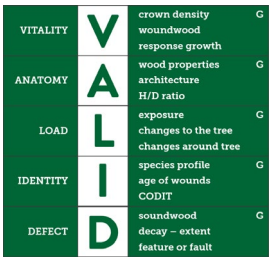
1 F - Likelihood of Failure

How to use the colours Green | Amber | Red when you make your likelihood of failure decision

1 This is a guide to supplement your training about how to colour VALID when you to make your F - Likelihood of Failure decision in the App. We'll put together additional supplementary guidance about the F factors when we've completed the v2 upgrade, where DEFECT is being replaced by DECAY.

How does VALID guide you?



2 VALID gives you 5 chapter headings, and 15 subheadings, which help you write your likelihood of failure narrative. VALID's breaking down a tough decision into smaller and easier, letter-by-letter, micro-decisions.

How you colour each letter of VALID is going to guide you in two ways.

1) First, to a base rate colour of **Green** or **Red**.

2) Then, in relation to the base rate colour. What's the *best* F - Likelihood of Failure decision you can make with the evidence you have at this Detailed Assessement level? Where are you going to place your $10 000 likelihood of failure bet?

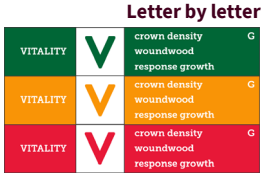
Which base rate colour are you going to anchor your F decision to?

3 Think of a base rate as a big broad canvas from which you first anchor, before fine-tuning your F decision with *all* the colours. Which base rate colour does the tree part you're assessing most closely resemble?

Green - A tree part you least expect to fail in the next year.

Red - A tree part you most expect to fail in the next year.

Letter by letter

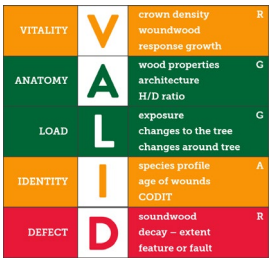


4 When you go through VALID, letter-by-letter, the colour is set **Green** because we know our base rate risk from trees is extremely low. Here, with V for Vitality, tapping the bar in the App cycles it through **Green** - **Amber** - **Red**. You're going to make a decision whether the letter stays **Green**. Or is there enough gravity to pull Vitality away from green to **Amber?** Or is their enough weight to drag it all the way to **Red?**

1.1 Getting to your base rate colour

Amber plays no part in your Green or Red base rate decision

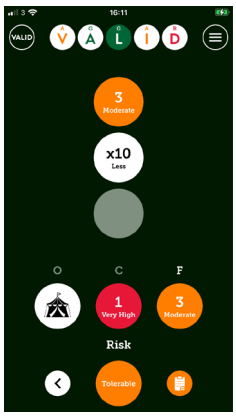
Amber does its work later



5 Once you've completed each letter of VALID, you first see your Likelihood of Failure narrative in the whole. Until now, by design, you've been working on each chapter separately. This is where you get to take stock, review your work, and edit it if necessary.

Next, decide which chapter heading is the most important in your F chronicle. Which letter is having the greatest influence on the likelihood of failure? The most important letter ***has*** to be **Green** or **Red** because you're working out whether you're going to anchor to a base rate that's **Green** or **Red**. Your most influential letter ***can't*** be **Amber** because that won't help you with your base rate colour decision of **Green** or **Red**. If you have several letters the same colour as your base rate, and there's no obvious stand out chapter, it doesn't matter which one you choose.

1.2 Getting to your F - Likelihood of Failure category



6 Once we've got you to your base rate colour, if you have any **Ambers**, that's when they do their work alongside the other **Greens** or **Reds**.

If your base rate is **Green**, how much of VALID is coloured **Amber** or **Red** helps you decide whether your F is pulled *higher* and by how much. Is there enough **Amber** or **Red** in VALID for you to increase your F, and by how much? From **5 Very Low**, to **4 Low** , or all the way up to **3 Moderate**.

Or the other way. If your base rate is **Red**, how much of VALID is coloured **Amber** or **Green** will help you decide how much *lower* you're pulled away from **1 Very High**. Down to **2 High**, or all the way down to **3 Moderate**.

In the case on the left, we've got a **Green** base rate. And, there's enough weight of **Amber** and **Red** to back a decision that pulls the F - Likelihood of Failure category all the way up to **3 Moderate**.