



★ S2 – Issue Five, Assumptions make an “Ass” out of “U” and “Me”

Series Two: Improving Decision Quality in Uncertain Environments

Most of us have heard the old saying that assumptions make an "Ass" out of "U" and "Me."

The uncomfortable reality is that assumptions underpin almost every important decision we make.

As humans, we are wired to make assumptions. They are cognitive shortcuts that help us interpret incomplete information and make decisions quickly. Without them, even simple decisions would become exhausting. The downside is that these same shortcuts create blind spots, causing us to jump to conclusions before considering alternatives or testing whether our assumptions are valid.

In organisations, this matters because almost every significant decision is built upon assumptions. Business cases, strategic plans, risk assessments, forecasts and transformation programs all depend on beliefs about how the future is likely to unfold.

If we fail to identify and challenge those assumptions, we are not reducing uncertainty - we are simply leaving it unexamined.

Core Insight

Every decision made under uncertainty is only as sound as the assumptions upon which it is built.

Every assumption introduces uncertainty because it represents something we do not know. Assumptions are unavoidable; the risk lies in leaving them unexamined. The more a decision relies on assumptions, or the less confidence we have in them, the greater the uncertainty surrounding the outcome.

This is true whether we are assessing strategic initiatives, estimating operational losses, implementing artificial intelligence or approving a major investment. Risk is not created by the assumptions themselves. Risk arises because those assumptions may prove to be incorrect.

Yet assumptions are rarely made explicit. Implicit assumptions cannot be challenged. Only explicit assumptions can be tested, debated and improved.

Organisational Debate Often Skips Straight to Conclusions.

Should we proceed?

- Will the project achieve its benefits?
- Is the risk Low, Medium or High?

These discussions are often difficult because participants are unknowingly working from different assumptions. They are debating the answer rather than examining how they arrived at it.

Once assumptions are articulated, the discussion shifts from debating conclusions to examining uncertainty by asking:

- What are the key assumptions?
- What evidence supports these assumptions?
- What if these assumptions prove wrong?
- Would alternative approaches reduce the reliance on assumptions?

These conversations are more valuable because they move the discussion from debating opinions to examining uncertainty.

The Leadership Imperative, Challenging Assumptions

Unfortunately, humans are generally no good at evaluating their own judgement. Decades of behavioural research have shown that we tend to overestimate our

knowledge, our forecasts and our ability to predict future outcomes. Confidence often exceeds expertise.

One of the hallmarks of mature leadership is recognising the need to challenge our assumptions. This is not simply a risk management discipline. Many of the world's leading thinkers on leadership and organisational learning identify challenging assumptions as a defining characteristic of mature leadership:

- **Chris Argyris** (Double-Loop Learning) argues that mature leaders question the assumptions behind decisions rather than simply improving execution.
- **Peter Senge** (*The Fifth Discipline*) identifies **Mental Models** as one of the five disciplines, encouraging leaders to surface and challenge deeply held assumptions.
- **Robert Kegan's Adult Development Theory** suggests leaders progress from accepting assumptions to consciously examining and reconstructing them.
- **Otto Scharmer's Theory U** emphasises suspending judgement and challenging existing assumptions before acting.
- Even the **AICD Director Competency Framework** implicitly expects directors to challenge management assumptions rather than merely review recommendations.

The most effective leaders are not those with the fewest assumptions. They are those most willing to expose their assumptions to challenge. They recognise that better decisions come not from defending assumptions, but from improving them. They understand that questioning assumptions is not a sign of indecision; it is one of the most effective ways to improve decision quality.

This is why making assumptions explicit is so important. Once assumptions are visible, they can be socialised, tested and improved. Some assumptions can be validated using facts, historical experience or data. Others require additional analysis, experimentation or expert judgement.

Every assumption that is replaced or narrowed with evidence reduces uncertainty.

Every assumption that remains untested retains the organisation's risk.

Implications for Executives

For Boards and Executive teams, this has important implications.

Most major decisions are presented with a recommendation and supporting analysis, yet relatively little time is spent examining the assumptions that underpin them. Those assumptions often determine whether the decision succeeds or fails.

The most powerful question a Board can ask is not "Do we agree with the recommendation?" It is "What assumptions must prove true for this recommendation to succeed?"

- What assumptions matter most?
- Which are supported by evidence?
- Which remain uncertain?

If any prove incorrect, would we make a different decision?

Not every assumption deserves equal attention. The most valuable discussions focus on the small number of assumptions that have the greatest influence on the outcome.

This simple shift changes the quality of executive discussion. Rather than defending positions, leaders begin examining the uncertainty surrounding those positions.

This also changes the role of the risk function. This also changes the role of the risk function, from reviewing conclusions and assigning ratings to facilitating better thinking by helping decision-makers identify assumptions, test them objectively and replace opinion with evidence.

That is how risk management improves decision quality. Not by predicting the future more accurately, but by improving the quality of the thinking that shapes it.

Practical Takeaways

Before approving any significant decision, ask three simple questions.

1. What assumptions are we making?

Make every significant assumption explicit rather than allowing it to remain implicit.

2. Which assumptions matter most?

Identify those assumptions that have the greatest influence on the outcome and challenge them first.

3. How can we reduce our reliance on assumptions?

Replace assumptions with facts, data, experimentation or analysis wherever practical. Where assumptions cannot be eliminated, seek to narrow them.

Good leaders understand that assumptions are inevitable. The difference is that they make them visible, challenge them rigorously and progressively replace them with evidence.

Because every decision begins with assumptions and every better decision begins by challenging them.

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