

STRATEGY

## Uncertain Times, Certain Opportunity

by Mark Griffin and Gudela Grote



*Uncertainty due to COVID-19 has created anxiety for firms. But uncertainty also allows learning and positive change.*

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The global COVID-19 pandemic has generated intense anxiety, and governments around the world are taking unprecedented action to manage health and economic threats. These threats are closely linked to fundamental uncertainties about personal, company, and national futures. Even before the pandemic, though, uncertainty has been presented as the

single biggest threat to economic and social welfare. That is unfortunate. Uncertainty is a pervasive and necessary part of life, which holds promise for individual growth and organizational learning and innovation—even now.

We recently explored how **uncertainty plays a more positive role at work**. To be sure, we acknowledge that not all uncertainty is positive; uncertainty can provoke anxiety and disrupt planning. However, the scientific literature and popular press generally emphasize the downside of uncertainty and ignore the potential upsides. For example, finance media consistently link uncertainty to lower investment; the negative effect of uncertainty is obviously considered to be more newsworthy. Yet, in a review of economic studies, **over one third showed a positive link between uncertainty and investment**. Indeed, “**a financial market requires the certainty that the uncertainty will continue**”.

Organizational scholars and managers tend to account for positive uncertainty only obliquely and incidentally, often in relation to innovation, while reserving most attention for uncertainty as an unavoidable and equally unwanted fact of life. This thinking is bolstered by psychological theories which are dominated by concepts of uncertainty reduction, arguing, for instance, that **the driving force behind people joining social groups is an increased sense of personal certainty**. However, excessive attention to the negative aspects of uncertainty is a concern because it diminishes our capacity to learn. Opportunities will be missed if uncertainty is always to be avoided or minimized.

## Rethinking uncertainty

*Uncertainty signals potential for learning and change – not always threat.* It is all too obvious that the current pandemic comes with much uncertainty and involves major threats to society. Especially in such dramatic situations, it is less obvious that uncertainty is not fundamentally about threat. Rather, uncertainty signals that there is potential for change, in ourselves and in our environment. **Neuroscience shows that our brains are hardwired to notice change, which we first experience as uncertainty**. Our perceptual systems are vigilant for anything that is new in the environment and, conversely, tend to tune out when the environment is constant. Simply put, anything new or unexpected

captures our attention. This capacity is an evolutionary adaptation that aids survival: uncertainty signals not only potential threat (e.g., a predator) but also opportunities such as a new food source or a potential mate.

***Uncertainty creates choice – explore or exploit.*** Uncertainty triggers the choice between exploration and exploitation. Should one tread a more well-known path or forge new paths of discovery? **Managers and organizational scholars have long sought to explain the optimal choice between these options.** However, the dominant focus has been a reactive one: In more certain environments, exploiting own strengths is recommended; in highly uncertain environments, exploration is assumed to foster faster adaptation to external demands. We suggest that individuals and companies may also choose exploration to deliberately increase uncertainty and forge new learning opportunities for themselves. They will do so based on their assessment of how much uncertainty they can and want to bear and how important they consider learning to be in and of itself.

Even in the current highly uncertain situation created by the COVID-19 pandemic, one finds examples where individuals and companies expose themselves to yet more uncertainty by abandoning known routines in search of new prospects. The people happily trying out new technical gadgets for virtual teamwork, teaching, and learning provide simple examples for such choices. But there are also whole firms that have opted for exploring unknown terrain by giving up their current business models. A rather obvious pivot is to move to e-commerce. For example, MyoMaster, which opened for business only last year selling sport recovery gear at major sporting events, has turned itself into an online store. **The founder described in a Forbes interview** how the whole team was up late doing online courses and learning as they went, so that they could update their website, find influencers, create content, and promote themselves through digital advertising.

Other firms have embraced uncertainty further still by changing their line of business altogether. For instance, the **Seattle-based photo booth rental company SnapBar** turned itself into the new venture Keep Your City Smiling, an online store for gift boxes containing products from small businesses in the respective cities. This not only saved the jobs of SnapBar workers, but also helps other struggling small businesses to survive.

# Engaging with uncertainty in the long run

In uncertain environments, exploration is critical for survival, and many businesses have adapted their operations in response to the pandemic crisis. Manufacturers have retooled production lines to meet demands for medical products ranging from face masks to ventilators. Online services have increased dramatically in retail, food, and education. Many of these changes will be reversed once the special demands on the healthcare system and on social interaction cease. However, these changes also hold a promise for more fundamental learning. Realizing this promise will depend not only on unfolding economic and social conditions but also on the way businesses choose to engage with uncertainty in the future. We see three paths for such engagement with uncertainty, each with different implications for long-term innovation capabilities.

***Path 1. Return to certainty.*** Along this path, organizations will strive for certainty once a more predictable future is in sight. This strong exploitation strategy is feasible where the underlying market has not changed during the crisis. For example, production lines return to meet the market needs for which they were originally designed.

***Path 2. The “new normal”.*** Public dialogue is now frequently invoking ideas of the “new normal” to describe situations ranging from the post-pandemic economy to social practices such as handshakes. The “new normal” involves permanent disruption to fundamental business routines. However, the path also implies re-instantiation of stability and predictability. Successful new routines are exploited, such as offering of more online services in retail, or in event management with more demand for virtual conferences and business meetings or changed work patterns including more work from home.

***Path 3. Sustained exploration.*** Finally, some will make exploration a more central and ongoing strategic activity. Sustained exploration involves a qualitative shift in a person’s or organization’s relationship with uncertainty. Not only does a new level of uncertainty become acceptable, it also becomes desirable. One astonishing example of this approach is a large teaching hospital in Switzerland, where even during the most trying times of the

pandemic, **the hospital has upheld its strategy to encourage speaking up by making time for systematic debriefings using carefully crafted advocacy and inquiry techniques.**

## More uncertainty ... really?

A call to embrace more uncertainty when uncertainty is already high might seem counterintuitive if not foolhardy. However, increasing uncertainty is an intrinsic but unappreciated aspect of exploration. Exploratory actions, by their nature, lead the actor into domains they know little about. This is easier when an actor feels comfortable with uncertainty, which may be the case, for instance, because of a **personal attraction to learning and risk taking**, or because there are stabilizing factors that counteract the elevated uncertainty. In the case of the hospital mentioned earlier, **such a stabilizing factor has been psychological safety**, that is, the shared understanding that speaking one's mind is accepted or even encouraged.

To be able to benefit from uncertainty, firms need to look out for what might provide a stable backdrop to exploration. This may be challenging in the best of times. Companies tend to only start setting **uncertainty-raising stretch goals** for themselves when they have no slack anymore, which sets them up for failure. In COVID-19 times, it is much harder still. **Financial buffers against layoffs as offered by some governments** are a big help for assuaging fears of job loss, which frees people's mind for innovation and learning. The examples mentioned earlier from US firms show that a shared commitment to taking and managing economic risks together might have a similar effect.

And one may also get lucky, as **in the case of two Swiss entrepreneurs** who set up “La petite épicerie”, a physical store for produce which is managed online through a network of local farmers and customers. Suppliers enter the physical store whenever more of their produce is needed, customers enter the store whenever they want to pick up their orders 24/7. Rarely will they meet, which is the perfect arrangement for the current times of physical distancing. COVID-19 has allowed the start-up to open two more stores already, the two founders getting closer living their idea.

## ► References

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