

The Valuable Paradox of Uncertainty

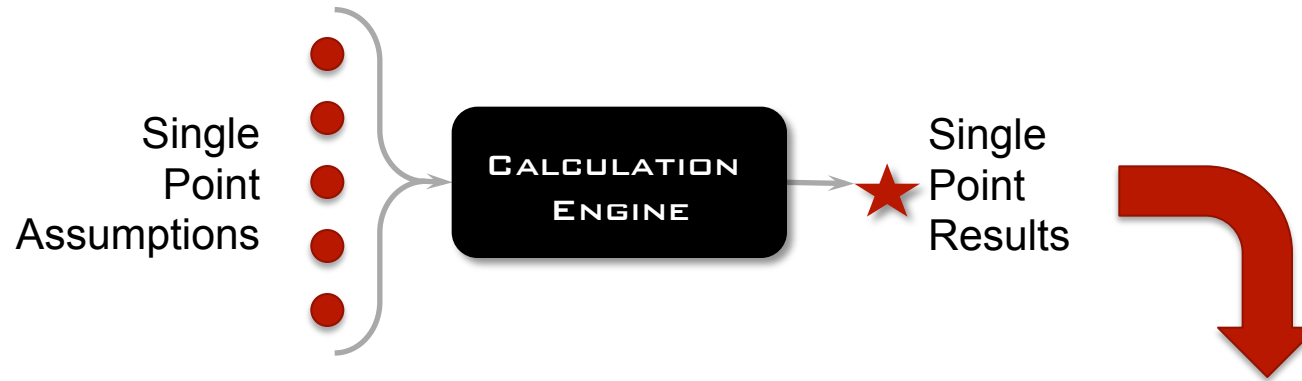
**Why You Need to Include Uncertainty to Manage Risk
in Important Business Decisions**

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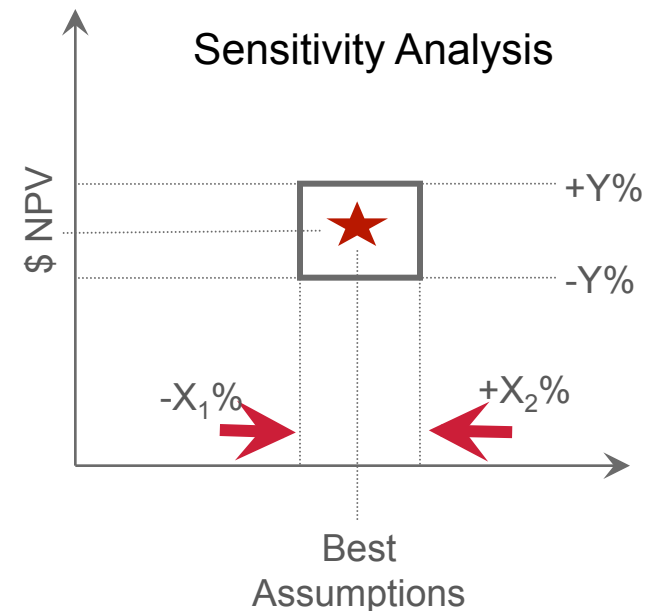
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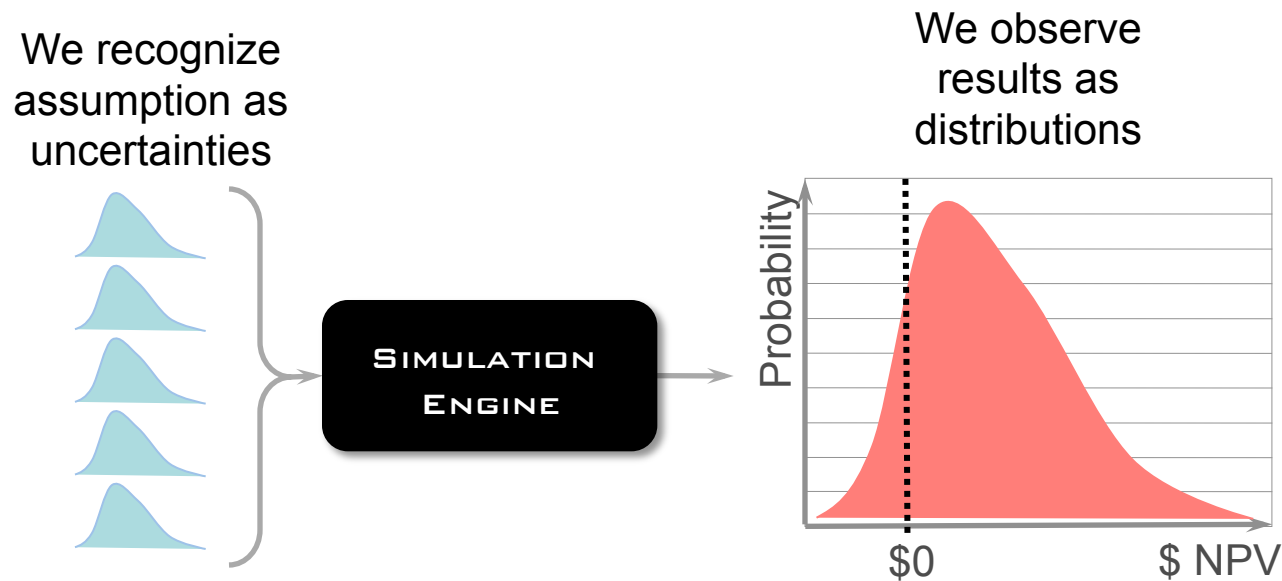
Traditional business analysis exposes us to unanticipated risk



- We are trained to provide the “right” answer, often based on unrecognized biases, leading to confidence in false precision
- We provide arbitrary assumptions around a predicted “answer” or forecast value for a base case or desired case
- Our sensitivity analysis fails to capture full range of effects on important metrics (i.e., value)
- We overstate, understate or completely write off the effects of uncertainties or our exposure to risks
- Consequently, we fail to plan for unforeseen risks and benefits

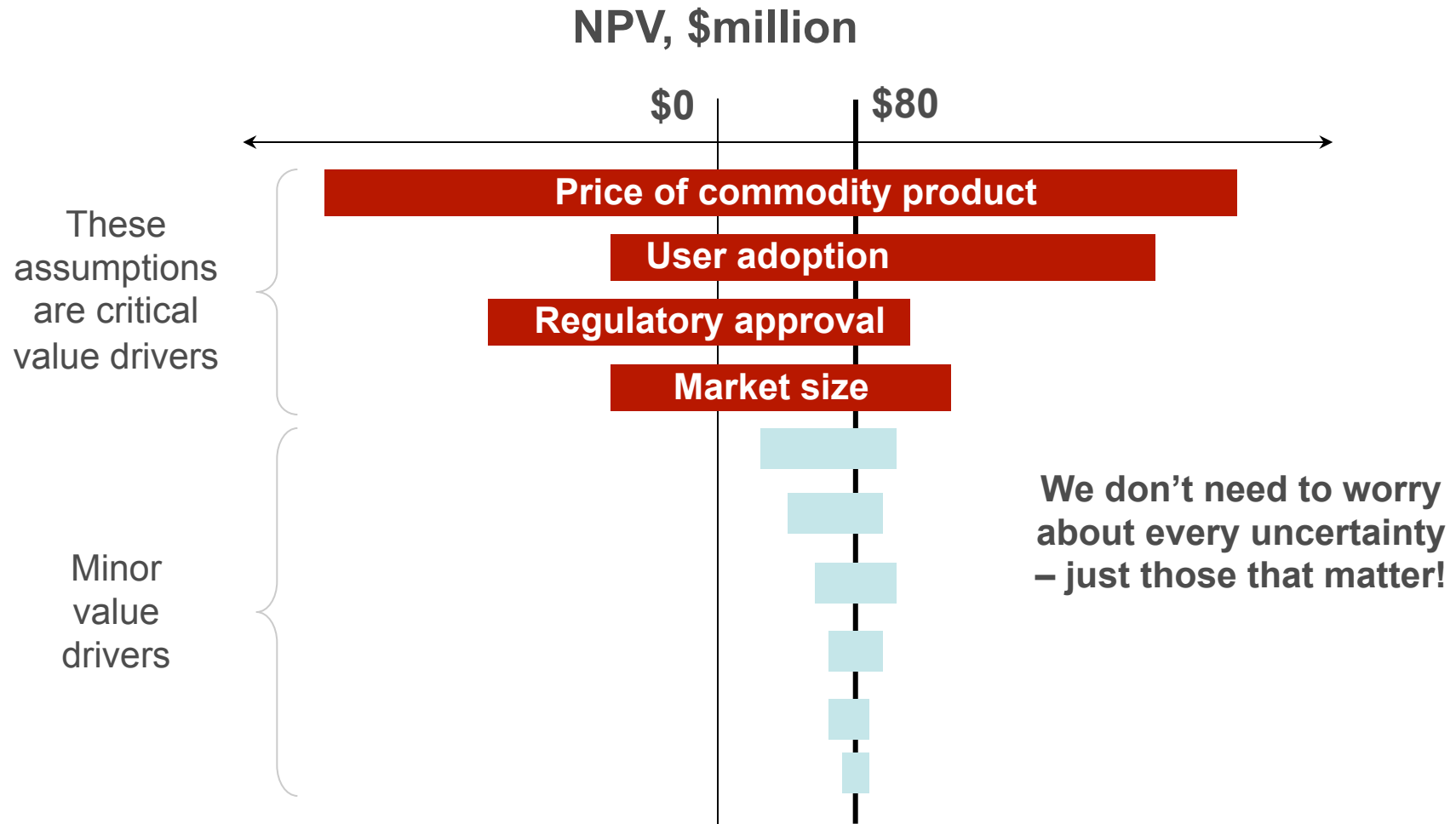


Uncertainty analysis helps us avoid those blind spots

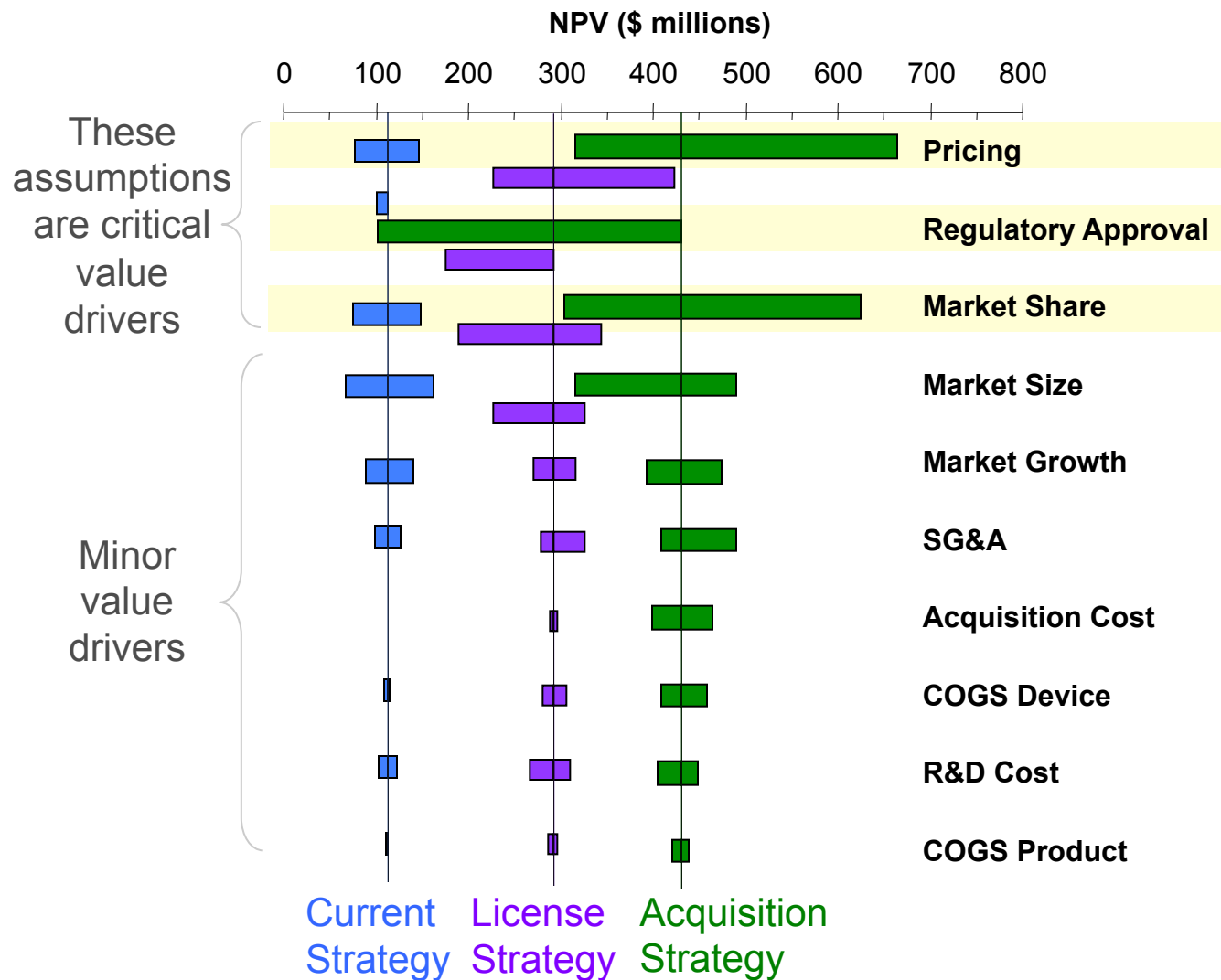


- We explicitly explore factors that can create extreme outcomes for key variables
- We translate these factors into the language of probability to avoid ambiguous meanings about their range and prevalence
- This gives us the power to understand what can go wrong, what the upside may be, and the likelihood for each
- By exploring how much tolerance we have for failure we can develop rational risk mitigation plans
- Conversely, by exploring what can go right, we can develop creative competitive strategies

Uncertainty analysis reveals which uncertainties need our most attention for risk management



When we compare multiple alternatives, uncertainty analysis shows where we need to...



- Gather more information to avoid regret by choosing the “best” strategy over ones that could overlap in value
- Explore the effects of specific value drivers to build hybrid strategies that maximize value and minimize risk

By not explicitly considering uncertainty in planning

- We expose ourselves to unforeseen risks that could have been anticipated
- We fail to look for ways to capture the full potential value available to us
- We waste time and resources controlling for outcomes that don't really matter
- We fail to adopt the mature attitude of considering perspectives and outcomes beyond our biases