

Building an Uncertainty Advantage



This article captures the highlights of the discussion from Alan Iny's presentation to members of CNEXT's Generate Program. Please see the accompanying slide deck for more details from the presentation.

Alan Iny:

Alan Iny is a Partner & Director, Creativity & Scenarios at BCG and is a member of the BCG's Corporate Finance & Strategy practice leadership team. He has expertise in innovation, transformation, and organization design. With BCG's Luc de Brabandere, he co-authored *Thinking in New Boxes: A New Paradigm for Business Creativity*.

With the rapid pace of technological advancements and shifting market dynamics, leaders need to cultivate the ability to navigate uncertainty.

As uncertainty grows, the lifespan of a good idea shortens. Business leaders need to operate on a dual front: running the company with one hand while reinventing it with the other.

The idea that "there's nothing new under the sun" offers a semblance of comfort. It's tempting to gravitate towards the narrative that promises a return to the "good old days." Yet, both are erroneous frameworks from which to lead.

Uncertainty cannot be ignored and risk must be considered. How do you turn them to your advantage?

Change the Concept of Risk

Risk is neither inherently negative nor positive; it simply exists. It is your role as a leader to choose whether a given risk is a threat or an opportunity to your business. Is it something to mitigate or to capitalize on?

Phrases such as "risk and reward" or departments titled "Risk and Compliance" frame risk predominantly as a hazard to be avoided. Recognize risk as a potential mine to be exploited. Avoid instinctively saying no.

A CONVERSATION BETWEEN:

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3 Components of an Uncertainty Advantage

1. Signal Advantage

Enhance your ability to distinguish between noise and valuable signals to improve your forecasts.

2. Resilience Advantage

Evaluate the worst case outcome for both acting and not acting in the face of uncertainty. How resilient is your business to uncertainty?

3. Decisive Move Advantage

Know where, when, and how quickly you need to make a decision to reduce the impact of uncertainty.

Pace Your Preparation

Improve the readiness of your business by gradually increasing the complexity of your preparedness for future events.

1. Foresight

Frame potential risks and explore their opportunities or consequences through thought experiments.

2. Tabletop Exercises

Walk through potential scenarios in a scripted environment.

3. Simulations

Add multiple variables and formats and increase pressure through modeled decision-making.

4. War Games

Create real-world conditions by allowing free agency of decisions in a shifting environment.

5. Scenario Planning

Create multiple whole-world scenarios and a portfolio of planned behaviors and capabilities to address them.

CASE STUDY:

The McLaren Formula 1 team realized that they had an advantage over competing teams when facing uncertainty. Typically, they responded faster and better to changes in regulation.

McLaren embraced regulation risk as an internal strength and started campaigning for frequent adjustments to regulation in Formula 1 racing to deepen their competitive advantage.

Principles of Good Scenarios

1. **Balanced stretch**

Scenarios should stretch thinking beyond the current reality but not extend into the purely imaginary.

2. **Plausible permutation**

Scenarios should be based in an extrapolation of current trends.

3. **Consistent believability**

Scenarios should be consistent across the entire set to avoid discarding options that are too easy or too difficult to plan around.

Start with your Current Teams

Shock analysis

List potential shocks, ranking them based on their impact on your business versus your preparedness. For those with a high impact and low preparedness, determine what steps can be taken to prepare better and who should be involved

Practice stock scenarios

Collect existing future scenarios such as climate change forecasts and AI developments. Apply each to your business and evaluate how you would respond. Identify any no-regret or contingent moves that you could apply across all scenarios. Are there things you should learn more about or big bets to make?

Create an Uncertainty Culture

Embed a mentality that sees the value in scenario planning and risk assessment to cultivate a culture that embraces uncertainty. Integrate scenario thinking into the organization's language. Encourage people to keep images of scenarios visible in their offices. Create strong links between the risk and strategy departments to change the mindset on risk.



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