

# Happy Risky New Year!

By David Hillson



will deliver more value than relying on luck or good fortune, and will maximise the chances of hitting targets and achieving objectives. It also demonstrates a more professional approach to colleagues, clients and competitors, who will recognise the value of dealing proactively with all types of uncertainty.

Including opportunity within the definition of risk is not a theoretical or academic exercise driven by a misplaced desire for symmetry. It is a natural consequence of recognising that businesses, projects and people are affected by uncertainty, some of which might be helpful if it were managed proactively. Opportunities are important and need to be captured where possible, and the risk process offers a structured way of dealing with them. Doing so delivers genuine practical benefits to the bottom line in terms of increased efficiency and higher success rates. The real reason for including opportunity within 'risk' is because it works!

So, as we enter this risky new year, we shouldn't be intimidated or threatened by the level of uncertainty ahead. To be sure, some of the risks we face in 2009 pose a threat to us, at a range of levels including personal, professional and societal. But there will also be opportunities ahead for those with the eyes to see them, and some of those can be turned into unexpected benefits if we know how to manage upside risk proactively and effectively. Let's be sure to include opportunity in our view of risk, and let's aim to maximise our upside in the new year to come. Then we might truly have a Happy New Year!

## About the author

Dr David Hillson, PMP, HonFAPM, FIRM, is an international risk management consultant, and Director of Risk Doctor & Partners ([www.risk-doctor.com](http://www.risk-doctor.com)). He is a popular conference speaker and award-winning author on risk. He is recognised internationally as a leading thinker and practitioner in the risk field, and has made several innovative contributions to improving risk management. David is an active member of the global Project Management Institute (PMI) and received the PMI Distinguished Contribution Award for his work in developing risk management over many years. He is also a Fellow of the UK Association for Project Management (APM) and a Fellow of the UK Institute of Risk Management (IRM).



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**A**s we enter yet another new year, it seems that the level of uncertainty facing us is even greater than usual. There is no doubt that the future is full of risk, however you look at it. But is that necessarily a bad thing, or is there another perspective? Should we be worried that the future is risky? Fortunately there is another way of looking at the uncertain future which gives us reason to hope.

Most current risk management standards and guidelines use broad definitions of 'risk' which encompass both threat and opportunity. For example the Project Management Institute (PMI) defines project risk as 'an uncertain event or condition that if it occurs has a positive or negative effect on project objectives'. Similar definitions exist widely elsewhere outside the arena of projects, covering other types of risk. However, many people still find it difficult to understand why this position has been adopted. And without understanding the reasons for including management of opportunities within the risk process, there is natural resistance to putting it into practice. As a result, the risk process is not being used as widely as it could be to identify and capture opportunities.

There are three main reasons why risk should include opportunity alongside threat, and why the risk process should seek to manage both opportunities and threats proactively:

**1 Conceptual.** Risk can be viewed as a source of potential variability in performance or outcomes since, if risks were to occur, they would affect our ability to achieve our goals. Variability is a two-sided construct, since most variables can go both up and down. For example, if there is uncertainty about the productivity rate of a team, it could be higher than planned or lower. Weather might be better or worse than expected. System integration might find more or less bugs than usual. This double-sided nature of variability is captured in definitions of risk that include both upside and downside consequences. More generally, risk has been described as 'uncertainty that matters', ie, a possible future event that would be significant if it occurred. This clearly includes threats, which might occur and which would cause

problems if they did. But an opportunity is also uncertain since it is a possible future event, and it matters because it would be helpful if it occurred. So, both threats and opportunities are covered by the same description of risk as 'uncertainty that matters'. In the same way, luck can be either good or bad, and unplanned or unexpected events and circumstances can work against us (threats) or for us (opportunities).

**2 Practical.** Threats and opportunities are important, and they both need to be managed. Dealing with them together in an integrated risk process brings synergies and efficiencies. Most organizations have a process for dealing with downside risks, and simply extending this process to include upside risks will deliver additional benefits for little extra cost or effort. Opportunities can be found by using standard risk-identification techniques, for example, workshops, assumptions testing, SWOT analysis or root-cause analysis. They can be prioritised in the same way as threats, by assessing probability and impact, or using other relevant attributes such as proximity or manageability. Opportunity response strategies mirror those used for threats. Reporting formats such as risk registers can be simply adapted to include both opportunities and threats. It is easy to implement a combined risk process to manage both threats and opportunities alongside each other.

**3 Beneficial.** A structured approach to identifying and capturing opportunities is good for business and for projects. It gives people a structured framework to find and implement ways of working 'faster, smarter, cheaper'. It also identifies achievable means of saving time or money and enhancing productivity. This supports innovation and creativity, and is highly motivating for teams who want to maximise the value they deliver. A broader, inclusive, risk process means that opportunities will be sought proactively, and some of these will be identified and captured which might otherwise have been missed. This

