

## How to prevent silent assumptions to misinform decisions

### **The black swan as the ultimate management metaphor**

What is a better proof of original thinking than creating a proverbial metaphor as contribution to a language? A shining example, I guess, is the "Black Swan". The swan has been introduced by Nassim Nicholas Taleb in his bestseller book<sup>1</sup> with the same name. Here's how the black swan entered our language, should you not be familiar.

Up to about the year 1600 no European had ever seen a swan having any other color than white. White had thus become an inalienable attribute of the swan. When Westerners started to explore other parts of the world, they encountered the black swan. This is an indigenous animal in Australia. This caused a shock. The hypothesis that white was an attribute of a swan had to be revised. Forced change causes pain; embedded beliefs had to be reviewed.

After all, when you have never seen a black swan, you forcefully deny that a black swan can exist. You rate such existence as highly improbable if not downright impossible. Here comes Taleb. He postulates that what we perceive to be highly improbable or even impossible – like seeing a black swan when you don't know one exists – is much less improbable than our mind tells us it is. As so often, we fool ourselves. A black swan is not fundamentally unpredictable. It is only unpredictable when we allow our minds to make it so.

The Western explorer first seeing a black swan in the 17<sup>th</sup> century experienced a rare event. The event has at least four attributes. The occurrence of a black swan event...

- is objectively improbable.
- is, however, far less improbable than our mind makes us believe.
- may have a high impact.
- looks unimaginable.

The latter is only true because our past experiences do not offer us cues on this event being possible. Our mind has its limits. Human minds don't naturally tend to question that our vivid experiences have brought us the truth, the whole truth and nothing but the truth. What we see, however, is rarely all there is.

### **The words 'black swan' signify a risk and a probability concept**

The Black Swan metaphor is a blessing to me in my strategy work. It offers a metaphor-with-meaning for me to use to (customers') management. It is now possible to make a statement such as: our prediction of the Brent oil price for the next 6 – 9 months is only valid when no Black Swan events happen. In such statement the words Black Swan function as an understood and accepted disclaimer. The words show that in our forecast we indicate not to have included what is unimaginable to us. But they also hint that unimaginable things do exist. Hence the words Black Swan convey the whole concept.

The probability of the occurrence of a high-impact event we by default underestimate. This is not a problem as such. But in strategy you must be aware of it. It implies that there is just a bit more reason for caution than you naturally think.

Reflecting on Black Swans it seems that behind every Black Swan hides a form of self-deception. Let us call this the silent assumption<sup>2</sup>. Silent assumptions not only relate to Black Swans. They may more broadly affect the quality of our logic. By implication they often also affect the quality of our (business) decision-making. What is a silent assumption?

### **Silent assumptions are things we make up as a result of sloppy thinking**

In the Black Swan metaphor, it is easy to see what the silent assumption looks like. It is hard to assume that swans have another color than white when you have never seen a swan having another color than white. The silent assumption thus is that *all swans are white*. In our mind the attribute of the white color is *unconsciously* added to the swan. This unconsciousness causes this to be a silent assumption. Using an example, I now show how a typical 'silent assumption' negatively affected everyday decision-making.

There was something special when I did my Ph.D. research in the period 1988-1992. My lead Ph.D. tutor was a female full professor of chemical engineering at the - in those days at least - conservative Delft University of Technology in the Netherlands. Next to being a woman, she was also small, certainly by Dutch standards. She measured hardly more than five foot four. Moreover, she was not only an eminent scientist but also a great storyteller. One of her stories went as follows.

One rainy autumn night she had been invited as a guest speaker at a gala dinner party of the Dutch Association of the Chemical Industry in a plush banquet hall. She had decided to drive her own car, which she had had to park at some distance. Anticipating she would have to cover a large distance walking she had decided to wear boots and an overcoat, carrying elegant shoes in a bag with her. The moment she arrived in her wet attire at the formal entrance of the hall she was stopped by the doorman. "Sorry madam, we have a private party tonight". She humbly "To which I believe I am invited". The doorman asked her for her name and she replied, "Gerda van Rosmalen". The doorman subsequently apologized saying:

"I am afraid something has gone wrong tonight madam. We only have *Professor Doctor van Rosmalen* on the list of invitees".

Before she could reply the chairman of the Association walked by and warmly welcomed her, saying "Gerda, we are so honored to have you with us tonight. Why don't you come in, what's bothering you?" Still more surprised than embarrassed, Gerda said "Well the doorman didn't believe I was invited, having only professor van Rosmalen on his list" upon which the chairman saved Gerda's night and this story by gently telling the doorman: "She *is* professor van Rosmalen".

Just as swans were silently assumed to be white, full professors of chemical engineering in the Netherlands in 1990 were silently assumed to be male...

## **Silent assumptions are avoidable, Black Swans are not**

In business and possibly in our personal lives, black swans will occasionally occur. We can't question everything we know all the time and still take decisions. Silent assumptions, however, are avoidable. When we spot and tackle our silent assumptions first by constantly asking ourselves the right open questions, we may even be better prepared when the occasional black swan does show up in our life at a time of its choosing!

---

### Notes

- .1. Taleb, N.N. (2007), *The Black Swan – the impact of the highly improbable*, Allen Lane, London.
- .2. Acknowledgement to the writer Joris Luyendijk who pointed this out to me in a personal communication in early 2017.