



RISK DOCTOR BRIEFING



THE EXPANDING RISK MANAGEMENT UNIVERSE

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Like the physical universe, **the risk management universe is expanding**. This is true in two distinct ways, with **enhanced depth of analysis** and **increased breadth of application**. We might describe these as the **micro** perspective (looking very closely at the nature of the risks we face), and the **macro** perspective (looking at the bigger picture to see if we are missing anything). In addition to these, we need to think about how to manage the risks that we currently cannot see.

- First is the **micro** perspective, where new advances in risk analysis are providing improved insights into the nature of risk, and developing new approaches for the effective management of risk and its impacts. Risk practitioners are committed to their profession, and it is not static. The high rate of publication of research papers and case studies and the release of new techniques and support tools provide evidence of a dynamic and developing discipline. Risk management has not settled but is continuing to develop and break new ground.
- Progress is also being made on the **macro** level, with discovery of new dimensions to the risk management universe. The use of a structured approach to understanding and managing significant uncertainty is proving valuable in hitherto unexpected areas. Several fields are adopting “risk-based” approaches, including auditing, remuneration, social policy, communication etc. It may only be a matter of time before these novel applications become full disciplines in their own right, adding new dimensions to the risk management universe.
- Finally we should consider the risks that are currently invisible to us. Astronomers have realised that there is more to the physical universe than meets the eye or than can be detected using current instrumentation technology. Many have suggested the existence of “**dark matter**” to make their equations add up. This mysterious substance evades detection but its presence can be deduced from its effects. In the same way, the ever-present “unknown unknowns” pervade the risk management universe, with hidden risk making its effects known while remaining undetected. In the same way that astronomers and physicists are committed to exposing the nature of dark matter so that it can be understood, so risk practitioners should be relentless in their pursuit of hitherto undiscovered risk. Our understanding of the risk management universe will remain incomplete for as long as we passively accept the existence of unknown unknowns. And since understanding is an essential prerequisite for effective action, risk management can never be fully effective unless and until this final barrier is broken.

One final thought in this regard is to remember that some astronomers believe that ours is not the only universe, and it may exist alongside a number of other parallel universes, some of which may be strange and exotic with many dimensions currently unknown to us (and possibly unimaginable by us). In the same way, it is clear that the risk management universe is not the only one in existence. There are many others which exist in parallel to ours, each with their own set of laws and dimensions, some of which may appear very strange to us in the risk universe. We should keep an open mind about how these various universes might interact, and we must be alert to opportunities to learn from others outside our own field of experience. Indeed we would be wise to proactively seek “close encounters” since it is clear that “we are not alone”.