One of the problems that we have in business is that we often cannot know the answer to questions in advance. Consequently we can invest a great deal of effort into reducing uncertainty – although we often do not understand uncertainty very well, and the profitability opportunities only exist where outcomes are uncertain.

There are two types of uncertainty and we have to deal with them differently. The first type is, called uncertainty risk, when we know the potential outcomes in advance and may even know the odds of these outcomes in advance. Risk is directly related to return since one expects a higher return to compensate for taking on higher risk. There are many ways to measure both risk and return, but once we have the anticipated return, this can be used to calculate the value of the asset.

But this straightforward process is complicated by the existence of uncertainty. This situation, when we do not know the possible outcomes in advance, let alone their probabilities, is called genuine uncertainty, and it differs from risk very much. It occurs in complex systems, where lots of actors interact over time. Business is such a type of system. And it seems we have to accept that real opportunities for profit only exist in the face of genuine uncertainty. Which means, that we not only have to deal with uncertainty we must seek it out.

And there are problems considering to our approach to deal with uncertainty. We can confuse uncertainty with risk, of course, many times.
- We act like everything is just a risk we greatly increase the chance of failure.
- We act like everything is unknowable, and uncertainty often gets blamed for inaction. We can’t use not knowing as an excuse to not act – because we never know.