

All Decisions are Risky ¹

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The idea of “risk-based decision-making” is becoming increasingly popular, and decision-makers at all levels are keen to ensure that their decisions take risk properly into account. But perhaps the term “risk-based decision-making” is mistaken. Surely all decisions are risk-based, by definition?

Whenever we encounter a situation where we need to make a decision, two vital characteristics are always present. Every decision involves ***uncertainty***, and the outcome of every decision ***matters***.

All decisions involve uncertainty

If there is no uncertainty in the situation, then we don’t need to make a decision. If there is only one option, then there is no need to choose. For example, we cannot “decide” whether to comply with regulatory requirements, or whether to pay our statutory taxes. If a client insists that the project will not be accepted unless we deliver one key aspect of the specification, then we do not “decide” whether to do it. Wherever we have a requirement or a constraint or an obligation that is fixed, no decision is needed. We just have to do what must be done.

Even where we have alternative options in a decision situation, if one option is overwhelmingly better than all others, the “decision” makes itself. As far as the decision-maker is concerned, it is a “no-brainer”, requiring no analysis or thought.

Uncertainty is inherent in all true decisions, requiring us to choose between different options where there is no clear best path, where the outcomes of some options are not fully known, or where we have incomplete information to support our decision. We must make the best possible decision in the situation that faces us.

All decision outcomes matter

Sometimes we’re asked to make decisions where the outcome really is not important. If it doesn’t matter which option you choose, then this isn’t really a decision that needs to be taken. For example, if we have two equally competent subcontractors who are offering the same service at the same price, we can choose either one. Project designers provide two alternative technical solutions with the same level of risk exposure, both of which can deliver the required functionality with a similar timescale and budget, and both are within the capability of our team. Just pick one, it doesn’t matter!

True decisions are required only when the outcome matters. If the survival of our company depends on whether we make a particular investment or not, or who we choose as our joint-venture partner, then we had better make the right decision. If the

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choice of testing strategy will determine whether or not we are able to deliver a fault-free product with confidence, we need to get it right.

All decisions are risky

All decisions involve uncertainty, and the outcomes of all decisions matter. When we remember that *risk is defined as “uncertainty that matters”*, it becomes obvious that all decisions are risky. This means that **every true decision must be risk-based**. The decision-making process needs to:

- Clearly define our decision objectives. Why do we need to make this decision? How will we measure success?
- Consider how risky each decision alternative is, by assessing the level of uncertainty and the nature of the possible outcomes.
- Choose the option that minimises our risk exposure while maximising our chances of delivering the required decision objectives.
- Implement our decision, turning it into firm actions with agreed owners, and communicate with those who are affected.
- Monitor the outcome from our decision against our objectives, to ensure that things are working out as we expected. If not, we may need to take corrective action and make another decision.

If all true decisions are risky, then all decision-making must be risk-based. So maybe we should stop using the term “risk-based decision-making”?

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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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 4000 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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