1 – For the client:

The client should issue an Invitation To Tender (ITT) or Request For Proposal (RFP) which defines the requirement for the engagement. This should inform potential bidders that the client expects work to be conducted in line with the items outlined in the Manifesto, and request bidders to confirm their understanding of these terms and commitment to their implementation should they be awarded the work. An informal equivalent to the ITT/RFP could be used where risk management support is to be provided by an internal professional.

The client and professional should ensure a common understanding of the purpose, scope and objectives of the project or business area to which the risk management exercise applies.

Step 2:

The client and the professional should work through each point in the Manifesto to ensure that the implications for the engagement are clearly understood. This may be done through a structured discussion, or using a facilitated workshop. The workshop approach can be used to involve a wider group of stakeholders, exploring the boundaries of each Manifesto point, using test cases to demonstrate their applicability, and ensuring shared understanding and commitment to work within the parameters of the Manifesto.

Step 3:

Agreement on a shared understanding of the issues covered by the Manifesto should be reached prior to starting an engagement. Although the Manifesto is not intended to be a legal or contractual document, it might be helpful for both professional and client to sign a copy at the start of the engagement as a record of their agreement. Where a particular Manifesto point has been modified during the initial discussions between professional and client, this should be recorded for future reference.

Step 4:

Throughout the engagement the professional should apply the principles embodied in the Manifesto at all times. It may be necessary to draw the client's attention to this from time to time, to ensure that expectations are managed and met on both sides.

Step 5:

In cases where the relationship requires clarification during an engagement, the Manifesto should be used to resolve disputes and provide a framework for modifying the relationship to enable it to continue where possible.



SAMPLE TEST CASES

It is important for all parties in a risk management assignment to understand the ten areas covered by the Manifesto. This can be addressed by working through a set of test cases, using each to prompt discussion on the key issues underlying the appropriate Manifesto point.

A sample set of questions is offered below. These may not all apply to any particular assignment, but trying to answer them prior to commencement of a particular risk management engagement should improve the quality of understanding between the parties. Each question relates to one of the Manifesto points, and aims to test whether all parties have a common understanding.

1. Scope

If a risk is discovered which is important but clearly outside the professional's negotiated scope, what are the responsibilities of the professional and the client?

2. Context

Suppose the risk management advice given by the professional runs counter to what the client considers industry best practice. Whose business is it to resolve the discrepancy?

3. Competence

Imagine circumstances where in a particular area of risk the issues become technical and the professional has to rely on the advice of the client's engineers. At what stage should the professional ask for assistance?

4. Processes & tools

If the professional discovers that the client has a preference for a particular tool or process but thinks on this assignment that these will be misleading, what issues need to be resolved and how will they be addressed?

5. Quality of advice

Suppose that the professional is confident in the quality of a risk assessment but uncomfortable at the sensitivity of the price of a large contract to that assessment. Whose business is it to be concerned at that sensitivity?

6. Language

In the case where the professional has agreed risk management actions with the client's staff but these have been poorly implemented leading to problems, where is the limit of the professional's responsibility for communicating these actions?

7. Recommendations

Suppose that the level of resources available to manage risks is insufficient in the professional's estimation to safeguard third party interests. How would the professional resolve ethical issues with the situation?

8. Conflict of interests

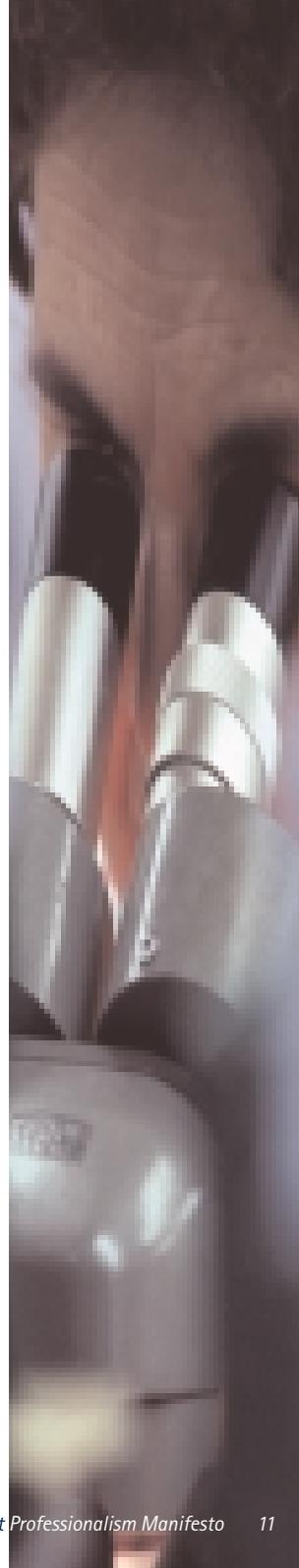
A professional wishes to warn a colleague about a certain class of risk uncovered during the assignment because the colleague is working in a similar area on an unrelated assignment. Does the professional need to ask the client's permission?

9. Inappropriate application

Suppose the client is using contractual means to transfer risks to a supplier that would be managed more effectively by the client than by the supplier. What action is it appropriate for the professional to take?

10. Objectives

Imagine that the client has concealed the implications of a project from a professional because of the sensitivity of the business agenda. When the professional discovers risks that affect that business agenda as he understands it, what is the appropriate action?





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