

Risk Management Requires Change Management: Rebuilding Foresight on a Distressed Project ^{1, 2}

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Abstract

This paper examines the relationship between project risk management and behavioral change management in achieving successful project outcomes. It evaluates established literature, professional standards, and practitioner research to determine how leadership behaviors, communication, stakeholder engagement, and organizational readiness influence the identification, mitigation, and control of project risks. The paper also explores whether traditional risk processes remain sufficient when project teams are overwhelmed by real-time firefighting, resource shortages, fatigue, and firmly embedded, reactive work patterns.

Using an anonymized case study of a large capital construction project, the paper describes the arrival of a senior project risk manager into an environment where the formal risk management procedure had largely ceased to function, staff turnover had eroded institutional memory, morale was low, and teams were consumed by immediate issues rather than emerging threats and opportunities. The paper argues that effective risk management in distressed projects requires not merely better tools, but behavioral transformation. By integrating technical risk frameworks with change-management principles, leaders can help exhausted teams move from reaction to anticipation, improving schedule recovery, cost control, stakeholder confidence, and long-term project performance.

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Introduction

While project risk management literature is extensive, less attention has been given to how distressed project cultures prevent otherwise sound risk processes from functioning. For the purposes of this paper, a distressed project is one experiencing material schedule delay, cost overrun, leadership strain, and degraded organizational confidence. Project organizations frequently maintain formal risk management procedures while simultaneously losing the behaviors required to make those procedures effective. Registers become outdated, meetings focus on immediate issues, and risks are discussed only after they have become *realized*. In such environments, the language of risk remains, but the discipline itself has eroded.

This paper aims to examine the relationship between project risk management and behavioral change management in achieving successful project outcomes. It evaluates recent literature, professional standards, and practitioner research to determine how leadership behaviors, communication, stakeholder engagement, and organizational readiness influence the identification, mitigation, and control of project risks.

The paper also explores whether traditional risk processes remain sufficient when project teams are overwhelmed by real-time firefighting, resource shortages, fatigue, reactive work patterns, and staff attrition. By integrating technical risk frameworks with evidence-based change-management principles, this paper seeks to identify practical, reproducible methods for helping stressed teams shift from issue response to proactive risk ownership. In doing so, it offers guidance on how to improve schedule recovery, cost control, team effectiveness, stakeholder confidence, and the long-term sustainability of project outcomes.

The central proposition advanced here is that project risk management often fails not because the methodology is wrong, but because the human system has become distressed.

Please note that organizational names and identifying details have been omitted for confidentiality.

Literature Review

Risk Management as a Technical Discipline

The Project Management Institute defines project risk as an uncertain event or condition that, if it occurs, can have a positive or negative effect on project objectives. Standard practice

emphasizes identifying risks, analyzing probability and impact, assigning ownership, planning responses, and monitoring exposure over time. These methods are necessary because they create structure, accountability, and comparability across decisions.

However, technical rigor alone is insufficient. A risk matrix cannot compensate for low morale, or exhausted teams with no available time horizon beyond the next week.

Kotter and Change Leadership

John P. Kotter (1996) argued that transformation efforts frequently fail because leaders underestimate the difficulty of changing behavior and culture. His eight-step framework begins with establishing urgency, building a guiding coalition, creating vision, communicating broadly, enabling action, generating short-term wins, sustaining acceleration, and anchoring new approaches in culture.

These principles translate directly to distressed project environments. Teams may already feel pressure yet still remain trapped in reactive routines. Urgency exists, but it is misdirected toward daily crises rather than systemic improvement. That is, they are doing their absolute best just to keep the project moving forward and – metaphorically – keeping their heads above water.

See–Feel–Change

In *The Heart of Change*, Kotter and Cohen (2002) wrote, “People change what they do less because they are given *analysis* that shifts their *thinking* than because they are shown a *truth* that influences their *feelings*” (p. 1). This insight is highly relevant to project risk management. Teams rarely adopt disciplined foresight because they receive another procedure manual. They adopt it when they believe it will reduce pain, create control, and improve outcomes.

Continuous Improvement and Process Ownership

Total Improvement Management (H. James Harrington with James S. Harrington, 1995, p. 5) emphasized that improvement must be systematic, measurable, and owned by the people doing the work. Sustainable performance depends on clear processes, accountability, and continuous learning. Risk management systems are no exception.

Case Background: A Distressed Project

The case examined involved a major building project valued at over \$500 million. By the time of intervention, the project was significantly over budget and years behind schedule. Few personnel remained from the initiation or planning phases. Staff attrition had eroded continuity, and many team members were managing inherited work packages without historical context.

The formal risk management procedure still existed nominally, but it had not been meaningfully practiced for years. Registers were incomplete or outdated. Meetings focused on immediate shortages, contractor performance issues, task deconfliction, and schedule recovery actions.

The project teams consisted of capable professionals. In fact, a high proportion of positions were filled by PMPs in good standing. Their challenge was not competence. It was immersion in a distressed operating system.

Compounding these conditions, the project owner had also experienced staff attrition, contributing to adversarial conduct in meetings and reducing collaboration. Research suggests such environments discourage transparency and delay the communication of bad news (Edmondson, 1999; Blanding, 2023).

Diagnosis: Why Traditional Risk Processes Failed

The project did not primarily suffer from a lack of templates or methodology. It suffered from conditions that prevented methodology from functioning.

First, teams were consumed by real-time firefighting. Immediate issues crowded out future thinking. The paradox was clear: the busier the project became, the less time existed for risk analysis precisely when it was most needed.

Second, morale had declined. Repeated setbacks can create learned helplessness in otherwise capable professionals.

Third, risk management had become associated with paperwork rather than practical help. When a process is perceived as administrative overhead, adoption declines sharply under pressure (Davis, 1989; Kotter, 1996).

Fourth, leadership behaviors influenced candor. In punitive climates, people hide uncertainty rather than escalate it early.

The contribution of this paper is not merely theoretical application, but a field-tested method for reintroducing risk discipline under hostile operating conditions.

Intervention Strategy

Starting With People, Not Paperwork

Attempting to impose a sophisticated risk framework immediately would likely have failed. The initial strategy therefore focused on listening, relationship building, and credibility.

Short practical discussions were held with project managers, engineers, planners, and construction leaders. Some were formal meetings; many were one-to-one conversations. The purpose was to understand operational pain points and identify where uncertainty was already damaging performance.

Reframing Risk as Workload Reduction

Risk management was presented not as governance bureaucracy, but as a method to reduce surprises, emergency meetings, rushed decisions, and avoidable rework. This aligned with Kotter and Cohen's emphasis on emotional commitment.

Building a Guiding Coalition

Possible advocates were identified: respected managers and subject matter experts who were pragmatic and solution-oriented became early adopters. Their support proved more persuasive than top-down instruction.

Being Culturally Aware

It was immediately obvious that staff were unwilling to speak over a conference call or video call. Even when staff were assured that no recordings were being made of Microsoft Teams meetings or similar, they were unwilling to speak candidly in case "Management (was) listening." More than one participant referred humorously to a common workplace perception that those who identify problems are often tasked with resolving them. Hence, all meetings, whether one-to-one or in a team environment, were conducted in person. It was clear that face-to-face discussions reduced surveillance anxiety, improved rapport, and increased candor.

In addition, the person who identified a risk would not have their name recorded in the Risk Register. This position was consistently defended when the question was asked, "Who submitted

that risk?” Ultimately, keeping this level of detail confidential aided the adoption of a credible, functional risk management methodology and risk register. Indeed, protecting the identity of those who raised risks increased reporting rates and reduced fear of ownership stigma. Although anonymity may reduce accountability in some settings, in this specific distressed environment it functioned as a transitional trust-building measure.

Co-Designing a New Process

A new Risk Assessment Plan and supporting procedure were developed collaboratively with project teams. This increased practicality and ownership. The redesigned process emphasized:

- simplicity
- concise risk statements
- clear cause-event-effect logic
- realistic scoring scales
- named owners
- mitigation due dates
- escalation thresholds
- regular review cadence

	THREAT					OPPORTUNITY					
Probability	5										5
	4										4
	3										3
	2										2
	1										1
		1	2	3	4	5	5	4	3	2	1
	Negative Impact					Positive Impact					

Figure 1: Threat/Opportunity Scoring Matrix

An example of simplicity was the adoption of the threat/opportunity scoring matrix shown in Figure 1. Across the PM industry, many such matrices have 10 by 10 boxes, or they have letters in the Y Axes. It is also common for the colors - representing low, medium and high scores – to make skewed shapes.

In consultation with the teams, it was decided to make the scoring matrices obliquely symmetrical. For example, $3 \times 2 = 2 \times 3 = \text{Green}$. Also, most people are familiar with the five-star satisfaction framework used by, say, Google and retail companies. That is, one to five stars. Hence, the scoring system *felt* familiar to the teams.

By keeping the scoring system simple, the teams found the system credible rather than “just another paperwork exercise.”

Creating Early Wins

Kotter (1996) emphasized the value of short-term wins. In this case, early examples of prevented disruption and improved planning were highlighted to demonstrate value. Over time, the individual project teams and their respective project managers cross-consulted more and more, and shared successes.

Results

Change was gradual rather than dramatic. However, observable improvements emerged.

Senior management bought into and heavily supported the initiative.

New staff at the sponsor company began trying to support and partner with the project management teams, including in supporting the new risk management system.

Participation in risk discussions increased. Team members began bringing forward items voluntarily rather than attending passively. Risks that previously would have surfaced only as urgent issues were identified earlier, creating time to drill down and gather more information, to develop a mitigation or other plan, and to reduce the threat - or to increase the probability of exploiting an opportunity.

Assessments became more credible because they incorporated operational expertise. Communication with stakeholders improved because discussions increasingly focused on options and exposure rather than blame and shame.

Most importantly, language changed. Team members began to say:

- “Let’s capture that as a risk.”
- “We need mitigation before this becomes an issue.”
- “Who is going to own this action?”

Changes in vocabulary may indicate emerging cultural change.

Discussion

Several lessons emerge from this case.

First, competent people can still underperform in broken systems. Leaders should distinguish individual capability from systemic dysfunction.

Second, exhausted teams need relief before discipline. Showing how process reduces pain is key.

Third, risk culture matters more than risk software. Tools are useful only when people trust the process and act consistently.

Fourth, sponsor behavior shapes transparency. Constructive inquiry encourages early disclosure; hostility suppresses it.

Fifth, co-designed systems outperform imposed systems because participation creates ownership.

Conclusion

This case demonstrates that project risk management can fail even in organizations staffed by intelligent, hardworking professionals. The decisive variables were staff turnover, fatigue, reactive routines, strained stakeholder relationships, and loss of institutional discipline.

Traditional procedures were insufficient because the surrounding culture could not support them. Future research could compare distressed projects that restore risk systems through behavioral interventions versus purely procedural reforms.

Recovery began when risk management was repositioned as practical help rather than paperwork. Through listening, coaching, collaborative redesign, simplified tools, and repeated early wins, teams gradually moved from issue response toward anticipatory management.

Kotter (1996) argued that lasting change must be anchored in culture. That principle applies equally to project risk management. Sustainable foresight emerges when teams habitually think ahead, speak candidly, and act early.

The project did not primarily have a risk methodology problem; it had a behavioral operating system problem.

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About the Author



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A popular speaker at the Symposium, **Neil Farquharson** brings interactive discussion and humor to all his presentations. He is an active speaker and advisor within the project management community, with a strong commitment to professional and civic service.

A PMP-certified Project Manager with more than 20 years of experience leading complex projects across technology, construction and manufacturing environments, Mr. Farquharson now specializes in leading risk management initiatives.

Neil holds degrees from the University of Glasgow, Scotland and the School of Management at the University of Texas at Dallas.

His career spans industries in both the United States and the United Kingdom, including turnaround leadership that restored profitability, reduced safety incidents and accelerated delivery performance.

A former British Army officer, Neil brings a calm, structured approach to leadership under pressure and excels at communicating clearly across organizational hierarchies—from field teams to executive leadership.

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