

On risk management

Risk is at the essence of modern business. [Peter L. Bernstein](#) offers an elegant historical account on the enormous consequences of transitioning from *uncertainty* to *risks* by using statistics and probability analytical tools.

[Financial management](#), investment management, or insurances are some of the core disciplines driving the development of risk management.

In the late twentieth century a variety of authors, among them [Eliyahu Goldratt](#) introduced new risk-based methodologies to project management.

Positioning risk management at the centre of project management practices brought forth a new mindset to project teams, enabling them to shape the future.

The old habit of reporting on the past and explaining deviations was replaced by anticipating the future through a set of conversational practices in the present. Project teams become accustomed to living in the future instead of the past. Simple questions uncovered potential risks: What obstacles may emerge? What could derail the negotiation? What experience do we have with this provider?

1. *Uncertainties* are ‘risks’ that are not visible yet. They are events that can affect the outcome of a project but which haven’t been articulated or shared by a project team. Or, worse, they can be what everybody felt as a potential catastrophe, but assumed or hoped was somehow addressed by someone else. *Uncertainties* are the flip side of fatalism and resignation.
2. Transforming *uncertainties* into *risk* happens in conversations. Risk narratives or risks stories transform the uncertainty into something visible by linking a wide variety of plausible events that can damage the output of a project team. Risk sensitivity is both related to experience and to a language of observations and assessments.
3. Basic risk management practices goes through five phases:
 - Articulation of the risk scenarios.
 - Articulation of risk exposure.
 - Valuation of risk exposure.
 - Risk mitigation strategy (business case).
 - Risk dashboards (colour coding, risk adjusted metrics)

Risk management practices require basic CBM™ skills.

