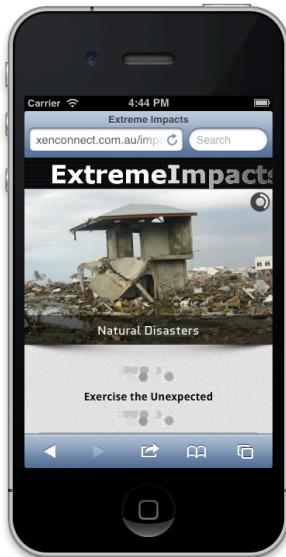# Impact Challenges

Extreme Risk and Impacts

Extreme Impacts occur as a result of low likelihood, high impact events – events that could happen, but are not predictable enough to appear in a traditional risk register.

There are positive unexpected events and negative unexpected events representing both opportunities and threats. Depending on where you work, your ability to respond to an unexpected event can help save lives, deliver competitive advantage or prevent significant losses.

Our working environments are becoming more and more dynamic and interconnected. Events which impact upon your stakeholders can quickly lead to impacts on your own work area. At the same time, the ripple effects of a small incident can quickly compound into a major event.

As a result, in a complex environment, it is becoming more likely that you will be affected by a low likelihood event – you just don't know what it will be or when it will occur.

Mitigation and Management Approaches

Traditional risk management methods are founded on predictive, probability based, likelihoods and encourage preventative, mitigating actions to lower the chances of specific incidents occurring. For those risks which are proactively managed, mature risk management practices will view risks in a portfolio and endeavour to optimise investment strategies accordingly.

Complex, emergent risks undermine the basic assumptions of prediction-based portfolio strategies. Extreme events fall outside the traditional risk management framework in most organisations because there isn't sufficient statistical evidence to enable an actionable forecast. Furthermore, many of the assumptions of control and cause and effect relationships do not hold for extreme events.

Today, the news is full of articles describing organisations which have suffered serious damage due unexpected events despite having gold standard risk management and governance systems in place.

If traditional risk management is not helping these organisations, where can we find solutions? The answer is to look at the work practices of those who already have experience working in dynamic, high impact environments.

In the military and in front line emergency services, people gain experience from hundreds of incidents and in addition to acquiring incident specific skills, they also develop a more general skill set to deal with the common patterns in any emergency situation. In other words, they develop an 'all hazards' capability.

In a business environment, where risk is less of a life or death proposition, low to medium consequence events are managed proactively as part of 'business as usual', but high consequence events are usually only dealt with reactively.

An Adaptive Learning System

Experience in corporate and government strategic management contexts shows that it pays to exercise plausible extreme risk scenarios even if the specific situations practiced do not ultimately arise. The value of these exercises lies in understanding how your organisation functions in a situation of unexpected stress and in raising awareness of the capabilities required to respond, recover and even prosper from this type of event.

Our Impact Exercises provide an opportunity to assess stakeholder interactions and knowledge in the context of an engaging, challenging and plausible scenario. Exercises can be arranged as a simple facilitated desk-top stakeholder workshop or as a more immersive experience in an environment with realistic situation updates, decision support tools and actors.

Given the commitment required by stakeholders, it is often only feasible to conduct a small number of Impact Exercises each year.

Our Impact Alerts offer a supplemental form of practice in which individual stakeholders or small teams are given regular, brief challenges relevant to their roles which they can respond to in their own time. The challenges stimulate resilient thinking and by sharing responses with peers, allow a continuous assessment of capability and knowledge transfer.

Evidence

Research shows that regular practice of small, self directed, exercises leads to deep learning over time. Practice does make perfect and repetition and action oriented self-learning are the best ways to practice.

It is also true that repetition will help to retain what you learn for longer periods of time. We've known that repetition helps learning for more than a century. In the late 1800's Herman Ebbinghaus developed his famous "forgetting curve." He pointed out that we forget half the information we learn in an hour. By the time two days go by, we will have forgotten 80 percent of what we learned.

When you are exposed to the same information repeatedly, it takes less and less time to "activate" the information in your long-term memory and it becomes easier for you to retrieve the information when you need it.

Respond Today

At Extreme Impacts we can help you to gain experience by applying your thinking to unexpected crises in order to learn who the stakeholders are and what policies and procedures and other contextual factors need to be considered as part of a response to that crisis.

Subscribe to our Impact services today and we will deliver your exercises and help you to monitor your progress as you build a capability to respond to unexpected events with agility and effectiveness.

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