Coping with uncertainty in decision-making

The challenge

In an environment that is increasingly difficult to predict or control, many people tend to avoid launching initiatives with an uncertain outcome. Yet, by doing so, they incur another risk, less visible but just as dangerous: that of keeping to the status quo and realizing, too late, that the changes in their environment have passed them by. Although prudence is commendable, it should not lead to immobility or cause people to miss precious opportunities. Following a few principles can help you make decisions despite the fears naturally generated by the uncertainty.

Two levers for action

When a risk factor makes a decision difficult, it is often possible to act on two different levels:

Reduce the probability of the risk materializing

Take precautionary measures.

It is sometimes possible to take preventive measures to **reduce the risk**. However, be careful not to invest more than necessary in such measures given the risk incurred. And do not believe that such precautions will eliminate all uncertainty: you might not react in time in the event of a problem.
E.g.: Strengthening preventive checks, increasing production capacity more than absolutely necessary, negotiating an indemnity clause in the event a supplier does not fulfill a commitment, etc.

Put off the irreversible decision point.

When the risk is high, it is sometimes possible to delay the decision until the uncertainty is reduced:

- Put off the decision in order to obtain **additional information**.
  E.g.: Conduct additional studies, investigate a point that your intuition tells you needs further consideration.
- **Break down the decision** so that you only commit when the risks are deemed acceptable.
  E.g.: Conduct a pilot project before launching a large-scale project, launch a product on a test market, test a prototype.

Limit the gravity of the consequences of the risk materializing

Be prepared to react rapidly.

It is easier to make a risky decision when you know you will be able to react if the situation does not evolve as you wished.

- **Implement a warning system.**
  E.g.: Ask line staff to watch out for certain signs and rapidly inform those concerned.
- **Have a "Plan B":** a reaction is often more effective when it has been anticipated.
  E.g.: Plan an emergency reconfiguration of the production line in the event of breakdown of new equipement to be invested in.

Minimize losses in the event of a problem.

Measures can sometimes be taken to lessen the cost of an unfavorable outcome.

- **Diversify the risks.** Conducting several projects with different risk factors in parallel enables overall losses to be limited should a risk materialize.
  E.g.: Use several suppliers, spread production over several sites, etc.
- **Hedge your risks.** "nsurance" can be taken out against the consequences of a disaster which will compensate for some of the losses.
  E.g.: In parallel, launch a project that has every chance to succeed in case the main project fails.