

# 'Black Swan' Thinking Strategies

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The text, 'The Black Swan: the impact of the Highly Improbable' has now captured the attention of many business leaders but they still don't know how they can use it to aid their business recovery.

## Things Just Happen: Unexpected Recession

Black Swan theory tells us that things happen against improbable odds which have not been predicted. Until a Black Swan was discovered in Australia – it was believed that Swans only came in one colour. Statistics told us the odds of finding a black Swan was a million to one yet that is no longer true. It's not as if we were looking in the wrong place – we just were not looking!

## Sudden Impact: Improbable Odds

Well, it's not just swans. Just think of the impact of Black Monday, the rise and the commercialisation of the Internet, 9/11, Northern Rock, the recent Banking crisis and the deepening Recession of early 2009.

None of the events above were predicted – yet on reflection, the markers were all there but no one was really paying attention.

## Harry Potter & the Black Swan

What were the odds on an unpublished author scooping millions of pounds with her first novel? Author JK Rowling succeeded in landing a huge book and film deal for her series of Harry Potter novel after years of rejection by many publishers.

## Recognise Patterns Intuitively

Today we still focus too much on our analytical processes without rewarding and encouraging our intuitive behaviours. Let me explain what I mean regarding the economy.

If people had been looking in the right places, exploring a more diverse view, and had moved away from the traditional view of how markets operate, they may have spotted some interesting trends.

More importantly, if they had moved radically away from the restrictive, 'one best way' logical, normative interpretation of Economics they may have seen the pattern of events and where they were leading.

## The Death of Economics as I studied it!

I am an Economist – but with a difference – a behavioural economist who drives organisational change. Years ago, when I studied for my BSc degree, we focused entirely on analytic models, theories and the application of maths and statistics to the markets and the behaviour of the firm (Macro & Micro Economics).

## Prediction & Economic Theory

The mistake is that economists actually believe that their theories predict how people behave and how that propels the market moves to a state of equilibrium through rational action.

What no Economist tells us is that reaching the state of equilibrium consumes just 1% of the time – the other 99% is consumed by the market adjusting to this new equilibrium. Yet, when we study the markets we spend too little time on behavioural factors that cause changes to take place – we fail to study precisely how the market does make that adjustment.

If traditional economic theory worked for the average business, we would have no need for marketing, public and investor relations, the study of consumer behaviour and billions devoted to servicing the fickle customer.

## Shift in Mindset: Economic, Social and Organisational Change

We need to change our focus on how markets and organisations change. Change itself is a systemic process, yet we treat economic and organisational change as a process of 'box ticking' and adhering to a set formula.

Any change in any system be it economic, biological or organisational, creates changes that have not been predicted. Because our systems are people systems we cannot predict with accuracy all the behavioural outcomes.

What we can do is focus far more, collect feedback and apply our intuitive capabilities (founded on our experience and EQ) rather than reach for analytical economics.

If we did just that we would be in a stronger position to adapt to radical change and even orchestrate change for the better.

## Balance in Change Management

Insanity has been defined as "doing the same thing and expecting different results" and this is true of how we were managed into the Recession. Had we developed a more pervasive, expansive and intuitive approach to managing in the 21stC then more businesses would not be experiencing the traumatic decline in consumer confidence.

## Randomness & Risk

The author of 'Black Swan,' Nassim Nicholas Taleb, has taken many of his ideas based on his previous book 'Fooled by Randomness: The Hidden Role of Chance in Life and in the Markets' and his experience managing Hedge Funds.

Randomness is a lack of order, purpose, cause, or predictability. A random process is a repeating process whose outcomes follow no describable deterministic pattern, but

follow a probability distribution such that the relative probability of the occurrence of each outcome can be approximated or calculated. My tool for this analysis is the 'Comparative Vulnerability Matrix' which enables businesses to assess where they are most at risk.

## Donald Rumsfeld's 'Known – Unknowns' & 'Unknown Knowns'

An organisation has to radically review its strategies and tactics to assess how to steer its business back on course and they can only do this by addressing 'Known – Unknowns' & 'Unknown Knowns'. To quote Donald.....

*“There are known unknowns. There are things we know that we know. There are things that we now know we don't know. But there are also unknown unknowns. There are things we do not know we do not know.”*

We can take you through this exercise for fun or for serious strategic work on change management recovery. We use the 'Comparative Vulnerability Matrix' to radically improve your path of recovering competitive positioning and speeding up implementation to completion to anew state of functioning and performance.

<p><b>Known-Known's</b></p> <p>Issues we understand but have not committed to develop a solution.</p>	<p><b>Unknown-Known's</b></p> <p>Things we should be aware of, but have failed to explore these issues because we don't know how or what impact they have.</p>
<p>These are intuitions that we have not explored because we don't apply innovative techniques or culture to expose what we should know</p> <p><b>Known-Unknowns</b></p>	<p>Areas where we can benefit most by creating a culture of innovation and creativity, curiosity to go beyond our current perceptions and beliefs to ask 'what if questions', explore alternative scenarios</p> <p><b>Unknown-Unknowns</b></p>

## Black Swan Thinking & Recovery Plans

Black Swan Thinking requires a different mindset to create a scenario planning exercise to expose each of the quadrants. As you will know, this can only come about through creativity and innovation managed in a culture of structured and disciplined implementation. If interested in pursuing this unique approach to

guaranteeing some certainty by creating your own in radically changing world please contact us through email [Philip@philipatkinson.com](mailto:Philip@philipatkinson.com)