



Dar Al Riyadh Insight #10 Foundations for Success – Unconsidered risk classes

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.

Large complex projects require strong foundations if they are to be successful. Arguably, these are the same foundations any project would require but experience suggests otherwise. When we look at recurrent weaknesses in foundations for success of large complex projects we see several recurring themes.

This Insight looks at an additional area of weaknesses.

Unconsidered risk classes – Black Swans; “White Space” risk; Black Elephants (Executive Insights, Addressing Emergent Risks)

So what are Black Swans?

First, they are outliers, beyond the set of expectations we have about allowable “value.” They are outliers since we **believe** we have no past experience to suggest the possibility. We emphasize the word “believe” since there is a reasonable expectation that large complex projects are “neighborhoods” that Black Swans visit.

Second, Black Swans have a significant impact not only on the project but on the psychology and behavior of those implementing it. They often cause a new paradigm to develop that may not fundamentally reduce risks.

Third, we rationalize after the fact that it was, in effect, predictable. While in some instances this may be true, often it defies rationality and thus a focus on resisting, responding and recovering from these unknown unknowns through resiliency is a more appropriate focus.

“White space risks” are those that are not well considered (or we would see elements of constraint coupling) and grow with complexity. It is in this white space that Black Swans nest and breed

A Black Elephant is a cross between a Black Swan and the proverbial elephant in the room. You can’t miss the black elephant; everyone sees it. But nobody wants to deal with it.



Said another way, Black Elephants are high-impact events that lie beyond the realm of regular expectations but are ignored despite evidence of their existence, at least until they trample you.