

Black Swans and Alligators
A risk management parable



One morning, Sam, a risk management guy, receives a call.

"Hi Sam, I hear you help people manage risk. Could we meet?"

"Sure, give me your address and I'll drop by this afternoon." says Sam.

As promised, Sam arrives at the property and discovers it is mostly a swamp, half underwater. Sam goes to the gate and sees a man standing on a tiny island in the middle. He is surrounded by dozens of large alligators and is waving a small wooden stick to keep them at bay. Some are snapping at the man, but some are hidden under the surface around him.

Sam yells out "I can see why you called me!"

"Ha, it's not the alligators I need your help with, it's the black swans!" replies the man.

"What black swans?" yells Sam, looking around.

"They are our biggest threat. I've been reading about it on the Interwebs! They are out there waiting to get me! Potentially catastrophic!" says the man.

"Umm, surely, you'd prefer me to help you navigate through the alligators, warn you when they are likely to attack, and help you find a safe path to that lovely piece of high dry ground over there? We can talk about the black swans then."

"No! I obviously have the alligators under control! I want you to workshop black swans with me." He proudly waves his stick again.

At this point, Sam notices the bottom of the swamp is littered with alligator poo, some of it full of busted bits of human skeleton. A few of the bones are still clutching splinters of broken wooden stick.

The sun is now starting to sink below the horizon.

“Ok” says Sam resignedly.

“I’ll be back in the morning with a quote...”

So, what’s the parable?

Low likelihood, high consequence risks, often (unfortunately) referred to as “black swans” are important. We need mechanisms to consider these in the context of our objectives, strategy and changing environment.

But, if you are in a swamp on a shallow mound, surrounded by alligators, some of which you can only vaguely see, all you have to control them is a little wooden stick, and a path to high ground is just out of reach, then you really need to consider where you put your focus. I am often asked to support repeated risk identification exercises, when the project or organisation’s risks are already well understood – they are just being controlled with little wooden sticks.

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