

Risk management – the long view back

by Dr David Hillson, director, Risk Doctor & Partners

The earliest records of human history and prehistory include stories of risk and its management. Historical documents, sacred writings, myths and legends – all tell tales of the human struggle against nature, the gods or the odds.

Accounts of mankind's earliest origins describe the urge to break boundaries, to go beyond current confines, and to explore the unknown. Narratives describe risk-taking individuals ranging from Abraham, revered by three of the world's great religions for his faith in leaving home and setting out to find a new country; through mythological heroes like Jason or Odysseus, who undertook epic journeys; to modern entrepreneurs and innovators who change the lives of millions through groundbreaking discoveries and inventions.

The broader sweep of human development has included risky phases as hunter-gatherers and agrarians, leading to the establishment of great civilisations like Egypt or the Mayans, to the present day.

Totally encompassing

Seen from a certain perspective, risk is everywhere. The world we inhabit is unpredictable, strange, incomprehensible, surprising, mysterious, awesome, different, other. This is true from the macro level of galaxies to the exotic nano-realm of subatomic particles, and everywhere in between. Irrefutable evidence forces people to accept the truth that we neither know nor understand everything, and we cannot control everything. Consequently, the word 'risk' has become a common and widely used part of today's vocabulary, relating to personal circumstances (health, pensions, insurance, investments, etc.), society (terrorism, economic performance, food safety, etc.), and business (corporate governance, strategy, business continuity, etc.).

It seems that mankind has an insatiable desire to confront risk and attempt to manage it. Many of the institutions of human society and culture could be viewed as frameworks constructed to address uncertainty, including politics, religion, philosophy, technology, laws, ethics and morality. Each of these tries to impose structure on the world as it is experienced, limiting variation where that is possible, and explaining residual uncertainty where control is not feasible.

Sense-making appears to be an innate human

faculty, seeking patterns in apparent randomness. People apply a variety of approaches, both overtly and subconsciously, to reach an acceptable degree of comfort in the face of uncertainty.

As a result, not only is risk everywhere, but so is risk management. Perhaps it is not too far-fetched to describe risk management as offering an integrative framework for understanding many parts of the human experience, if not all. Just as the presence of risk is recognised and accepted as inevitable and unavoidable in every field of human endeavour, so there is a matching drive to address risk as far as possible. This has led to a proliferation of areas where the phrase 'risk management' is used to describe efforts to identify, understand and respond to risk, particularly in various aspects of business.

No simple answer

There seems little doubt that risk management has been part of human activity for a very long time, and it is today a vital component of business. As a result, anyone asking the simple question 'What is risk management?' will not find a simple answer. Even the most cursory exploration reveals a huge variety of differing perspectives, all claiming to represent the best way to address risk.

In fact, risk management is not a single subject at all; it is a family of related topics. These business applications range from project and technical risk management through operational and financial risk management, up to strategic and enterprise-wide risk management. Other disciplines could also be included under the risk management umbrella, such as health and safety, business continuity, or corporate governance.

There are many common elements shared by these different types of risk management, but each has its own distinctive language, methodology, tools and techniques. They vary in scope from the broadest application to very specific areas of risk. They are at different levels of maturity, with some types of risk management being quite recent developments, while others measure their history in decades or longer. But each is important in its own way, representing part of the response of business to the uncertain environment within which it operates.

All of this leads to one final and essential question: If risk is everywhere and risk management is so important, why don't we do it for our projects? In the world of



project management we are constantly confronted with project failures. Where post-project reviews are held, causes of failure often include unforeseen-but-foreseeable risks. Threats that should have been spotted and tackled turn into unavoidable problems, and opportunities to create additional value or minimise waste and rework are missed. This continuing catalogue of failure indicates an ongoing lack of effective risk management. If we believe that our uncertain world can be managed proactively, then we need to find and address the missing critical success factors that are preventing risk management from delivering its promised benefits.

Mankind has always faced risk, from our earliest beginnings and throughout our history. Our survival and success as a species have largely resulted from our ability to understand and manage our uncertain environment, rising to each new challenge and adapting our behaviour to meet it. Perhaps we need to apply the same approach to how we manage the risks inherent in our projects.

About the author

Dr David Hillson, PMP, FAPM, 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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