

The two faces of risk management

by David Hillson

What ever happened to 2009 and the Noughties?! Another year has rushed past at breakneck speed and here we are heading towards the start of a new decade. In fact there will be no more Noughties for another 90 years.

The end of one year and the start of another is traditionally a time for review, looking back at the past twelve months and looking forward to the next. This is reflected in the name of the first month of the year. January is named after Janus, the two-faced Roman god of doorways, who looked both back at the way he had come and forward at the way ahead.

In many ways Janus would be a good patron for risk management, as it also needs to be looking in two directions at the same time.

Risk management is of course about looking forwards, scanning the uncertain and unclear future in an attempt to discern what awaits us. It offers businesses, projects and individuals a 'forward-looking radar', identifying threats to be avoided and opportunities, which might be captured.

Even though the precise details of such uncertainties may remain unclear, the 'risk radar' can make us aware of their location and size, helping us to formulate appropriate action plans in advance.

But what about the other direction – the 'rear-view mirror'? Does the past have any relevance to risk management?

Strictly speaking there is no risk in the past, since it has already occurred (although we may remain uncertain about what actually happened and what it means!). Jorge Santayana said: 'Those who cannot remember the past are condemned to repeat it.' So we must review the past in order to learn for the future. For risk management this means addressing the following questions :

- What types of risk can be identified in my project or business? Are there any generic risks that might affect similar projects?
- Which identified risks have actually occurred, and why? This includes problems that could have been foreseen as threats, and missed opportunities that could have been captured.
- What preventative actions could have been taken to minimise or avoid threats? What proactive actions could have been taken to maximise or exploit opportunities?
- Which identified risks did not occur, and why? Which responses were effective in managing risks, and which were ineffective?
- How much effort was spent on the risk process, both to execute the process, and to implement responses?
- Can any specific benefits be attributed to the risk process, e.g. reduced project duration or cost, increased business benefits or client satisfaction etc?

The results from this type of lessons-learned exercise can be used to update risk identification tools such as checklists, to incorporate preventative risk response strategies into future projects, and to improve the effectiveness of risk management. It might also be possible to estimate return on investment (ROI) for the risk process, by comparing specifically attributable benefits with process costs.

If we do not learn lessons from our past, we will repeat it. People



often say 'This risk always affects us, and it usually happens!' The first time I heard someone say that, I reacted instinctively and told them that I considered it very unprofessional for them to allow the same risk to keep happening. My view is summed up in this Risk Doctor proverb:

'If a risk happens once, that's understandable;

If the same risk happens twice, that's unlucky;

If the same risk happens three times, that's unacceptable.'

Of course it is in the nature of risk to be uncertain, and sometimes risks occur even to the best risk manager. So we can

understand it if a risk may occasionally occur, despite implementation of a full range of risk management efforts. And if the same risk should happen a second time in the same circumstances, then that might just be a result of bad luck and not necessarily due to bad management. But if a risk occurs a third time then something is wrong. Perhaps there is a systemic weakness that exposes the organisation or project to the same risk repeatedly. Or maybe the individuals and team have a blind spot where they consistently fail to see a particular risk. Or a routine procedure or process may be flawed and produce the same risk every time it is executed.

This saying applies particularly to negative risks (threats), where it is a bad thing if they happen. However the same idea is also true for positive risks or opportunities, where it is understandable if a single specific opportunity is missed, but we should not allow that to be repeated. In this case the phrase 'risk happens' in the Risk Doctor proverb should be replaced with 'opportunity is missed'.

So as we start working through another New Year and a new decade, we should look backwards as well as forwards. Of course we must focus on the challenges ahead and use the risk process to help us move forward safely towards our objectives. But we must also remember our past, learn the lessons from our journey to this point, and not repeat the same mistakes.

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). 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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