Why is this Important for You and for Your Organization?

Risk is the common denominator between the individual and the organization. How much personal risk in terms of your own career are you prepared to accept? Is the level of risk supported by the organization and how can you deal with it? At the same time the organization wants to create the future with minimum risk, of course. Here the question is: Are we avoiding risk or are we managing risk? How can the organization put a robust architecture in place, which mitigates the risk for both the individual and the organization?

This chapter will identify the key elements of risk. Then three case examples will be used to illustrate how the risk for both individual and organization can be reduced. Finally, the chapter will draw some general conclusions and recommendations for de-risking.
Nature of Risk: Individual/Organizational Levels

Any innovation activity carries risks: At the personal level, it is the reputational risk especially in a zero-defect organization. Support through a sponsor and a robust exploration process are critical to de-risking personal risk for the individual.

At the organizational level, the market risks, technology risks, and reputational risks need to be addressed. The solution is: Do not bet the farm, bet the pig… This implies the importance of small-scale pilot projects in which the risk of failure is mitigated by the purposefully low exposure to the downside.

However, there is another risk at the organizational level. The risk of not finding individuals to run exploration projects! How “failure” in exploration projects is managed is critical – negative implications for the individuals involved will travel around the organization rapidly. A person who recommends “killing” an exploration project will be treated the same way as a person who proposes to kill exploitation, for instance the implementation of an IT project. Of course to recommend a “kill” in an exploitation project is not acceptable. However, in exploration projects the kill recommendation should be normal.

In organizations in which no differentiation is being made between exploitation projects and exploration projects, there is no understanding of the different levels of risk. Therefore, reprimanding leaders of exploration projects will substantially diminish the chances of other volunteers taking on the risk of exploration projects in the future.

The Ansoff-Matrix

Developed in the 1950s by Igor Ansoff, the Ansoff-Matrix (1957) is still a quite useful tool to assess the risk in innovation activities. The model is based on the two dimensions product (existing/new) and market (existing/new). In the quadrant of existing market-existing product it is clear that we are talking about continuous improvement. These are in