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Why Risk Includes Opportunity

OPPORTUNITIES ARE IMPORTANT AND NEED TO BE CAPTURED WHERE POSSIBLE

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Current risk management standards and guidelines use broad definitions of “risk” that encompass both threat and opportunity, but many people still find it difficult to understand why “opportunity” is included in the definition. And without understanding the reasons, there is some 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:

- 1. Conceptual.** Risk can be viewed as a source of potential variability in performance, 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 fewer 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*”, i.e. 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.”
- 2. Practical.** Threats and opportunities are both 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. Simply extending this process to include upside risks will deliver additional benefits for little extra cost or effort. 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.” This supports innovation and creativity, and is highly motivating for teams who want to maximize the value they deliver. A broader inclusive risk process means that opportunities will be sought proactively, and some will be identified and captured that might otherwise have been missed. This will deliver more value than relying on luck or good fortune, and will maximize the chances of hitting targets and achieving objectives. It also demonstrates a more professional approach to colleagues, clients, and competitors, who will recognize 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 recognizing that businesses 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.

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Known globally as **The Risk Doctor**, David Hillson leads The Risk Doctor Partnership (www.risk-doctor.com), a global consultancy offering specialist risk services across the world.

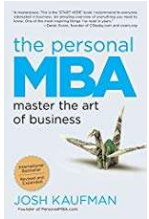
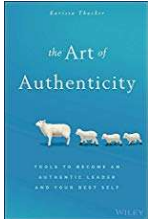
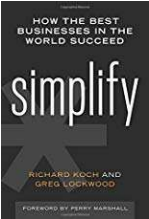
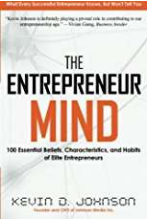
David has a reputation as an excellent speaker and presenter on risk. His talks blend thought-leadership with practical application, presented in an accessible style that combines clarity with humour, guided by the Risk Doctor motto: “Understand profoundly so you can explain simply”.

He also writes widely on risk, with eleven major books, and over 100 professional papers. He publishes a regular Risk Doctor Briefing blog in seven languages to 10,000 followers, and has over 4500 subscribers to the RiskDoctorVideo YouTube channel (www.youtube.com/RiskDoctorVideo).

David has advised leaders and organisations in over fifty countries around the world on how to create value from risk based on a mature approach to risk management, and his wisdom and insights are in high demand. He has also received many awards for his ground-breaking work in risk management over several decades.

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