



## **Innovative Risk Management**

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A project management magazine recently contained an article on innovation which was somewhat provocative when it stated that “Project management is about processes and risk management, and that’s the absolute antithesis of innovation.” This challenge to risk management deserves a response!

The purpose of risk management in projects and 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 which 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.”

It seems likely that the person who wrote that “risk management [is] the absolute antithesis of innovation” was probably reacting to an outdated caricature of risk management.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. Anything less does not deserve to be called risk management.