



Red Is Good

An Early-Warning Approach to Risk Mitigation



Research and experience from ODR®

In most organizations, the unstated message is clear: green is good; red is bad. Change sponsors—those who can legitimize the changes within the organization—want their initiatives to be free of risk. Project managers comply by reporting everything as green, even when it is not. Meanwhile, project teams scramble to find a resolution to the problems inherent in any large-scale change. Sometimes they are successful, sometimes not.

Significant risk that cannot be mitigated is brought to the sponsor's attention—eventually. When this happens, it is typically a “big surprise” to the sponsor. By now, the available time for resolution is much shorter, and the original risk is a major problem, or worse. The options for resolving the problem are fewer than when it was first identified. Mitigation—if possible—is much costlier. The change—along with the credibility of its sponsors and agents—suffers significantly.

The *Red Is Good* Approach to Risk

Those who take the approach that *red is good* know that risk is a natural part of managing change. They recognize that there will be numerous risks over the lifecycle of a change, many of which will be inconsequential. Some, however, will potentially undermine the initiative. Here are three examples:

- People may not understand what the change is expected to deliver (its intent).
- There may not be adequate sponsorship in parts of the organization to support it.
- The change may require a focus on realization that is not reflected in the project plan.

When a *red is good* approach is used, two critical components of culture can be put into place.

- Risks to realization are identified and surfaced early.
- Whether they mitigate the risk or leave it unaddressed, sponsors act deliberately to address any risk brought to their attention.

Red is good often requires a radical change in mindset and behavior. This shift cannot occur without sponsorship. Successful sponsorship of a *red is good* culture requires the following.

- Change agents recognize their role is not to keep the project green. Instead, it is to elevate risks and issues as quickly and meaningfully as possible. The only “failure” is failure to raise the red alert in a timely manner.
- Agents receive positive acknowledgement when they provide timely, accurate information—including early warning of red risks and effective mitigation recommendations.
- Chronically green major change projects are challenged.
- Agents focus the necessary attention on red, recognizing attention now saves problems later.
- Sponsors expect “no surprises.”

A *red is good* culture is not an audit culture. Audit cultures rely primarily on third party reviews for the discovery of risk. In a *red is good* culture, sponsors expect agents to highlight their own risks, and reward them for doing so. They also expect truthfulness in project status reporting. There is a relationship of trust, from the initiating sponsor down.

In a *green is good* culture, green serves as camouflage. Risks—until they become major problems—are green. Issues that can be seen on the horizon are green. Things that are going good are green. Strengths are green.

Green Is Not Bad

In a *red is good* culture, the integrity of reporting allows the needed focus to be put on risk. It provides guidance in how to address the risks that exist. Green takes on a new meaning. It no longer serves to hide problems. Instead, it highlights progress. It identifies assets (e.g., strong sponsorship, clear intent) already in place. In doing so, it strengthens the foundation for moving the change forward and addressing the risks that do exist.

Red, Yellow, and Green

The following table provides guidance in the use of red, yellow, and green status levels in a *red is good* culture.

Risk Level	Definitions
Red	Unacceptable risk to realization <ul style="list-style-type: none"> There is a threat to realization for which no mitigation plan exists, or There is a threat to realization, and the existing plan will not adequately mitigate the risk, or There is a threat to realization, and an adequate mitigation plan, but there is not adequate sponsorship to successfully execute the plan
Yellow	Caution <ul style="list-style-type: none"> There is a threat to realization for which mitigation is in process and is adequately sponsored; progress is being made, but some level of threat remains, or There is reason for concern or question, but not a clear threat to realization; monitoring and/or further investigation is required.
Green	No risk, or acceptable risk, to realization <ul style="list-style-type: none"> All indicators meet what is required for realization, and The plans in place going forward are sufficient to meet realization, and The level of sponsorship required to execute the plans successfully is being provided.

It is also important to apply a standard set of criteria when making a change in the assessment of risk from one level to another, as in the example below.

From	To	Change in Risk Level
Red	Yellow	<ul style="list-style-type: none"> Movement requires a plan that is adequate to mitigate the risk, adequate sponsorship to execute the plan successfully, and measurable progress in risk mitigation.
Yellow	Red	<ul style="list-style-type: none"> A previously identified question or concern has been determined to be a clear threat to realization.
	Green	<ul style="list-style-type: none"> A previously identified question or concern has been determined to not be a threat to realization, or A risk mitigation plan has been successfully completed, and the identified threat to realization no longer exists.
Green	Red	<ul style="list-style-type: none"> Based on an assessment of risk, confidence is low that realization will be achieved.

***Red Is Good* Risk Tracking and Reporting**

In most organizations, *red is good* risk tracking and reporting is, in itself, a major change. This is not something that change agents can implement by themselves; it requires strong sponsorship. Once in place, it requires clear and explicit agreement between agents and sponsors as to how it will be sustained. Otherwise, it is too easy to slip back into a *green is good* style of reporting.

There are almost as many processes for tracking and reporting risk as there are approaches to change. In some cases, the existing process for tracking and reporting risk can be modified to a *red is good* process. In other cases, it will need to be completely replaced. Whatever the method, every successful *red is good* risk tracking and reporting process produces the following outcomes.

- Agents bring valuable information to sponsors; they identify and surface risks, and provide sponsors with the meaningful information needed to make informed decisions.
- Sponsors have a high level of confidence in the information provided to them to inform their decision-making.
- Meaningful conversation takes place on a regularly scheduled basis between sponsors and agents.
- Sponsors are aware of and understand risks to realization; they act on those risks even if it means making a conscious decision not to mitigate the risk.
- Sponsors proactively reach out to agents with questions, concerns, and issues.