

Dar Al Riyadh Insight #79

Decision Making Under Uncertainty

Dar Al Riyadh Insights reflect the knowledge and experience of our Board, executives and staff in leading and providing PMC, design and construction management services. Dar Al Riyadh believes in the importance of broadly sharing knowledge with our clients and staff to improve project outcomes for the benefit of the Kingdom of Saudi Arabia.

Effective decision making under uncertainty

Effective project management, especially under uncertainty, requires agility, an ability to react quickly to emergent risks and threats. Uncertainty may be foreseeable (risk) or unforeseen. Unforeseen uncertainty can arise from:

- Consequential, unthinkable events (Black Swans).
- Flows/influences that act interact through complexity.

Unforeseen uncertainty requires more flexible and emergent approaches than those associated with foreseeable uncertainty or allowed for with traditional project management and stage-gate processes.

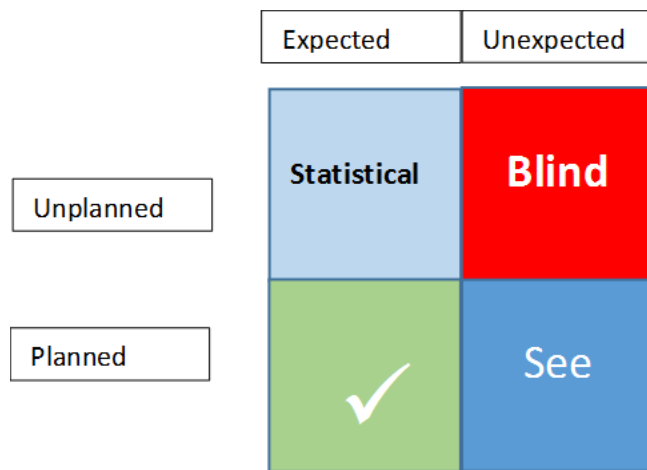
Effective decision making under uncertainty must begin with strong project foundations. These include:

- Clear, outcome appropriate, governance structures focused on organizational culture, capabilities, capacities and trust building.
- Team alignment around strategic outcomes.
- Shared, no-blame learning culture.
- Consistent, open, transparent communication with always-on feedback loops.
- Recognize that low probability of high consequence events cannot be ignored (Black Elephants). Don't be risk blind.
- Acceptance that unknown unknowns exist and a commitment to discover them
- Assumption tracking.
- Willingness to adapt to change. Build organizational and plan resilience incorporating adaptation.
- Distributed authority to act with short decision paths when more aggregated views are necessary.
- Concept of failing forward.
- Understanding the value of time.
- Recognizing planning as preparation but not necessarily the path.

- Recognize that plans may make you blind to the unexpected in non-planned areas.
- Valuing capabilities and capacities.

Act and Adjust

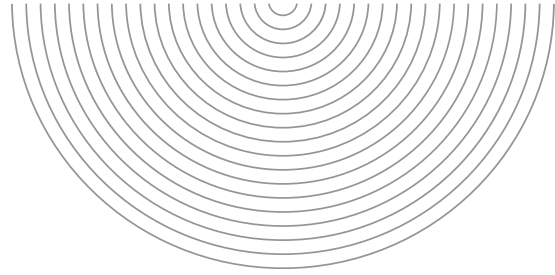
At the sound of the batter hitting the ball, an outfielder's first step is towards the back of the outfield to ensure he can keep the ball in front of him. As he sees and begins to track the ball he adjusts his direction of travel. By then he is already moving and ready to respond.



These foundations must be allowed to act to prevent us from being satisfied, selecting the first viable solution, when faced with a dilemma arising from uncertainty. Divergent views and challenges must be promoted while recognizing the need to move forward. The goal is an acceptable decision, not an optimal one. Expertise and relevant experience must be given weight over role and rank. Maintaining organizational resilience is important so that we may adjust as required and recognizing that uncertainty often leads to a cascading set of unexpected events.

Decisions under uncertainty will have been more fully informed if the right foundations are already in place and if the scans of changes in the environment have been rigorously carried out. Decision making under uncertainty is an area that will benefit from the capabilities of Big Analytics.

Decisions under uncertainty benefit from the project manager and the team's mindfulness. Mindfulness is the ability to be fully present, aware of where we are and what we're doing, and



not overly reactive or overwhelmed by what's going on around us. It is the result of the organizational resilience we have put in place beginning with strengthened foundations.

Sensemaking further reinforces the collective understandings and actions required under uncertainty.