



Are You Still Rubbing Sticks Together to Make Fire?

An Article for Network Operator Executives Searching for a Better Way to Manage Risk.

This article presents a simple example of how very smart people are using inferior and often inappropriate tools to evaluate options and to analyze risk within their businesses.

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March 2007





Do You Really Know What You Are Doing?

Thank goodness I am long past the time in my life when I tried to make people believe that I knew more than I did. I do still find it fascinating to sit in meetings with people who feel compelled to educate you on your business or, better yet, let you know how much they know. The reality of it is that they usually only serve to identify their shortcomings. And the fact is, most business people just want results!

I am a big believer in less talk and more results. It must be the “One Riot, One Ranger” attitude that comes from being indoctrinated into Texas ethos for the last 6 years. But even the best of Rangers needed the right tools to do the job. In their case it was likely an “iron will”, a Colt revolver and a Winchester rifle. In the case of CNS it is tested industry veterans coupled with the right processes and tools to deliver strategy and planning solutions for our Communications, Media and Entertainment clients.

We have done a lot of work, with some very, VERY smart clients in our time. And, rarely are they the type that will tell you how smart they are. They are much too seasoned and pragmatic to do that. Where we find challenges, especially within internal organizations, is with the concept of “Don’t Know²”. The tools these smart people are using to address highly complex business issues amount to the equivalent of rubbing sticks together to make fire in their living room.

Although this practice is common across industries and business functions, it is particularly concerning when seen within complex and highly risky businesses such as the network operator space.



Rubbing Sticks Together to Make Fire

The complexity of the network operator business today is staggering. The existing systems are massive, technology and services are changing rapidly, the market is maturing and convergence is starting to rip the existing vertical silo business structure apart. This is all exacerbated by the fact that even the smallest of business decisions can have hundreds of millions or billions of dollars of impact on your business. One would think that, given these circumstances, an executive would want access to apply the best tools on the planet to help make the highest quality decisions possible!

Effectively addressing these issues requires a tool or tools that can do 4 things extremely well. First, it must be easy and intuitive to use, otherwise no one will use it! Second, it must be good at dealing in a probabilistic NOT absolute world. Because when you are looking at the future, the outcome is a range, not a specific number. Third, the tool must be capable of doing rapid what if and scenario analysis because the world is almost infinitely complex (as are decision maker's "pet" issues). Finally, it must be scalable to address lots of inputs. Because what you find is that, much like microprocessors or bandwidth, the more you have the more you use.

So, why then are most executives, managers and analysts using spreadsheet applications like Microsoft Excel to address these issues? Spreadsheets deliver none of the critical issues identified well, except arguably, usability. And, also arguably, spreadsheets perform the other tasks so poorly that you are taking significant business risk when using them. I would argue it's a "Don't Know²" problem. Executives, managers and analysts don't know that there are tools available to them that were designed to very effectively model and simulate future business scenarios. They don't know that programs like Excel deliver linear results leading to unlikely outcomes. They DO KNOW that they have used programs like Excel in the past - and change is hard.



Off by Miles or Right on Target

Everyone wants to ask the big question. Well guess what? Big questions are really hard to answer! What most people overlook though is that big questions can be broken down into smaller questions that influence the big question. Those smaller questions may have even smaller questions and by the time you are done, an influence diagram exists. The influence diagram, in the end, is built on small and easy to answer questions that seem miles off from the Big question but build to actually generate the answer you want.

Okay, okay it's not quite that easy, but pretty darn close. If you answer each of the smaller questions with a range of variables, as opposed to a single estimate (don't forget we are trying to predict the future), and couple these answers with a Monte Carlo simulator, the answer to the big question pops out. A Monte Carlo simulator really isn't that complicated, it just executes "rolls of the dice" to create a probability for the numbers you input for each small question. This technique, if used appropriately, can generate results that are so accurate it's scary!

It's The Little Questions That Matter

The first step is admitting that you don't know. The next step is looking for help. The last step is becoming aware of the flamethrower that has just replaced those two sticks you have been rubbing together. And, don't forget – It's the little questions that matter.

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