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BRC
BOARD RISK COMMITTEE

BOARD RISK REPORT

By: Sherrin Ross Ingram

STRATEGIC PLANNING IN UNCERTAIN TIMES

Challenging Assumptions and Biases to Strengthen Board Oversight

What if your organization's biggest risks are hiding in plain sight, buried within your unexamined assumptions and biases?

Boards operate in an era where political, economic, and technological shifts can render even the most well-founded strategies obsolete. The challenge is not just adapting to uncertainty but ensuring that flawed assumptions and cognitive biases don't distort decision-making. Many organizations fail—not because they lack insight, but because they rely too heavily on untested beliefs, outdated models, and implicit mental shortcuts that reinforce false confidence.

Assumptions about market stability, regulatory consistency, and competitive advantage often go unchallenged. Biases, including confirmation bias, groupthink, and others, influence how risks are assessed and how dissenting views are received. When left unchecked, these factors create blind spots that lead to missed opportunities, miscalculated risks, and governance failures.

This report provides practical guidance for boards to systematically surface and challenge the hidden forces shaping their decisions. Leadership today is not just about reacting to change, but about building a decision-making process that is disciplined, adaptable, and free from preventable errors. Boards that embed rigorous assumption testing and bias mitigation into their oversight will be positioned to lead with confidence—not just in moments of crisis, but in shaping the future.

Key Insights from this Risk Report

- **The Hidden Risks of Assumptions and Biases**
Boards often operate under implicit assumptions about market stability, technological adoption, regulatory environments, and geopolitical landscapes. When these assumptions go unchallenged, or are not consistently revisited, they can lead to flawed strategic decisions and long-term vulnerabilities.

- **Cognitive Biases in the Boardroom**
Confirmation bias, groupthink, overconfidence, and other cognitive biases frequently shape board discussions and limit the ability to critically evaluate risks and opportunities.

- **Embedding Assumption Reviews and Bias Mitigation into Governance**
Boards must institutionalize regular assumption reviews, embed continuous evaluation mechanisms, and adopt a dynamic, evidence-based approach to strategic planning.

The Role of Assumptions in Strategic Planning

Every strategy is built on assumptions. These core beliefs and expectations shape how organizations assess risks and pursue long-term goals. Boards rely on assumptions to simplify complex decisions, often drawing from past patterns market conditions, regulatory changes, technological developments, and geopolitical stability. While these factors are beyond an organization's direct control, they play a defining role in strategic direction.

Assumptions provide a necessary framework for planning, but they are not fixed truths. Many boards continue using assumptions that no longer reflect current realities. When assumptions about economic growth, supply chain stability, or regulatory consistency go untested, they create blind spots that lead to miscalculations and strategic missteps.

A strategy built on flawed assumptions rests on unstable ground. Identifying and challenging these assumptions is not just a best practice. It is a requirement for boards seeking to maintain clarity, resilience, and sound risk oversight in an unpredictable environment

COMMON FAULTY ASSUMPTIONS IN STRATEGIC PLANNING

What if the strategies you trust most are built on faulty assumptions? Many leaders readily acknowledge that markets shift, technologies evolve, and external conditions are unpredictable.

Key Questions for Boards about the Role of Assumptions

- When was the last time we revisited the assumptions underlying our most critical decisions, and what prompted that review?
- How have our assumptions about market dynamics, customer behavior, or regulatory environments evolved in the last year, and are those changes reflected in our current strategies?
- What is the potential impact if a key assumption we hold today becomes invalid tomorrow?
- What processes do we have in place to ensure that assumptions are tested continuously, not just during initial planning phases?

They often attest to the belief that "nothing stays the same" and emphasize the need for adaptability in their organizations. However, despite this awareness, faulty assumptions continue to surface in strategic planning. This paradox exists because assumptions often become deeply embedded in organizational thinking, subtly shaping decisions without being explicitly questioned. Leaders may recognize the inevitability of change in theory but still unconsciously default to outdated beliefs about market dynamics, customer behavior, and their organization's resilience. When left unexamined, these assumptions create blind spots that can lead to strategic missteps, even in environments where leaders are fully aware of the need for flexibility.

"LEADERS MAY RECOGNIZE THE INEVITABILITY OF CHANGE IN THEORY BUT STILL UNCONSCIOUSLY DEFAULT TO OUTDATED BELIEFS..."

Below are the top seven areas where I've consistently found faulty assumptions embedded in strategic plans. You'll never hear these beliefs stated outright—I have yet to meet a leader who would openly admit to subscribing to them. In fact, most leaders confidently acknowledge the dynamic nature of markets and the importance of staying agile. Yet, when plans are closely scrutinized, these assumptions often reveal themselves, subtly influencing decisions and steering strategies in ways that may not align with current realities.

1 Linear Market Trends Are a Given

Leaders frequently assume that past market trends will continue in a straight line, believing that growth or stability will persist without major fluctuations. This assumption ignores the potential for market saturation, economic shocks, or disruptive competitors that can quickly alter trajectories.

- Illustration: The renewable energy sector experienced unexpected surges due to policy shifts and consumer demand, disrupting traditional energy markets that had assumed a steady reliance on fossil fuels.

2 Global Supply Chains Are Inherently Reliable

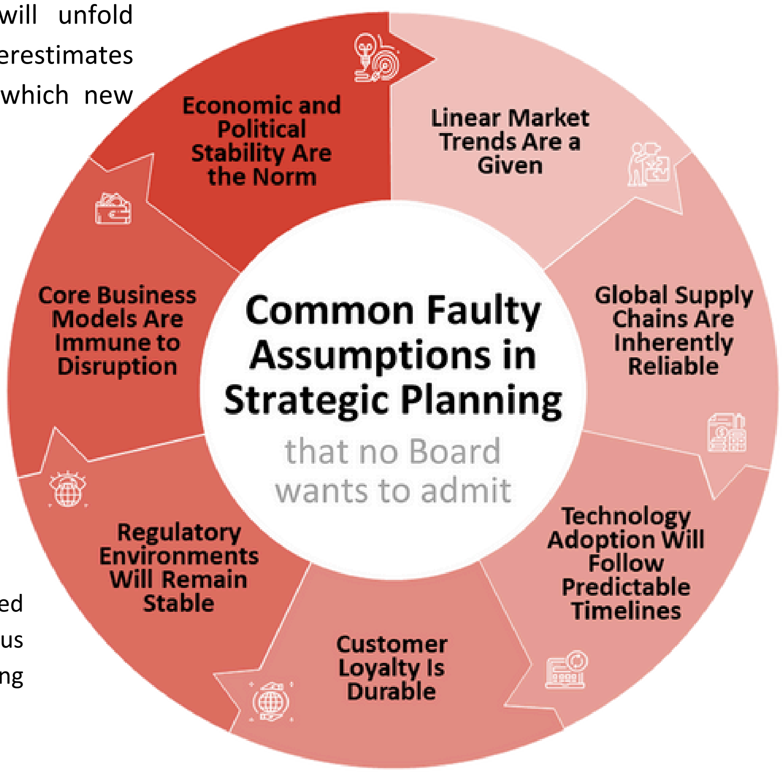
Many organizations assume that global supply chains and trade relationships will remain consistent, failing to account for geopolitical tensions, pandemics, or natural disasters that can disrupt international logistics.

- Illustration: The automotive industry faced severe disruptions during the semiconductor shortage, exposing the risks of depending on a narrow set of suppliers concentrated in specific regions.

3 Technology Adoption Will Follow Predictable Timelines

Boards often believe that technological disruptions will unfold gradually, giving them time to adapt. This assumption underestimates the exponential pace of innovation and the speed at which new technologies can transform industries.

- Illustration: The financial services industry was slow to anticipate the rise of fintech and blockchain technologies, resulting in a scramble to integrate digital solutions after startups captured significant market share.



4 Customer Loyalty Is Durable

Organizations may assume that customers will remain loyal to established brands or products, overlooking how quickly consumer values and preferences can shift, especially in response to social trends, ethical concerns, or new market entrants.

- Illustration: The food and beverage industry underestimated the shift toward plant-based diets and health-conscious products, allowing niche brands to dominate emerging market segments.

5 Regulatory Environments Will Remain Stable

A common assumption is that regulatory frameworks will remain static or evolve predictably. This overlooks how political shifts, public opinion, or crises can trigger rapid regulatory changes that disrupt strategic plans.

- Illustration: The gig economy assumed limited regulatory oversight, but rapid changes in labor laws in multiple jurisdictions have forced companies to rethink their business models and labor classifications.

6 Core Business Models Are Immune to Disruption

Many organizations assume their current business model is robust enough to withstand external pressures, failing to stress-test against unexpected disruptions or emerging competitors.

- Illustration: The broadcast television industry assumed that traditional advertising revenue models were secure, but the rise of on-demand streaming and subscription services eroded their dominance.

7 Economic and Political Stability Are the Norm

Boards frequently assume that macroeconomic conditions and political landscapes will remain stable, without accounting for shocks like recessions, policy reversals, or international conflicts.

- Illustration: Global manufacturers that assumed continued free trade and open borders faced sudden challenges from Brexit and escalating U.S.-China trade wars, requiring rapid strategic pivots.

The Impact of Bias on Board Decision Making

Strategic planning depends on a board's ability to assess risks, evaluate opportunities, and make objective decisions. Yet, even the most experienced board members are susceptible to cognitive biases that distort perception and impair judgment. While many leaders acknowledge that decision-making is influenced by external factors, they often fail to recognize how deeply biases shape their own thinking—especially when success reinforces them.

The longer a leader remains in an industry or role, the more likely past successes create false confidence in long-standing assumptions. Familiar patterns and previous wins can lead to confirmation bias and other distortions, making it harder to recognize emerging risks, challenge outdated strategies, or consider alternative perspectives. This creates a dangerous feedback loop where past success becomes the justification for future decisions, regardless of changing conditions

"THE LONGER A LEADER REMAINS IN AN INDUSTRY OR ROLE, THE MORE LIKELY PAST SUCCESSES CREATE FALSE CONFIDENCE IN LONG-STANDING ASSUMPTIONS."

Biases influence strategic discussions and risk oversight in ways board members may not immediately recognize. They do not stem from a lack of expertise but from mental shortcuts that even seasoned professionals rely on to make complex decisions more manageable. When left unchecked, biases can result in:

- Flawed Risk Assessments: Boards may underestimate threats or overestimate opportunities due to overconfidence or confirmation bias, leading to inadequate risk mitigation.
- Suppressed Dissent and Innovation: Groupthink can discourage dissenting voices, leading to missed opportunities for innovation and risk diversification.
- Inflexible Strategies: Anchoring and stability biases may cause boards to cling to outdated strategies, resisting change even when market conditions demand a shift.
- Misaligned Priorities: Availability bias can lead boards to focus on high-profile risks while neglecting less obvious but equally critical threats.

Key Questions for Boards about Common Faulty Assumptions in Strategic Planning

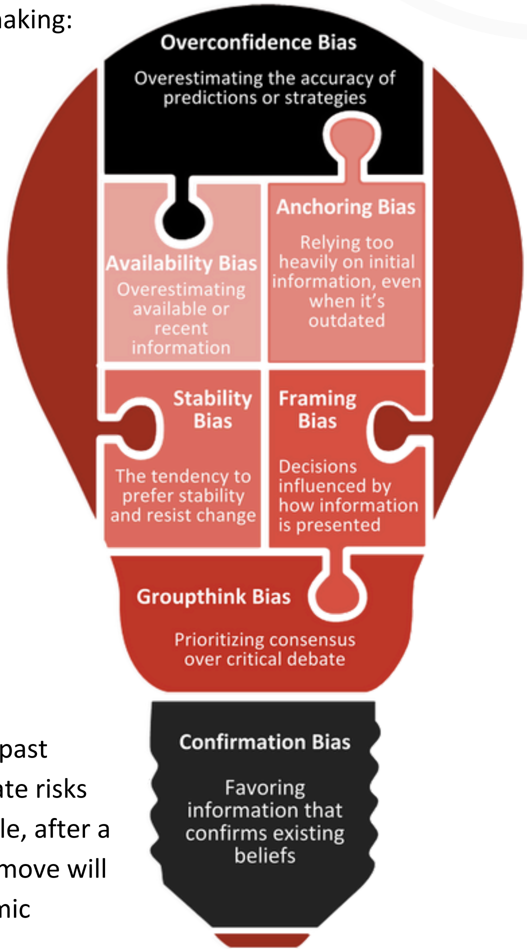
- Which of the common faulty assumptions outlined in this report might be influencing our current strategies, even if we're reluctant to admit it?
- How do we challenge assumptions that have historically served us well but may no longer be valid in today's environment?
- What assumptions are we making about our competitors' strategies and capabilities that could be flawed or outdated?
- Are we assuming that customer loyalty or market leadership will persist, even as new entrants or technologies emerge?

Additionally, the composition of the board plays a critical role in how biases manifest. Boards composed of members with similar industry experience, backgrounds, or viewpoints are particularly prone to groupthink and may lack the diverse perspectives needed to challenge entrenched assumptions. Ensuring cognitive diversity in the boardroom is essential to counteracting bias and strengthening decision-making.

UNDERSTANDING BIAS

Biases are preconceived beliefs that shape how we interpret information and give meaning to what we encounter. They act as mental shortcuts that help individuals process complex information quickly, which can be useful in fast-paced environments. However, in high-stakes strategic settings like the boardroom, these shortcuts often lead to systematic errors in judgment, causing leaders to overlook risks, dismiss new information, or rely too heavily on past experiences, even when circumstances have changed.

Here are some of the most common biases that affect board decision-making:



Common Biases That Affect Board Decision-Making

Confirmation Bias – The tendency to seek out or give more weight to information that confirms existing beliefs while dismissing contradictory evidence. This can cause boards to overlook emerging risks or reject alternative strategies that challenge their current direction. For example, a board confident in its market dominance may ignore early indicators of a competitor gaining traction, assuming their long-standing strategy will continue to succeed.

Groupthink – The tendency to prioritize consensus and cohesion over critical debate, leading to a lack of independent thinking. When dissenting voices are discouraged or dismissed, boards risk making decisions without fully considering potential downsides. For example, a board may approve a high-stakes merger without serious scrutiny because no one wants to be the lone voice questioning the deal's viability.

Overconfidence Bias – The belief that one's knowledge, predictions, or past successes ensure future accuracy. This can cause boards to underestimate risks and overcommit to strategies that lack sufficient safeguards. For example, after a series of successful market expansions, a board might assume the next move will be just as seamless, failing to account for regulatory, cultural, or economic differences in a new region.

Anchoring Bias – The tendency to rely too heavily on the first piece of information encountered when making decisions. This can cause boards to stick to outdated benchmarks or assumptions that no longer reflect reality. For example, a board may continue making budget projections based on pre-pandemic revenue levels, despite clear evidence that consumer behavior has permanently shifted.

A**vailability Bias** – The habit of overemphasizing recent or high-profile information while neglecting broader trends and less visible risks. This bias distorts risk assessment by making immediate threats seem more urgent than underlying vulnerabilities. For example, after a major cyberattack in their industry makes headlines, a board rushes to approve additional cybersecurity spending but neglects to address supply chain weaknesses that pose an even greater long-term threat.

Stability Bias – The tendency to instinctively prefer stability and resist change. Long-term success reinforces the belief that current strategies are inherently resilient, leading to resistance when external conditions suggest otherwise. For example, a board overseeing a legacy company might continue doubling down on traditional retail locations, convinced that in-store shopping will rebound, despite mounting evidence that consumer behavior is shifting permanently toward digital-first models.

Framing Bias – The tendency for decisions or responses to be influenced by how information is presented, rather than the facts themselves. Since we tend to favor positively framed information, this may lead to inconsistent decisions based on whether risks or opportunities are framed in a positive or negative light. For example, a CEO presents a major investment opportunity as having an 80% chance of success. The board approves it with little hesitation. Later, when a risk officer reframes the same deal as having a 20% chance of failure, additional concerns now arise, despite the statistics being identical.

Challenging Assumptions and Biases

The first line of defense against undermining assumptions and biases in decision-making is self-awareness. Boards cannot effectively challenge assumptions and biases without recognizing how these forces shape their own thinking.

"EVEN THE MOST EXPERIENCED BOARD MEMBERS ARE SUSCEPTIBLE TO COGNITIVE BIASES THAT DISTORT PERCEPTION AND IMPAIR JUDGMENT."

Bias training and structured reflection help directors identify the cognitive shortcuts that cloud judgment and reinforce outdated strategies. Making bias awareness a routine governance practice establishes a foundation for more objective and disciplined decision-making.

Beyond self-awareness, boards need structured techniques to identify and address their assumptions and biases. This section introduces foundational tools, including scenario planning, red-teaming, and pre-mortem analysis, to help directors surface hidden risks and challenge entrenched thinking. It also outlines advanced methodologies, such as AI-driven risk assessments and cognitive diversity audits, to enhance board decision-making in an increasingly complex environment.

Common Biases That Affect Board Decision-Making

These widely recognized techniques provide the groundwork for identifying and addressing assumptions and biases in strategic decision-making.

Scenario Planning – Creating multiple plausible future scenarios to test strategic assumptions under different conditions. This approach helps boards anticipate disruptions, explore alternative strategies, and build contingency plans, ensuring they are prepared for a variety of potential futures.

- Actionable Step: Regularly ask, "What if our primary market assumption proves incorrect?" and explore diverse scenarios, including best-case, worst-case, and unexpected disruptions.

Red-Teaming – Designating a group tasked with playing the role of skeptics or adversaries to critically assess key strategic plans. This technique introduces contrarian perspectives into board discussions, challenging the tendency toward groupthink and ensuring that strategic decisions are rigorously evaluated.

- Actionable Step: Assign an internal or external team to challenge prevailing assumptions and propose alternative viewpoints. Rotate team members regularly to maintain fresh perspectives.

Pre-Mortem Analysis - Asking board members to assume a strategy has failed in the future and to identify the possible causes of that failure. By envisioning failure before it happens, boards can uncover potential vulnerabilities and make adjustments before executing a strategy.

- Actionable Step: Before launching a major initiative, ask: "If this strategy fails in three years, what would have caused it?" Use these insights to refine the strategy and mitigate identified risks.

Post-Mortem Reviews - Analyzing past strategic decisions to understand what worked, what didn't, and why. Reflecting on past outcomes ensures that boards learn from both successes and failures, avoid repeated mistakes and refine their approach to strategic planning.

- Actionable Step: After major strategic initiatives, conduct detailed post-mortems focusing on which assumptions proved incorrect and understanding what were the assumptions based on.

KEY RISKS THAT REQUIRE DEEPER INQUIRY INTO ASSUMPTIONS AND BIASES

Certain categories of risk are particularly susceptible to flawed assumptions and cognitive biases, making them critical areas for rigorous evaluation. Boards must leverage both foundational and advanced techniques to ensure that strategic decisions are data-driven, resilient, and responsive to emerging threats.

The following risks demand deeper scrutiny, as they are often shaped by outdated beliefs and unchallenged mental models.

Key Questions for Boards about Challenging Assumptions and Biases

- How consistently do we apply structured techniques like scenario planning, red-teaming, or pre-mortems in our strategic processes?
- Are our assumption testing and bias mitigation efforts viewed as routine governance practices, or are they treated as reactive measures after failures occur?
- What role does cognitive diversity play in our board's ability to challenge assumptions and uncover biases, and how can we enhance it?
- In what ways are we encouraging a culture of continuous challenge and critical thinking within our board and leadership teams?

1. Economic Risks – Economic risks encompass uncertainties related to inflation, market volatility, global supply chains, and overall economic growth trajectories. Economic conditions are influenced by volatile factors like central bank policies, market fluctuations, and global financial crises. Many organizations were blindsided by post-pandemic inflation spikes and supply chain disruptions, highlighting the danger of assuming economic stability. Confirmation bias can lead boards to over-rely on historical data, falsely believing that past performance will predict future trends.

Common Economic Assumptions to Challenge:

- Inflation trends will remain stable and predictable.
- Global supply chains will function without major disruptions.
- Economic growth projections will follow historical patterns.

2. Geopolitical Risks – Geopolitical risks involve uncertainties stemming from shifts in international relations, trade policies, regulatory landscapes, and regional conflicts. Political landscapes shift faster than anticipated, driven by elections, policy changes, and diplomatic tensions. Companies that assumed stability in U.S.-China trade relations or dismissed the impacts of Brexit faced costly adjustments. Stability bias leads boards to underestimate the likelihood of change, while groupthink may suppress the exploration of volatile scenarioS:

Common Geopolitical Assumptions to Challenge:

- U.S. trade policies and tariffs will remain consistent and favorable.
- Global power dynamics will evolve predictably.
- Regional conflicts will not significantly impact our industry or supply chain.

3. Technological Risks – Technological risks encompass the challenges and disruptions posed by rapid advancements in AI, automation, cybersecurity, and digital transformation. The rapid acceleration of AI, automation, and cybersecurity threats means that companies relying on outdated assumptions risk falling behind. The failure of traditional retailers to adopt e-commerce early on exemplifies the cost of underestimating technological disruption. Overconfidence bias often causes boards to believe that existing models can withstand rapid technological change.

Common Technological Assumptions to Challenge:

- AI adoption will be gradual and manageable.
- Cybersecurity threats will remain at current levels.
- Digital transformation can be deferred without competitive consequences.

4. Climate and ESG Risks – Climate and ESG risks involve regulatory changes, stakeholder expectations, and physical climate events that impact sustainability and long-term business resilience. Under the Trump administration, climate and ESG policies are likely to face regulatory rollbacks, shifting enforcement priorities, and changing investor dynamics. While some organizations may assume less regulatory pressure, the risks associated with climate-related disruptions, global ESG expectations, and shifting stakeholder demands remain high. Boards must critically assess how deregulation, geopolitical shifts, and consumer sentiment will impact long-term sustainability strategies.

Common Climate and ESG Assumptions to Challenge:

- Regulatory oversight on climate and ESG will decrease, reducing compliance risks.
- Consumer and investor demand for sustainability initiatives will decline in response to policy shifts.
- Physical climate risks (wildfires, floods, extreme weather) remain isolated events rather than systemic threats.

Final Thoughts

Boards that challenge their assumptions before reality does it for them are the ones that remain resilient in the face of disruption. Those that fail to revisit their assumptions risk turning early insights into blind spots, leaving their organizations exposed. Cognitive biases, particularly in long-successful boards, create false confidence, making it harder to recognize when once-sound strategies no longer hold. The most effective boards embed continuous challenge and structured evaluation into governance, ensuring that assumptions are tested, vulnerabilities are surfaced, and strategies remain adaptable. A commitment to rigorous self-examination and a willingness to rethink deeply held beliefs will sharpen oversight, strengthen decision-making, and ensure the organization is prepared for whatever comes next.

ABOUT THE AUTHOR

Sherrin Ross Ingram is a board director, CEO, and sought-after strategic advisor known for her sharp analytical approach and ability to challenge conventional thinking in corporate governance. As CEO of the International Center for Strategic Planning, she has guided organizations through complex strategy shifts, market disruptions, and executive decision-making challenges. A fractional Chief Strategy Officer, Sherrin has led high-stakes strategic initiatives across industries, helping boards navigate uncertainty, optimize execution, and mitigate risk.

Recognized as a 2024 Director to Watch and a Top 100 Woman of Influence, Sherrin is a trusted voice in boardroom leadership, strategic foresight, and governance innovation. A dynamic speaker, she has delivered over 1,000 keynotes and workshops worldwide on strategy execution, risk oversight, and leadership effectiveness. Through her weekly STRATEGIC Implications and monthly Strategies & Tactics reports, she brings a decisive, data-driven approach to board service, making her a valuable resource for organizations seeking strategic agility, risk-informed decision-making, and sustainable growth.

Key Questions for Boards about Key Risks That Require Deeper Inquiry

- How are we adapting our assumptions about inflation, supply chain stability, and economic growth in light of recent global disruptions?
- What assumptions are we making about the stability of trade relationships and geopolitical alliances, and how resilient are those assumptions?
- What early warning signs are we monitoring to detect shifts in economic, geopolitical, technological conditions, or other risks that could invalidate our strategic assumptions?
- How might we be underestimating the speed at which competitors or new entrants might adopt disruptive technologies, and how could that affect our market position?

Learn more about Sherrin's work at:

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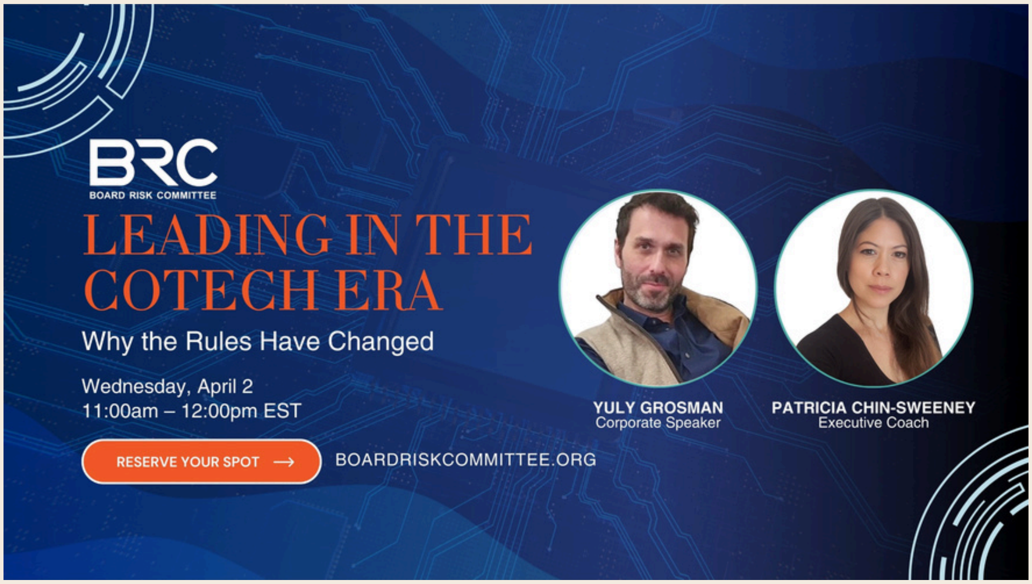

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Tuesday, May 6, 2025

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Who We Are

The Board Risk Committee (BRC) is a nonprofit, non-competitive thought leadership peer forum dedicated to Board Risk Committee members and Chief Risk Officers (CROs). The BRC is a trusted place for the exchange of ideas, best practices, and topics of interest.

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