European Business School
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PALISADE
ACADEMIC SYMPOSIA

Contribution

Integrating Strategy & Risk

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Abstract

The conventional approach to the evaluation of strategic options has some strong limitations: Cash flows and NPVs are calculated as point estimates, flexibility in decision making and correlations between strategic choices are ignored, the risk-return trade-offs of strategic alternatives are not transparent. Why does it give management more comfort to knowingly make an incorrect, but deterministic estimate than to estimate results with distributions/ranges?

This presentation will show some recent examples of companies that apply probabilistic instruments to advance from deterministic strategic decision making to an integrated approach to value and risk. Applications range from investment decisions and acquisition valuation to strategic planning and advanced portfolio management. Two case vignettes from recent BCG projects will illustrate the benefits of integrating strategy and risk, but also the challenges in applying probabilistic techniques in practice.