**Risk Innovation Primer**

**Risk Innovation**

For today’s innovators and entrepreneurs, established rules of risk identification, assessment, and management alone simply do not work. And enterprises that try and treat innovative technologies as business as usual increase their chances of failure as a result. Technology and business are intimately intertwined with people and society, and as the social landscape twists and turns and evolves—as it is currently doing at an unprecedented rate—the risks faced by entrepreneurs also change.

Emerging social risks massively amplify technological risks. But there is a third domain to emerging risks that further increases the complexity of the risk landscape, and that is the organizations and systems within which innovation occurs. Enterprises that aren’t keyed in to weaknesses in their internal organization, or emerging trends in organizational systems that potentially impact them, are vulnerable to potentially fatal mis-steps.

Together, these three areas of technological risks, social risks and organizational risks intertwine in complex ways to form an emerging risk landscape that cannot be readily navigated with conventional tools, and yet often stands between success and failure.

Successfully navigating the orphan risk landscape requires new tools and methods. But it also demands a new way of thinking about risk. And this is where risk innovation is leading to novel approaches to risk that complement existing ones, while increasing the chances of success for entrepreneurs and others. And at the heart of this new way of thinking is the idea of approaching risk as a threat to value.

**Risk as a Threat to Value**

Risk is conventionally defined as the probability of harm occurring as a result of some process or action. But this framing of risk runs out of steam rapidly when an enterprise faces risks that are not easily quantifiable, or are not associated with clear causative links. And too often, risks that aren’t addressable within this framework are simply pushed to one side, or overlooked.

However, there is an alternative way to think about risk that complements this more conventional approach, and is at the heart of risk innovation thinking. And this is to approach risk as a threat to value.

Value denotes something that can have more or less worth. This retains the idea of risk being about tangible forms of value like health, a sustainable environment, and financial profitability. But it also allows us to think about risk in terms of less common but sometimes more impactful forms of value. These might include deeply held beliefs, respect from others, the ability to live a full and free life, happiness, even aspirational value—value that has yet to be achieved, but is nevertheless important. Whether tangible or intangible, a current product or a future success, if it is worth something to you or your stakeholders, it’s an area of value.

For anyone engaged in the process of innovation, this way of thinking about risk -anything that threatens value- is as important as it is transformative. All too often, it’s the less tangible aspects of risk, or orphan risks, that are brushed aside that cause the greatest problems.

**Risk Landscape**

The metaphor of a risk landscape is a powerful one, as it captures the idea of having to navigate around the risks and pitfalls between where you currently are as an enterprise, and where you hope to be in the future. It also opens the door to beginning to think about the interplay between different groups, individuals, and organizations that make up this landscape. With the combination of emerging technological capabilities, evolving social norms, and a shifting dynamic around organizational systems, getting to grips with orphan risks has never been more important for enterprises.

Risk innovation thinking helps make sense of what is inevitably a complex, shifting, and intertwined landscape, beginning to understand what risks might otherwise blindside an enterprise, and how to navigate them.

**Orphan Risks**

Understanding the nature of orphan risks, and how they differ from conventional risks, is a critical aspect of risk innovation thinking. The conventional risks that organizations tend to plan for are those where there is a clear and direct return on investment. On the other hand, risks associated with trust, reputation, ethical behavior, and social norms (to name just a few) tend not to be incorporated as effectively into business plans and strategies. In many cases, it’s because it’s harder to make the connection between investing in risk mitigation and short-term profits, and not necessarily because the risks are not recognized. But the results are often the same—the risks are overlooked, ignored, or simply brushed under the carpet. They are, in a very real sense, orphaned. And yet, the act of orphaning them can come with quite devastating business and social consequences.

There are rarely cut and dried approaches to handling orphan risks, yet being aware of them and developing strategies for responding to them—even if they are as simple as a commitment to not ignoring them—are important to the long-term success of enterprises.

There are three domains of risk that are central to risk innovation: Organizations and systems; unintended consequences of emerging technologies, and social and ethical factors. These capture the broad domains of risks that many conventional approaches to risk assessment and management overlook or inadequately address, and yet have the power to substantially impact operations.

Within each of these three domains, we focus risk innovation tools on six specific dimensions of orphan risks. While these are not inclusive of all risks, they provide users of our tools with an intuitive yet powerful framework for beginning to understand their specific risk landscape.