



★ Series Two Summary – Making Better Decisions When the Future Is Uncertain

Series Two: Improving Decision Quality in Uncertain Environments

Opening

Every important business decision involves uncertainty.

We rarely know precisely what something will cost, whether customers will respond as expected, how competitors will react, whether a transformation will deliver its promised benefits or what unintended consequences may emerge.

Yet many of the tools organisations use to make decisions create an illusion of certainty where none exists.

The real challenge for Boards, executives and risk leaders is therefore not dismissing uncertainty. It is becoming better at making decisions within it.

That has been the central theme of this series.

Across six articles we have explored operational risk appetite, strategic risk appetite, artificial intelligence, risk assessment, assumptions and trust. Although these topics appear quite different, they are connected by a common idea.

Better decisions do not come from pretending uncertainty does not exist. They come from making it visible, understanding what drives it and consciously deciding what we are prepared to accept.

Core Insight

Good decisions increase the likelihood of positive outcomes, however, they do not guarantee them. Effective governance should therefore focus on the quality of the decision-making process itself.

For operational risks, the challenge is determining how much exposure is economically rational to accept. Risk mitigation is ultimately an investment decision. Controls consume resources and should therefore be proportionate to the expected exposure they address.

This requires organisations to think beyond risk avoidance and begin with basic economics: what losses might reasonably be accepted, how much are we prepared to spend mitigating others and where are there consequences we are simply unwilling to accept?

Strategic risk appetite focuses on creating value whilst operational risk appetite focuses on protecting value. Unsurprisingly, frameworks designed to manage one often struggle to evaluate the other.

A more useful approach for strategy objectives is to articulate a **landing pad** — a range of outcomes within which the organisation has a high degree of confidence. This makes uncertainty visible and allows Boards and executives to consider not only expected outcomes, but the confidence in those outcomes and the trade-offs they are prepared to make to achieve it.

Individual risk assessments also need to be more realistic.

Too often organisations take a worst-case perspective and assess what **could** happen when a risk materialises rather than what **would reasonably be expected** to happen. Extreme consequences are commonly combined with the likelihood of much more common events, systematically overstating exposure and directing resources toward risks that may not warrant them.

Good risk assessment requires us to understand the distribution of possible outcomes and anchor decisions in evidence rather than theoretical possibility.

In order to make better decisions we must understand the assumptions we base them on. Every strategic plan, forecast, investment decision, risk assessment and transformation program depends upon things we believe to be true but cannot know with certainty.

Assumptions themselves are unavoidable. The danger comes when they remain implicit. Implicit assumptions cannot be challenged.

Once assumptions are made explicit, they can be tested against evidence, compared with alternatives and progressively narrowed. Every assumption replaced with evidence reduces uncertainty; every important assumption left unexamined retains it.

This becomes increasingly important as organisations adopt artificial intelligence.

AI does not require us to abandon established principles of risk management. If anything, it reinforces them. Organisations need to understand where AI is being used, classify applications according to their exposure, establish clear accountability, evaluate performance and continuously monitor whether the assumptions underpinning models remain valid.

The objective should not be governance for its own sake.

AI governance should be focused on creating sufficient confidence to allow the organisation to move faster safely. It then becomes an **enabler of innovation rather than a constraint upon it.**

And ultimately, organisations need to understand they make decisions as part of an ecosystem. They operate within networks of customers, employees, regulators, shareholders, suppliers and communities. Every significant decision sends information to those stakeholders about how the organisation behaves, what it values and whether it can be relied upon.

Over time those decisions establish an organisational personality. Consistent decisions build trust. Inconsistent or unexpected decisions consume it.

That accumulated trust becomes particularly valuable when uncertainty materialises. Stakeholders who understand an organisation and have confidence in how it behaves are more likely to remain supportive when outcomes are imperfect or difficult decisions need to be made.

Trust therefore becomes more than a cultural aspiration, it becomes a strategic asset.

What This Means for Executives

For Boards and Executive teams, the implications across this series are significant.

Our objective should be to create organisations that are increasingly capable of making good decisions when the future cannot be predicted.

That requires several changes in thinking:

- Risk appetite should provide meaningful guidance about the exposures and trade-offs the organisation is prepared to accept, rather than simply defining limits.
- Strategic business cases should make uncertainty explicit rather than hiding it behind precise forecasts.
- Risk assessments should reflect what would reasonably be expected to occur rather than anchoring on extreme possibilities.
- Significant assumptions should be surfaced and challenged before decisions are made.
- Emerging technologies such as AI should be governed proportionately, with governance designed to enable responsible adoption rather than simply constrain it.
- And Boards should recognise that decisions have consequences beyond their immediate financial or operational outcomes. They continuously build — or consume — trust with the stakeholders upon whom long-term organisational success depends.

Taken together, these ideas suggest a different role for the risk function.

Its role is to help the organisation understand uncertainty more commercially, make the implicit explicit, challenge the assumptions underpinning important decisions and ensure uncertainty is properly reflected in the choices being made.

The ultimate measure of an effective risk function is not how much risk activity it performs, but whether it helps the organisation make better decisions.

Practical Takeaways

If you want to improve decision quality in uncertain environments, start with six questions:

1. **What are we trying to achieve, and what exposure are we prepared to accept to achieve it?**
Risk appetite should begin with objectives and economics, not arbitrary ratings or thresholds.
2. **What range of outcomes should we reasonably expect?**
Replace false precision with ranges and confidence levels wherever uncertainty materially affects the decision.

3. **Are we assessing what would reasonably happen, or what extreme could potentially happen?**

Keep likelihood and consequence aligned and distinguish routine risk assessment from extreme scenario and resilience analysis.

4. **What assumptions must prove true for this decision to succeed?**

Make the most influential assumptions explicit, challenge them and replace them with evidence wherever possible.

5. **Does our governance increase or decrease our ability to act with confidence?**

Particularly with AI and emerging technology, governance should be proportionate to exposure and enable responsible adoption.

6. **What will this decision do to stakeholder trust?**

Consider not only the immediate outcome, but the signal each significant decision sends about how the organisation behaves.

The organisations that perform best will not necessarily be those that predict the future most accurately. They will be those that recognise uncertainty early, understand what drives it, make deliberate trade-offs and adapt as new information emerges.

Good risk management does not eliminate uncertainty. It makes uncertainty visible, so we can make better decisions within it.