

Questions for the Board about Risk

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It is quite common for risk professionals not to talk to senior executives or Board members. After all, they probably think we are technical staff, or analytical specialists, involved in the detail of the business, and not relevant to the strategic direction of the organisation. And perhaps we think that executives are too important or too busy to waste their valuable time listening to us. These two attitudes are both completely wrong!

The truth is that risk professionals hold crucial information on key threats and opportunities that could have a major effect on the overall business. Senior decision-makers who set the strategy for the organisation need to be aware of these risks in order to avoid potential pitfalls and create maximum value. So it is important for those of us who understand risk to have a voice at the highest level.

One way to ensure that we are heard by executives is to ask key risk-related questions that focus their attention on the uncertainties that matter to organisational strategy. We need to help them understand why risk is important to their role, and how understanding risk exposure can make their task easier. Here are seven questions to ask your Board next time you get the chance to mention risk:

1. Is our overall strategy well defined and communicated?
2. Is our risk appetite for this strategy understood and expressed in measurable risk thresholds?
3. Are we considering a sufficiently broad range of risk sources in our “risk landscape”?
4. Do we understand the key risks inherent in pursuing our chosen strategy, including both threats and opportunities?
5. Have we mapped strategic risks to key performance and value measures in the business?
6. Are we comfortable with the level of risk exposure that our chosen strategy entails?
7. Do we regularly re-assess our business strategy in the light of the evolving risk landscape?

If the answer to any of these questions is not a clear and confident “Yes”, then we can support our senior executive colleagues to make best use of risk information in strategic decision-making:

1. We can help executives to **clarify their strategic intent and express it** in terms that are specific, measurable, achievable, relevant and timely (SMART). We can also assist in **designing effective communications** to ensure that everyone knows where the organisation is headed.

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2. We understand how to **define corporate risk appetite**, and how to **express it in measurable risk thresholds** that translate into specific risk assessment criteria across the business.
 3. We know that **risk comes from many sources**, and we can help colleagues look for risk in unfamiliar places.
 4. We are experts in **identifying & prioritising risks**, including both threats and opportunities.
 5. We recognise that **all risks are linked to objectives**, and strategic risks are those which would affect the key drivers of value at corporate level.
 6. We know how to **compare current risk exposure with organisational risk capacity**, and how to manage risk in order to remain within our chosen risk thresholds.
 7. We know that **risk is a dynamic challenge**, constantly changing and evolving, and we are committed to keeping risk information up to date so that it can be used to make strategic and tactical decisions across the organisation.

Every organisation will benefit from an active partnership between its senior decision-makers and its risk professionals. This will ensure that executives take full account of risk when setting organisational strategy, enabling them to create value from uncertainty and maximise benefits for their stakeholders.

To provide feedback on this Briefing Note, or for more details on how to develop effective risk management, [contact the Risk Doctor](mailto:info@risk-doctor.com) (info@risk-doctor.com), or [visit the Risk Doctor website](http://www.risk-doctor.com) (www.risk-doctor.com).

About the Author



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Dr David Hillson CMgr FRSA FIRM FCMI HonFAPM PMI-Fellow is The Risk Doctor (www.risk-doctor.com). As an international risk consultant, David is recognised as a leading thinker and expert practitioner in risk management. He consults, writes and speaks widely on the topic and he has made several innovative contributions to the field. David's motto is "Understand profoundly so you can explain simply", ensuring that his work represents both sound thinking and practical application.

David Hillson has over 25 years' experience in risk consulting and he has worked in more than 40 countries, providing support to clients in every major industry sector, including construction, mining, telecommunications, pharmaceutical, financial services, transport, fast-moving consumer goods, energy, IT, defence and government. David's input includes strategic direction to organisations facing major risk challenges, as well as tactical advice on achieving value and competitive advantage from effectively managing risk.

David's contributions to the risk discipline over many years have been recognised by a range of awards, including "Risk Personality of the Year" in 2010-11. He received both the PMI Fellow award and the PMI Distinguished Contribution Award from the Project Management Institute (PMI®) for his work in developing risk management. He is also an Honorary Fellow of the UK Association for Project Management (APM), where he has actively led risk developments for nearly 20 years. David Hillson is an active Fellow of the Institute of Risk Management (IRM), and he was elected a Fellow of the Royal Society of Arts (RSA) to contribute to its Risk Commission. He is also a Chartered Fellow of the Chartered Management Institute (CMI) and a Member of the Institute of Directors (IOD).

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