

## Communicating as a Tool to Manage Uncertainty: A Case Study

A common tool for reducing uncertainty is to gather more information. In addition to getting information, a critical practice that can help reduce the level of uncertainty and help the firm enact optimal activities in the face of uncertainty is *giving* information by communicating with others.

Communication occurs both internally and externally. Externally, the information that is communicated must be “honest, realistic and temperate.” From the initial start-up to maturity, “it is imperative that the firm manages the message it gives to the outside world.” When the firm is young this information is “honest, but also contains hope and promise.” When the firm is publicly held, the information is “accurate, complete, and transparent.” Communication that

supplies genuine intentions and information reduces uncertainty because it provides a true picture of the firm. When the firm performs to this picture, the communication is validated and the firm gains a reputation for being reliable which can increase the firm’s ability to raise capital.

It is not surprising that a confident and charismatic entrepreneur can over-promise on what a firm can deliver. Flush with excitement, confident in one’s team and concerned about the need to raise outside capital can lead to optimistic portrayals of the firm. Indeed, talking-up a company’s ability is often thought to be what builds interest and brings in capital. However, speaking beyond the realities of the firm can also serve to

increase uncertainty. For example, when investors are brought aboard based on an unrealistic future (e.g. when the time it’ll take to get to the next stage is down-played), retaining them as investors in future rounds becomes more difficult, thereby increasing the uncertainty the firm faces.

When communication overstates what the firm can do, it can backfire. As one manager described a situation, “things just fell apart and we all lost a lot because the CEO didn’t communicate realistic goals and didn’t manage the relationship with investors. Ultimately it crippled the firm.” In contrast, communication that is honest, accurate and complete can help to avoid the extra uncertainty associated with finding more investors and the

harsh consequences when funds run short and investors can't be found.

Managing the exchange of information within the firm is also extremely critical to addressing uncertainty. The type of internally communicated information that goes the farthest to manage or avoid uncertainty is that which is truthful, opinionated, and open-ended. "Open communication can help individuals understand the various areas of execution that are affected by their actions." Such exchanges and the mechanisms that encourage open exchanges – including "limited levels of management, face-to-face and personal conversations, respect for differences of opinions, a willingness to speak openly, a norm to listen and a non-threatening environment" - can help individuals pass information that is critical for making informed decisions.

An often overlooked area of the internal flow of information is opinions. In most firms, it is common that internal communication is based on indisputable data-based evidence and conclusions. However, with the uncertainty that surrounds biotechnology product development it is equally important that "individuals talk from their gut, express what they

believe and say what they feel." These facets of the communication can represent significant pieces of information that help guide the firm through uncertainty.

To encourage the exchange and genuine consideration of hunches and gut feelings, the firm must build norms that encourage these exchanges without the threat of repercussions. Opinions and gut feelings are all part of the communication that can help firms manage uncertainty as their firm evolves. When included in discussions, these insights can be used along side data-driven knowledge so that a firm can make fully informed decisions. "For the best ideas to reach the surface, people need to be able and be determined to make their points, even when the evidence doesn't point to a single choice."