

The Tyranny of the Risk. How to succeed in a VUCA world

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In today's rapidly evolving world, characterized by volatility, uncertainty, complexity, and ambiguity (VUCA), traditional risk management frameworks no longer suffice. The accelerating pace of change, fueled by geopolitical instability, technological disruption, and evolving market conditions demands that organizations rethink how they approach risk. This article explores why embracing a proactive, culture-driven risk management approach is essential for organizations to thrive in the VUCA era, rather than relying on outdated, compliance-based models.

Navigating the VUCA World: A New Approach to Risk Management

The competition for technological innovation is intensifying. Emerging technologies like machine learning, automation, and artificial intelligence are rapidly reshaping industries and creating entirely new ways to generate value. As a result, organizations must navigate this VUCA environment intelligently to remain efficient and competitive. However, many companies continue to operate defensively, with extreme caution, or slow down their transformation initiatives, putting them at risk of becoming irrelevant or simply disappearing.

Since World War II, we have entered an era of unprecedented volatility, uncertainty, complexity, and ambiguity. New rules apply and the intuition that leaders have developed over the past decades is no longer reliable or even useful, and where opportunities and risks are completely different and unknown.

To sustain long-term business success in this environment, organizations need a dual approach: proactive and innovative strategies to build and increase stakeholder trust, alongside a robust risk management plan that integrates bold investments in three key capabilities: prediction, preparation, and resilience. This integrated dual approach enables organizations to navigate uncertainty, seize emerging opportunities, and reinforce their competitive advantage over time.

Evolving Risk Management: From Compliance to Culture

This approach had reoriented enterprise risk management, which was too often viewed as a compliance problem that could be solved by establishing numerous rules and ensure that all employees adhered to them, into a comprehensive, proactive, and inclusive exercise in risk identification, prevention, and preparation.

While rules-based risk management helps mitigate certain risks, it cannot address all types of risk effectively.

While financial and operational risks often take center stage, it's crucial to also recognize the significance of other categories, such as preventable risks, strategic risks, and VUCA-related risks, each demanding tailored management approaches. *Preventable risks* are internal risks that can be controlled, eliminated, or mitigated through proper oversight. They are best managed with traditional, rules-based risk management systems focused on active prevention, including closely monitoring operational processes and guiding behaviors to align with desired outcomes. *Strategic risks*, by contrast, are voluntarily accepted by the organization in pursuit of higher returns and long-term objectives, forming a key part of the company's growth strategy. *VUCA-related risks*, present the greatest challenge as they are beyond the company's control. These last two categories of risks are particularly impactful and often defy conventional risk management methods.

The most effective way to address strategic and VUCA risks is by cultivating a culture of open communication and shared responsibility. Studies indicate that culture-driven risks account for nearly 78% of corporate crises, while 83% of cybersecurity incidents stem from internal decision-making failures. These statistics highlight the critical need for companies to look beyond rigid frameworks and focus on the human, behavioral, and systemic elements within their organizational culture.

Overcoming Psychological Barriers to Risk Management

Building a culture of open communication and shared responsibility involves creating processes and a workplace environment where leaders and employees in their own departments and competences are encouraged to discuss potential risks, challenge assumptions, and collaboratively explore mitigation strategies. A transparent risk culture not only reduces vulnerabilities but also strengthens organizational agility and trust.

However, for this to work, organizations must approach risk management through the lens of cultivating a robust corporate risk culture grounded in openness, transparency, and effective communication and, before this can be achieved, certain deep-rooted biases must be addressed.

In many organizations, speaking up about risk is challenging. This is often because risk is subconsciously equated with accountability, and accountability, in turn, is associated with blame rather than responsibility. As a result, there's a widespread reluctance to engage in risk discussions—what some might call an epidemic of *hypengyophobia*, or the fear of being held accountable. Another common bias, particularly in teams operating in VUCA (volatile, uncertain, complex, and ambiguous) environments, is groupthink—the tendency to conform and avoid dissent. When challenging ideas or presenting alternative viewpoints is discouraged, meaningful discussions about potential risks never occur. The result is impaired decision-making and a failure to assess or prepare for critical threats.

This is compounded by confrontation anxiety, or discomfort with conflict. When organizations fail to create an environment where differing perspectives are welcomed and debated respectfully, risk blind spots multiply. In conflict-averse cultures, constructive disagreement is stifled, and essential questions remain unasked.

To be effective, risk management must directly counter these psychological and cultural biases; “Risk mitigation is painful, not a natural act for humans to perform. It requires courage, transparency, and mostly, vulnerability.”

Moving Beyond the Risk Department: Embracing Collective Responsibility

It’s a common belief that avoiding a disconnected risk culture is the sole responsibility of the Risk Department. However, risk awareness should be a core competency for everyone within the organization. Every employee, regardless of their role, must participate in building a culture of risk awareness.

In this VUCA world, risk management using traditional rules-based approaches and compliance can mitigate some critical risks, but not all. It must evolve into an organizational commitment in which everyone, regardless of their role, embraces risk awareness as a core competency in their field of action.

Ultimately, enterprise risk management will succeed when organizations create a proactive, transparent culture where divergent opinions are valued and accountability is understood not as blame, but as shared responsibility.

Enterprise risk management is not successful when risk is avoided, but when it is understood, embraced, and managed with clarity, courage, and vision. In this new VUCA era, the true competitive advantage lies in building a resilient culture, where people feel empowered to actively participate in identifying threats.