

Dealing with Uncertainty and Managing Risk – The Toolkit



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Written by and copyright 2010:
Stuart Thompson, Ribble Consultants

Introduction

Who is this toolkit for?

This toolkit is for anyone who has to find ways of dealing with uncertainty. It has a set of tools which help to break that overwhelming feeling of crisis into more manageable things you can do to mitigate the effects of not knowing what the future will be.

We've aimed the discussion and examples at the third sector but honestly speaking they apply to many other organisations, both public and private as well so we hope that it's applicable to a wider audience.

Of course, we're imagining you're someone who has some power to do something and not *just* a victim of an uncertain environment. That probably means most of us – we're often not as powerless as we think. Just the fact of thinking about how we could deal with a problem if we had the power is half way to finding an answer – or suggesting an answer to the person who can. So, please try to use the tools in a participative way, even if you're not the one that makes decisions in the organisation.

Finally, one of the ways of dealing with uncertainty is cooperation so please use the tools and examples in this toolkit to promote and stimulate discussion with your colleagues and other stakeholders. Perhaps we can do together what we cannot do separately.

Why do we need a toolkit for dealing with uncertainty?

We live in interesting and uncertain times. Often it seems that there's nothing we can do about it – the environment changes in an unpredictable way and we have to react to whatever comes up. For this reasons, to many people, uncertainty about the future is seen as a curse – we'd like to continue doing things the way we always did. But for others it is an opportunity – maybe the future doesn't have to be like the past, and those who wait to react are likely to be left behind.

Generally success in life, in projects, life, and business requires us to deal with uncertainty and the winners are not just those who happen to be lucky but also those who learn how to cope with uncertainties and see problems as opportunities. The most successful entrepreneurs gamble – but in a calculated way, not taking risks for the sake of it. We'd like to try to convince you that there are simple ways that everyone can do this.

How we deal with uncertainty depends partly on how we regard it. Many of us see uncertainty as an all-pervasive threat where we are a victim of forces which we cannot control.

This toolkit is try and help you think differently:

- Uncertainty can be an opportunity as much as it is a threat
- Those who win can make their own luck – uncertainty does not affect all equally
- The fact that we can't deal with everything doesn't mean that we can't minimise the risks around things we can control
- If we position ourselves well we can reduce the threats that uncertainty produces and seize the opportunities.

How can you use a toolkit to deal with uncertainty?

The simple answer is: use the individual tools. You need to think which are the right tools for dealing with situation you find yourself in, and we have a section which shows you how they're divided and which questions they answer. Or alternatively (assuming you've time with all that uncertainty around you) you can browse through the whole toolkit and see which approaches strike a chord and make sense to your situation.

Anyway, good luck! We hope this is useful and if you find positive or negative things about the contents, please let us know so that we can improve it for future editions.

Structure of the Toolkit

The toolkit is divided into the following sections

1. A theoretical section

You might wonder why there's a theoretical bit in a practical toolkit. The reason for this is that dealing with uncertainty isn't just about narrative it's also about calculations (taking calculated risks) and making decisions based on real information. Mostly these are examples to make you think – probabilities and statistics are often counter-intuitive.

Reading this bit will help you use some of the tools more effectively.

2. A section on how to choose your tools

There are different reasons we try to deal with uncertainty and there are different types of uncertainty in different situations – whether we know what it is and whether we have any control over it. So, this section tries to match the need you have with the tools that might help.

Start reading here if your not sure how to approach the problem (or even if you're not sure what the problem is other than feeling uncertain about the future).

3. A section describing the tools

For each tool there are brief examples of how to make best use of the technique and, where relevant, links to sources of additional information.

We divide the tools into four sections

- A Tools related to identifying and quantifying risks and uncertainties. Which things should we worry about? What is the likelihood that something will go wrong?
- B Tools related to keeping uncertainty and risk under control internally. How do we make sure that we are not tripped up by problems we already know about?
- C Tools related to dealing with external events which we can identify. When do we need to start doing something about project funding coming to an end? How do we put ourselves in the right position to win the next service level agreement from the Council?
- D Tools related to dealing with the unknown and making the organisation more resilient to unexpected external events.

You can read this by section or use it as reference if you know which tool your looking for.

4. Some final thoughts

This section contains some general thoughts about the process, reminding you of what you should have done!

5. The Annex

Some of the examples are put in an annex just for ease of reading.

Contents

Introduction.....	2
Who is this toolkit for?.....	2
Why do we need a toolkit for dealing with uncertainty?.....	2
How can you use a toolkit to deal with uncertainty?.....	3
Structure of the Toolkit.....	4
1. The Theory.....	7
1.1 It isn't easy to guess the likelihood of several things happening together.....	7
1.2 The average isn't the only thing that matters.....	7
1.3 The uncertainty of something varies as you get more information.....	9
1.4 A little difference can go a long way.....	9
1.5 Make sure you're calculating the real probability.....	10
2. Choosing Your Tools.....	11
3. The Toolkit.....	13
A Identifying and Assessing Uncertainties and Risks.....	13
A1 Identifying Risks.....	13
A2 Categorising Uncertainty.....	15
A3 Quantifying Uncertainty.....	17
A4 Establishing Acceptable levels of Uncertainty.....	18
A5 Making decisions in an uncertain environment.....	18
A6 Forecasting.....	22
B Internal Approaches.....	28
B1 Insurance.....	28
B2 Institutional Memory.....	29
B3 Legal obligations.....	31
B4 Quality Assurance.....	32
B5 Division of Risks.....	33
C Dealing with Outside Events.....	35
C1 Planning.....	35
C2 Hedging your bets.....	37
C3 Diversifying.....	37
C4 Identifying key external factors.....	38
C5 Deciding when a decision has to be made.....	39
D Building Resilience – We Don't know what's Out There.....	40
D1 The Organisation	40
D2 Legal options.....	42
D3 Building Flexibility.....	43
D4 Collective Approaches.....	43
D5 Reserves/Capacity Issues.....	44
D6 Doing things in stages.....	44

4. Final Thoughts..... 46

5. Contact details..... 47

Annex – Analysis of Cash Flow Forecasts..... 48