

PRIORITISING OPPORTUNITIES USING RED/YELLOW/GREEN?

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A client recently said they were not happy using the standard red/yellow/green colour scheme in the Probability-Impact (P-I) Matrix for risk prioritisation, because it was “*designed for threats*”. For organisations who want to use an integrated risk process to manage opportunities alongside threats, this is a common perception – but it is wrong! First let’s think about how we prioritise threats.

The worst threats have a high chance of happening and a major negative impact, so we rate them high-priority in the **red** zone of P-I Matrix to ensure that they get maximum visibility and attention. Threats with a low chance of occurring and potentially only a small impact are lowest priority, so we rate them **green**. Intermediate threats are rated **yellow** to indicate that they are medium-priority, neither red nor green.

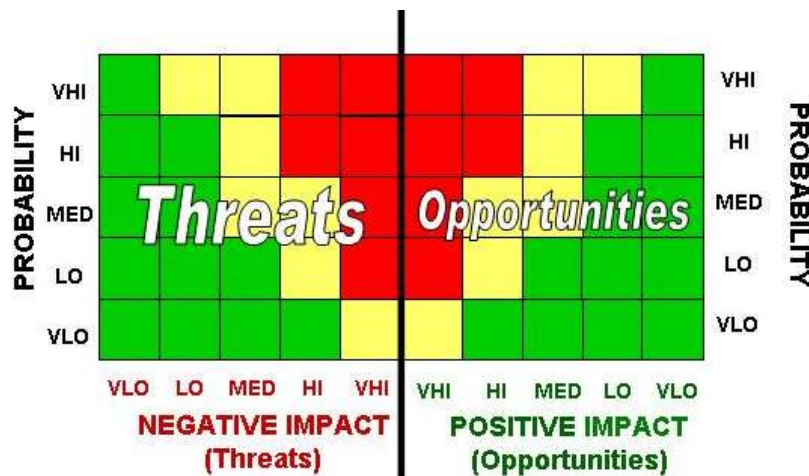
So **red means bad**, **green means good**, and **yellow means something in-between**. Obviously we can’t use this scheme to prioritise opportunities. The highest-priority opportunities are really good, with high probability (they are likely to happen) and high impact (if they occur they bring major benefits). If we used the standard red/yellow/green colour system, the best opportunities would appear in the red zone, which can’t be correct, because “**red means bad**”.

Wrong!! The key mistake is to think that “**red means bad**” and “**green means good**”. (In fact, these colours are culturally determined: in most of Asia, red means lucky or good!!) But **in the risk process, the red/yellow/green colour scheme is based on a traffic light:**

- **Red means “Stop”**. If you get a really bad threat or a really good opportunity, you need to stop going in the current direction, consider the risk, and maybe move off in a new direction.
- **Green means “Go”**. If the threat or opportunity is insignificant, then you can continue going in the same direction without stopping.
- **Yellow means “Take care”**, and be ready to stop or go if the traffic lights change. Risks in the middle zone need to be monitored to ensure that we are ready to do something different if the priority level of a threat or opportunity changes.

This means that it is quite correct to use red/yellow/green to prioritise opportunities, in the same way as we do for threats. This is reflected in the typical P-I Matrix shown below, using red/yellow/green for both threats and opportunities. (This has the opportunity side rotated to bring the two red zones together into the middle, creating

a central high-priority area containing threats and opportunities that require urgent attention.)



Despite the underlying traffic light model, some people are still not happy with red/yellow/green for opportunities, and they may choose to use gold/silver/bronze, or different shades of blue. But there are good reasons to stick with red/yellow/green: because of the link with traffic lights, but also to emphasise that we can prioritise both threats and opportunities using a common approach. We should always remember that **a threat is the same as an opportunity; the only difference is the sign of the impact**. And when we are prioritising risks, we need to decide when we must **STOP**, when we need to **TAKE CARE**, and when it is safe to continue to **GO** ahead.

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