



RISK DOCTOR BRIEFING



ADDRESSING RISK WITH VUCA-PRIME

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Many risk practitioners have heard of **VUCA** as a way of describing an environment which gives rise to risk. VUCA stands for Volatility, Uncertainty, Complexity and Ambiguity. It was first developed in the 1990s by the US Army War College, but it has become widely used in business as a way of characterising the risky environment in which organisations operate.

- **Volatility** occurs when the nature, speed and size of change are unpredictable.
- **Uncertainty** arises from lack of knowledge or an inability to determine the course of future events.
- **Complexity** is present when the outcome of an action cannot be predicted by simple analysis.
- **Ambiguity** means that key characteristics of a situation are not clear, or they can be interpreted in different ways.

Each of the VUCA perspectives has clear parallels in the way risk is understood and managed, and it is possible to structure the identification of risks around these four dimensions. But although VUCA is useful in identifying risks, it does not help us to decide how to respond to them.

Fortunately, a complementary framework has recently been developed which we can use to shape our responses to VUCA risks. This framework was proposed by Bob Johansen in 2007 (*), and it is known as **VUCA-Prime**. This has four elements, and each one describes a leadership behaviour that addresses one of the VUCA dimensions. Risk practitioners can use VUCA for identifying risks, and they can also use VUCA-Prime to help them respond effectively.

- **Vision rises above Volatility.** When things are changing unpredictably, it is vital to keep a clear focus on the overall vision. Knowing where we are heading will ensure that we stay on course when external circumstances are turbulent. The risk practitioner should maintain a relentless emphasis on objectives to ensure that risk responses keep the project or business on track. *When things are changing unpredictably around you, keep your eyes on the goal.*
- **Understanding reduces Uncertainty.** The risk practitioner will help colleagues to make sense of uncertain situations, and guide them towards a deeper grasp of what is going on. As we understand our environment, uncertainty is reduced and we can move forward with confidence. *When you encounter uncertainty, explore and experiment in order to increase your understanding.*
- **Clarity counters Complexity.** It allows the risk practitioner to cut through unnecessary and confusing detail, focusing instead on the core elements of the situation: what is the risk and how can it be addressed? *When faced with complexity, seek to simplify wherever possible.*
- **Agility overcomes Ambiguity,** retaining the freedom and flexibility to respond quickly to changing circumstances. The agile practitioner keeps their options open and prepares a range of potential responses. As the situation unfolds and ambiguity resolves into certainty, they are able to cope. *When the future contains multiple alternatives, be ready to adapt your approach to match the eventual outcome.*

When risk practitioners are **faced with a VUCA situation** characterised by **Volatility, Uncertainty, Complexity** and **Ambiguity**, they should **adopt the VUCA-Prime behaviours of Vision, Understanding, Clarity** and **Agility**. By doing so, they will help their colleagues to focus on the things that matter, ensuring that risk is both identified and managed effectively.

(*) Johansen, R. 2007. "Get There Early: Sensing the future to compete in the present." Oakland, CA, USA: Berrett-Koehler