

Managing Uncertainty

Matt Watkinson + Csaba Konkoly

Matt Watkinson is an internationally renowned author, speaker and business consultant.

Csaba Konkoly focuses on early stage tech investments.

Can we predict the future? The answer is not as straightforward as you think.

At an intellectual level most people understand this unpredictability, but in practice underestimate how prevalent it is.

A system is a set of interconnected elements that produces its own patterns of behavior, and systems are of two types – the complicated and the complex.

Uncertainty has two concepts – our information is imperfect, and inputs can have non linear outputs.

The economist Peter Bernstein said “The information you have is not the information you want. The information you want is not the information you need. The information you need is not the information you can obtain. The information you can obtain costs more than you want to pay.”

Human beings are naturally error prone. We can be clumsy, forgetful and distracted.

We can have the right plan and mess up the execution or execute the wrong plan perfectly.

The number of wrong ways to do things tends to vastly outweigh the number of right ones.

We instinctively prefer the familiar to the new, and are encouraged to do so by the vested interests that support what already exists.

The vast majority of expert predictions are wrong.

Outcomes = Actions + Conditions

Managers with formal education often fail as entrepreneurs because they are seduced by deterministic cleverness in their thinking while true entrepreneurs are street smart and hustle.

Uncertainty is our greatest source of opportunity.

The brilliant investor Howard Marks says “
Everyone forecasts are on average consensus
forecast. If the prediction is consensus too, it
won't produce above average results even if its
right. Extraordinary performance comes from
non consensus forecasts”

A sense of competence and autonomy are among our most powerful motivators.

The instinctive need for control is at odds with dealing with an unpredictable world.

The desire for control is the reason why we put emphasis and faith on upfront analysis.

Why do human beings indulge in wholesale misrepresentation of reality?

We erase knowledge we help previously to make room for new knowledge, thereby freeing the need to store two contradictory narratives.

The compulsion to provide meaningful explanations for events is inescapable.

Our desire to know the reason for events is unquenchable.

When making decisions, we tend to rely on the information we can most readily recall rather than the information that may be significant or relevant.

To test any business mantra ask these three questions :

1. Is doing the opposite viable

2. Is the claim testable?

3. Can the claim be falsified?

Fads are created by business consultants,
Professors or Research companies to sell an
idea.

BCG started with their first idea – the experience curve, then wanted to be seen as a strategy consultant (since it was vague and nebulous) and hit on the BCG matrix. The BCG matrix made them de facto experts.

The first strategy concept was design school – mapping market possibilities with own capabilities.

The second was the Ansoff planning school.

Then came Porters positioning school

Then came the core competencies school.

Consultants and academics are subject to the same biases as everyone else. Our ability to post rationalize events allows us to turn emergent strategies into prescriptive ones after the fact.

We get duped by the packaging rather than the substance of ideas and focus on what can be easily measured rather than what actually matters.

Our individual sphere of influence is limited

The opposite of success is not failure, its learning.

If losses are affordable, failure is impossible.

3 ways to know if someone is a genuine expert:

Do they have a demonstrable track record?

Can they explain the what and why of their craft in simple , accessible language?

Are they willing to answer questions to your satisfaction?

Uncertainty creates a void that is filled by other people's ideas.

Behavior change is identity change

Our expectations determine our perception of any event

Athletes, astronauts and artists have one thing in common – they often embrace rigid routines.

Repetitive routines or rituals provide a stabilizing force, a sense of structure and a feeling of control.

Steve Jobs initially opposed the idea of developers making money for their own apps on the app store. He was wrong

Perfectionism focusses on outcomes, mastery is a dynamic process. Perfectionism is driven by fear, mastery allows us to learn and improve.

Mastery involves apprenticeship, the creative active phase and then mastery.

In mastery, we no longer rely on rules and formulas, our intuitions becomes a finely honed and powerful instrument.

Co operation is only possible when there is trust.

If there is one thing I have observed in successful/happy people, it is their ability and readiness to help others.

With very few exceptions, growth is slow and decline is fast.

Anchoring is a cognitive bias whereby an initial piece of information distorts our perspective or judgement.

Most negotiations are multidimensional, the key is to look at the total value and not one element in the negotiations.

Some things work in practice and some things
work on paper.

James Dyson the British inventor spent 500 million pounds of his own money on developing an electric car and then realized that it was not commercially viable.

Businesses follow two paths – follow the rules of the game and alter the rules of the game.

There are some kinds of work you cannot do well without thinking differently from your peers.

Setting prices in a product or service is like brushing your teeth, you cannot do it once and forget it. We must keep reinventing our pricing.

Everyone hates advertising till then want to
sell something