

## Managing Risk - The Often Overlooked Best Practice

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Managing risk is a constant balancing act for successful businesses. Business decisions are often constrained by cash flow, credit availability and amount of risk so trade-offs must be made. IT risk is just one piece of information that enters into the decision process. IT needs to be able to clearly articulate risk-related information to the business so more informed decisions can be made. In many cases this work will involve the use of capacity management processes that perform sensitivity analyses on IT services and systems.

IT services process and record business transactions and supporting documentation, but that work is of little value if the business is constrained in other areas. For example, IT may be capable of processing a gazillion on-line transactions but if the supply chain can't deliver the materials or the fulfillment department can't ship them in a timely fashion, IT's work could actually be hurting the business by creating large numbers of unsatisfied customers. When trying to address the problems, sufficient cash or credit may not be available if computer system upgrades are needed at the same time as a call center or operations center expansion. Business executives have to balance the costs of increasing business volumes versus the inherent risks of not being able to deliver quality products and services. Therefore it is critical for your executives to have concise, easily understood information so they can make the hard decisions – decisions that provide the least risk and best opportunities for the future.

Risk management processes within IT are usually performed by the capacity management team and are more involved than just creating static numbers for annual plans. Business volumes are dynamic so risk management must be an ongoing process. For example, the capacity management team of one large Telecom organization produces automated weekly usage reports aligned with business applications. These reports help detect week-over-week changes in usage patterns. If anomalies from the plan are detected, potential impacts are quickly assessed and corrective actions identified. Costs to mitigate the risks are assembled so management can balance the costs versus the risk and, if necessary, approve a course of action.

Besides changes in usage patterns, risks can exist within IT applications and services. When assessing risks, it is important for capacity managers to understand how applications are constructed and operate. Often applications and services have hidden constraints, such as only operating on a single processor or being restricted to certain storage devices. For example, if an application is single-threaded, adding more processors will not solve a high CPU usage problem, and buying a faster processor may not be viable. Therefore a rewrite of the application may be the most effective risk mitigation solution.

IT Risk management work is no different than what the call center manager or director of operations is doing in other areas of your business. By providing clearly understood risk information like your peers, you become known as a partner, working together for the organization's success.