

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

To provide feedback on this Briefing Note, or for more details on how to develop effective risk management, [contact the Risk Doctor \(info@risk-doctor.com\)](mailto:info@risk-doctor.com), or [visit the Risk Doctor website \(www.risk-doctor.com\)](http://www.risk-doctor.com).

About the Author



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Dr David Hillson CMgr FRSA FIRM FCMI HonFAPM PMI-Fellow is The Risk Doctor (www.risk-doctor.com). As an international risk consultant, David is recognised as a leading thinker and expert practitioner in risk management. He consults, writes and speaks widely on the topic and he has made several innovative contributions to the field. David's motto is "Understand profoundly so you can explain simply", ensuring that his work represents both sound thinking and practical application.

David Hillson has over 25 years' experience in risk consulting and he has worked in more than 40 countries, providing support to clients in every major industry sector, including construction, mining, telecommunications, pharmaceutical, financial services, transport, fast-moving consumer goods, energy, IT, defence and government. David's input includes strategic direction to organisations facing major risk challenges, as well as tactical advice on achieving value and competitive advantage from effectively managing risk.

David's contributions to the risk discipline over many years have been recognised by a range of awards, including "Risk Personality of the Year" in 2010-11. He received both the PMI Fellow award and the PMI Distinguished Contribution Award from the Project Management Institute (PMI®) for his work in developing risk management. He is also an Honorary Fellow of the UK Association for Project Management (APM), where he has actively led risk developments for nearly 20 years. David Hillson is an active Fellow of the Institute of Risk Management (IRM), and he was elected a Fellow of the Royal Society of Arts (RSA) to contribute to its Risk Commission. He is also a Chartered Fellow of the Chartered Management Institute (CMI) and a Member of the Institute of Directors (IOD).

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