

UPCOMING EVENTS

Career Clinic Topic: Leadership
Resource Person: Md. Zaved Parvez
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A river, a buffet, and a ladder look into managing risk and uncertainty

Allow me to start this article by referring to a math joke a lot of us are familiar with. A statistician plans to cross a river. His brain refers to the interesting factoid that the average depth of the river is 3 feet. Not too deep right! So he decides that the most economical way to cross the river is to wade across the water. He drowns. Why is that? Although the Average was 3 feet, we all know that the depth of a river varies a lot, and places may be as shallow as 1 foot and some other places as deep as 8 feet.



Let us now look into another example, this time looking at a restaurant buffet offer. This restaurant surprises the market by offering as many mini steaks as you can have offer. Few days later the offer is discontinued and the manager of the restaurant is sacked. When asked, the owner replied that their average expectation of mini steaks per person was 1.5, and that they never anticipated that people will have as many as 3.

Finally I will divert your attention one more time. This time, we take a tour to an auto parts company - the owner asks the newly appointed fresh graduate in the operations department what will be forecasted demand of their product in the next

month? The graduate, with his business school training background, found it wise to respond to this question by presenting the boss with a range - between 4000 and 6000. The boss got annoyed and asked the employee to provide a number, and the employee sticks to the age old tradition of presenting the average - 5000. The boss plugs in the average of 5000 units to be produced in his financial model spreadsheet and gets a healthy average profit of 50,000 BDT (10 BDT per unit). Does it really happen? General business mathematics says it does happen, whereas experience suggests otherwise. What really happens is if the demand is less than 5000 (as the lower range was 4000), the firm does not make

the profit for the unsold items. In case the actual demand crosses 5000, the firm's profits do not increase, as the production was based on the average of 5000. Soon average, the profit by the firm is less than 50,000 BDT.

These three phenomena brings into light one very simple realization, one which has been very neatly put in words by professor Sam L. Savage of Stanford in his book "The Flaw of Averages" - plans based on average assumptions are wrong on average. To elaborate, in all these three scenarios, the averages were accurately calculated and there were no flaw in the model calculating the average outcome, but the problem was in not considering the uncertain-

ties involved in the real outcome. That is the true essence of Risk Management.

The concept of risk management has gained popularity in recent years, especially due to the meltdown of the financial markets. What initially started as managing financial risks now has become an important strategic tool in the business world, and in many other fields. Donald Rumsfeld, former secretary of defense of the USA pointed out that there are two types of unknowns, known unknowns (we know that we may never know answers to them) and then the unknown unknowns. He mentioned the last category as the most important one, and the hardest one to manage. He was referring to

the concept of Black Swans, introduced by the famous book of Nicolas Taleb. A 'black swan' is an event that you did not expect to happen; in fact it is an event so rare that you did not take it into consideration until it really happened. And there lies the importance of risk management. Risk management concepts help the user if not to correctly identify a 'black swan' event, but at least to have a robust system in order to protect the business from the repercussions of the event. Just as the well-known consultant J. P. Brashear put it - "a successful model tells you things you didn't tell it to tell you".

In this article I intend to bring these concepts into limelight. My exposure to the students of the business schools in Bangladesh, and also my time being a business student in Bangladesh and then in the United Kingdom has given me a very interesting insight. Although, quantitative methods and number crunching are never the soul of any successful businesses, but in the present highly competitive world, analytical skills and especially business risk management skills do present a competitive edge, and it is something which our students need to be more trained in. My exposure to risk management tools as part of my postgraduate education has taught me that although these tools are complex in nature and it is beyond any of them to list and prepare a business for all possible outcomes, they are still very useful in developing a thought process which take away the misconception of the flaw of averages, and forces the users to incorporate uncertainty and randomness in their decisions and calculations. One such tool is the Monte Carlo simulation - a very simplistic way of modeling

risk. Consider this analogy - you want to change a light-bulb which is high in the ceiling and you need to stand on a foldable ladder to reach that height. Now, how would you know that the ladder is not going to fall on with you on it? You shake the ladder with different random strengths, and see whether the ladder can withstand them. The stronger the shakes the ladder can withdraw, the stronger the ladder. The same applies to the concept of Monte Carlo Simulation - you build a deterministic model of what you want check or forecast, and then you introduce random scenarios and number randomize the variables that are part of the calculation. The result is a range of outcomes, not an Average number, which tells how the possible random scenarios can affect the business.

But Monte Carlo is just one such tool in the tool shed of Risk Management. There are many others, both static and dynamic, some related to decision making and some to operations, which can be used to not only manage financial risk but risk at a strategic level. These tools did to uncertainty what the light bulb did to darkness; it does not eliminate darkness, it illuminates darkness. The same with these tools, they illuminate randomness, uncertainty and risk. This attribute has made these tools, along with the study of risk management very popular in the leading business schools of the world. As such, I believe that it is high time for our business community to stress in these related concepts as well.

The writer is a Lecturer at North South University.

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Interesting job descriptions

Help people hate each other:
Divorce Lawyer (Scott Adams' favorite)

Stand on a field and get yelled at for hours: Baseball Umpire

Talk in other people's sleep: College Professor

Call people who know what they're doing and ask them what they're doing: Incident Manager

Show people how beautiful the Earth would be without them: Mountain Landscape Photographer/Climber

Make people feel bad about their work: Quality Assurance Tester

Repeatedly fix what you repeatedly break: IT Director

Clean up an animal that makes more money than me in a year: Assistant Horse Trainer

Write words that no one wants to read: Technical Writer

Make food that is as healthy before it goes in your body as when it comes back out: Fast Food Employee



Reaching your dreams

Listening to the inspirational speeches is one of my habits for every night. While I was listening to Craig Valentine, an entertaining motivational speaker, I found his story of quitting the job quite an interesting one. The day he decided to quit his job, he told his boss, 'I would like to give a notice for my job. My plan is to learn public speaking and participate in the competition. This is my DREAM.' Craig's boss said, 'Ok, no issue. I'll raise your salary by 10%.' Craig didn't agree. His boss raised the salary once more. The more Craig said "no", the higher his boss raised the salary. As the salary was revised for four times, Craig requested to allow him one more day to think about it before making the final decision.

Craig returned home and told everything to his wife and asked for her suggestion. His wife didn't tell him to take the more-than-generous offer. She just thought for a while and calmly said, "Craig, you have had this dream for long

time. No matter how much your boss offers, just leave the job and follow your dream. Don't ruin it just to fulfill someone else's wish. Your dream is not for sale." Craig just left the job next day and eventually became the world champion in public speaking competition in the same year (1999).

Purpose of telling this story is not to make you understand that you can be beneficial if you just listen to your wife. Purpose is actually to inspire you to have a dream and to inspire you to be persistent with your dream and never give up. First part of this story is common for most of us. We keep some dream inside ourselves but give up for most of times. We think we are doing 'good' but eventually we lose the opportunity of doing even 'better'. We might end up being very successful in our career but by letting our dream getting buried we just close the door of unlimited potential of ours. This is why 'good is the enemy of great'. This is why there are lots of

'goods' but not many 'greats'.

Bangladesh was born because our ancestors dreamt for it. Martin Luther King couldn't have made the difference if he didn't give that amazing speech 'I have a DREAM'. Our Sabirul Islam couldn't inspire one million people unless he possessed that dream. All the revolutions, innovations happened in this world are because some people kept chasing their dreams.

Our life is short but art is long. We have only one life to live by. Let's take a step to make our life meaningful. Let's think of doing something that makes us being remembered by generation after generation. Let's not let others fulfilling their dreams through us, instead, let us chase our own dreams. Because, it's never too late to chase your dream!

The writer is a motivational Speaker & Corporate Coach. He's one of the co-founders of optima HR Solutions.

M MURSHED HAIDER

Internship opportunity at Microsoft Bangladesh

Software giant Microsoft for the first time in Bangladesh opening up app developer internship opportunity to the technical students. The objective of this initiative is to give Computer Science or equivalent student's exposure to development of experimental apps on Windows Phone and Windows 8. Technical Evangelist at Microsoft Bangladesh Tanzim Saqib said in this regard, "Software is a complex and sensitive industry and Microsoft is one of the fastest players in the world. Internship opportunity at Microsoft Bangladesh will give local technical students a taste of modern platforms like Windows Phone and Windows 8 in developing innovative solutions. This will enable them to develop international quality apps on a few specific areas that we have decided to work on for now." It is worth mentioning that Microsoft has been giving away free software and training to the students for many years in Bangladesh and hosting global innovation competition Imagine Cup locally. Microsoft is a dream destination for technical students worldwide - this opportunity opens the door for local students to take advantage of and gain experience of the world's one of the biggest brands in local capacity. More information can be found here: <http://aka.ms/intern>

Seminar on Corporate Etiquette and Personal Grooming at UIU



As a career portal, Prothom-alojobs always tries to enrich the knowledge of potential corporate employees. The UIU Career Service Department organized, jointly with Prothom-alojobs, a seminar on Corporate Etiquette and Personal Grooming. More than hundreds of students were present in the seminar. Ms. Humaira Sharmeen discussed different aspects of corporate etiquette and how a corporate should be groomed. It was a very interesting event for the students. Prof. Dr. M. Rezwany Khan, Vice-Chancellor of UIU was also present in the seminar.

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