

# Innovative risk management

By David Hillson

I was provoked by a recent article on innovation in projects, which stated '*Risk management is the absolute antithesis of innovation.*' This challenge to risk management deserves a response!

The purpose of risk management in projects and in business is to seek out significant uncertainties and address them proactively. It is most effective when it considers both threats and opportunities, as recommended by most best-practice guidelines. Surely achieving this goal requires a great deal of innovation?

The first area where creativity is essential is in risk identification. This requires thinking the unthinkable, not being constrained by 'the Plan', but considering other options and alternatives.

It asks questions such as: 'What if? Why not? If only? How about?' Potential problems (threats) and unexpected benefits (opportunities) can be identified using a range of creative techniques, including brainstorming, assumptions-busting, root-cause analysis, visualisation, scenario analysis, or futures thinking. Indeed, it is probably not possible to identify risks without being innovative and thinking new thoughts.

But a second part of the risk process also requires fresh thinking, namely development of effective risk responses.

Einstein reputedly said: 'It is not possible to solve a problem using the same thinking that created it.' Just identifying risks is not enough and, if appropriate action is not taken, then risk exposure will remain unchanged. However, deciding what is 'appropriate' for each risk demands a degree of innovation, being prepared to consider and implement actions that were previously not thought necessary. Einstein also defined insanity as 'Doing the same thing over and over again and expecting different results', which might be rephrased as 'If you always do what you always did, you'll always get what you've always got!'

As the Chinese proverb says, 'If we don't change direction we're likely to end up where we're headed!'

However, the link between innovation and risk management is not just in the process. In fact, innovation is at the heart of the reason for doing risk management at all. If we didn't innovate there would be no risk.

Doing the same old thing with which we're fully familiar, repeating tasks we've done many times before, knowing exactly how the future will turn out – there is no risk associated with this type of activity, except perhaps the risk of dying from terminal boredom. It is only when we step outside our comfort zone into an unfamiliar place that we expose ourselves to risk. And this is the realm of projects and business, where we try to do something unique in a way that creates benefits and value for stakeholders.

It is in the very nature of projects and business to take risks, recognising that risk is related to reward. Playing it safe will never bring big returns – these are reserved for the organisations and individuals who are prepared to step outside the ordinary, change the rules of the game, and dare to be different.

This type of risk-taking demands a structured approach to managing risk – which is why risk management is inextricably linked to innovation. The companies, projects and individuals that know they need to take risk in order to innovate and be creative also recognise that they must proceed with an appropriate degree of caution. The trick is to balance the amount of attention given to risk management with the need to innovate.

It seems likely that the person who wrote '*Risk management is the absolute antithesis of innovation*' was probably reacting to an outdated caricature of risk management. If the aim of risk management is perceived as preventing variation from plan at all costs, desperately clinging to the original approach and refusing all change, then it is true that creativity and innovation will be stifled.

But modern risk management is very different. It actively embraces and welcomes change, recognising that some risks present an opportunity to improve on the original plan by working 'smarter, faster, cheaper' – there is upside as well as downside.

'Uncreative risk management' is an oxymoron which cannot exist, and risk management without innovation merely rehearses and records the inevitable. To be effective the risk process must embody innovative and creative thinking in both risk identification and response development, proactively seeking potentially significant uncertainties and addressing them appropriately. It must also support and encourage innovation in projects and businesses, allowing them to move forward and take appropriate risks safely. Anything less does not deserve to be called risk management.

## 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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