3 Ways to Take Action in the Face of Uncertainty

by Jonathan Berman
If you’ve ever caught a deer in your headlights, you’ve seen that the first reaction to uncertainty is to freeze. The status quo seems the safest situation from which to assess.

It’s not an instinct limited to the wild. In the wake of the 2008 financial crisis, U.S. companies have often hesitated to invest, citing “uncertainty” while they sit on a historic mountain of cash. Employees have also been quitting jobs less often and U.S. families haven’t been moving as much. Relative to our past, we are standing still, taking stock.
Uncertainty is not going away anytime soon, and inaction can’t be the default response. So how should leaders adapt? I recently discussed the issue of managing through uncertainty with retired U.S. general and former CIA director David Petraeus, now a partner in the global investment firm KKR and Chairman of KKR’s Global Institute. Petraeus has managed uncertainty of global scope and with the highest stakes. Our conversation took place well before the recent upswing in terrorist violence, but the lessons have an added resonance now. Our conversation left me with three recommendations for managing uncertainty that we all can use:

• Learn faster than your opponent
• Focus guidance on bigger issues
• Be ready to exploit surprise gains

Learn faster than your opponent. Uncertainty may darken the entire horizon, but not everyone is affected equally. The edge often goes to those who can learn quickly. “For the military,” Petraeus observed, “learning faster than the enemy meant deploying lessons learned teams and ensuring commanders are focused on identifying the need to make changes to our big ideas, campaign plans, organizational structures, equipment, and operational bases.” For companies, learning faster than competitors can mean incorporating a “What have we learned?” discussion into weekly or daily team meetings. Whatever the size of your organization, don’t stop the learning with an observation. Drive to change behaviors.

Learning faster also means acknowledging failure and error. “There has to be an appropriate culture of freedom to fail,” Petraeus advises, “as long as failure (as well as success) is followed by a very careful after-action review, to understand what transpired, why it happened, and then how to reduce the chances of it happening in the future.” I would add that the aspiration in uncertainty is not to reduce the chances of failure, but to minimize its costs, and the odds that the same failure recurs. As one successful venture capitalist told me, “we try to make new mistakes each day.”

Of course if errors are going to be a font of faster learning, they need to be reported and shared. That’s a culture that has to be set at the top. When Petraeus learned a U.S. army sniper in Iraq had taken target practice on pages from the Koran, he alerted his superiors right away. “I sent up what we call a red star cluster,” he recalled. “Everyone up the chain of command was notified. In my case, it even went to the Secretary of Defense and the President. The President and I apologized to the President and Prime Minister of Iraq, and that helped limit the damage, along with redoubled training on the need for sensitivity to religious, cultural, and ethnic issues.”

Businesses that face uncertainty also need culture that socializes errors. As part of the leadership at a strategy firm growing rapidly in frontier markets, there were times when I should have receive a notice akin to that “red star cluster” — and certainly times when I should have sent one but didn’t. As your organization encounters uncertainty, how confident are you that you’ve enabled your team to share errors and escalate them?
**Give less guidance, and save it for the big issues.** In uncertainty, more decisions need to be made by those closest to new information. During his military career, Petraeus stressed the importance of the “strategic corporal,” the young leader whose tactical actions could have strategic consequences, advancing or undermining an overall campaign. In conditions of uncertainty, it’s all the more important to push decision-making outward and downwards, towards where new information is originating and where it can be acted on most swiftly.

Does this mean managers at the top of the organization get a break? Hardly. They need to be focused on attracting the right people and training them to make the right decisions. Petraeus recalled, “Our soldiers had to be ready to be greeted by either a handshake or a hand grenade, and to be prepared to respond appropriately to either.” Earlier in his career, he received training better suited for a more certain environment. “Ever since I was a company and battalion commander,” Petraeus said, “I had been unimpressed with our combined arms live fire exercises, which were largely carefully scripted. Where’s the spontaneity in that, the requirement to react to unforeseen circumstances?”

To manage the uncertainty that characterizes counterinsurgency, Petraeus made changes. He emphasized aggressive live-fire exercises, with scenarios that varied widely. “We got what we wanted,” Petraeus said, “people who could react to the unforeseen.” (What Petraeus also got was an M16 round through his chest, fired by a comrade in a freak accident during just such an exercise. “The unforeseen,” he recounted with a wry grin).

For decentralized authority to succeed, senior managers need to reinforce core principles to guide newly empowered decision-makers. I work often in remote regions, where front-line managers are far from headquarters. The best of these operations rely less on policies or procedures, and more on basic values that establish a culture. Celtel and Econet were two pioneering African mobile phone networks, operating in geographies that defined uncertainty, and where corruption often succeeded. Both largely avoided that corruption because their founders established cultures of transparency that pervaded their organizations. Respect for Islam was a bedrock principle of U.S. commanders under Petraeus. I would submit the Koran incident represented a rare failure of that principle to inform low level decision making. It also demonstrated that no matter how extensive the preparation, mistakes still happen and leaders have to be prepared for them.

**Be ready to exploit surprise gains.** For most people, uncertainty breeds anxiety. Amidst it, we lose sight of the potential for unexpected gains. Petraeus shared a classic military example. In the 1973 Yom Kippur War in the Middle East, the Egyptian forces successfully crossed the Suez Canal and penetrated quickly into the Sinai, achieving gains beyond even the most optimistic Egyptian assessments. However they were unprepared for that success, and too slow to exploit it. The delay allowed Israeli forces to regroup and ultimately deliver a military defeat to the Egyptians.

Few of us make decisions about national survival, but we do make choices that affect the survival of our companies. The best leaders are prepared for the gains uncertainty can yield.
Despite the opportunity for upside, uncertainty breeds indecision in many managers. They defer difficult choices by demanding more data and further study, habits that will only be exacerbated by the advent of big data. While data can strip away some uncertainty, it rarely eliminates it. To thrive, leaders need better tools to manage uncertainty itself. Faster learning, decentralized decision-making, and looking out for unexpected gains are three essentials in that toolkit.