

Chapter 11: Risk & Uncertainty — Leading When Evidence Ends

A board-level guide to judgment beyond evidence

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*Part of the Strategic Growth in the Mid-Market series by
Outdoor Connect*



At the edge of knowledge, leadership begins.

In Chapter 10, we defined strategy as a living system. Yet even the most disciplined system meets the limits of what can be known. This chapter begins at that boundary. Where Chapter 10 explored *how organisations think*, this one examines *how leaders decide* when thought no longer provides certainty — when analysis must give way to conviction, and judgment becomes an act of creation. It is the point where strategy turns from method into morality.

Risk is what you can measure. Uncertainty is what defines you.

For the theoretical foundation of this chapter, see **The Illusion of Knowing** (Outdoor Connect, 2025) — which demonstrates, through the mathematics of information theory, that even in a universe of infinite data, certainty remains structurally unattainable. Strategy therefore begins not where data ends, but where leadership accepts its limits.

The Illusion of Certainty

Most mid-sized companies treat uncertainty as something to eliminate. They build plans, models, and dashboards — believing that enough data will turn ambiguity into knowledge. Yet strategy does not live in the realm of the predictable. It lives in the space between evidence and conviction.

Peter Drucker once observed that the greatest danger in times of turbulence is not the turbulence itself, but to act with yesterday’s logic. That logic — the search for certainty before action — traps organisations in paralysis. They wait for validation until the opportunity has moved on.

Uncertainty is not a temporary disturbance of order. It is the natural state in which leadership operates.

Risk, Uncertainty, and Ambiguity: Three Different Worlds

Boards often use these terms interchangeably, but they demand fundamentally different postures of governance.

<i>Type</i>	<i>Nature</i>	<i>Leadership Task</i>
<i>Risk</i>	Quantifiable variance within known parameters	<i>Manage</i> through systems and mitigation
<i>Uncertainty</i>	Unknown outcomes, known variables	<i>Decide</i> through judgment and optionality
<i>Ambiguity</i>	Unknown variables and unknown outcomes	<i>Interpret</i> through sense-making and experimentation

In the mid-market, the danger is to over-manage risk and under-lead uncertainty. Processes protect the known; only leadership can navigate the unknowable.

Strategy as the Management of Commitment

Every true strategy involves commitment — the deliberate act of closing off alternatives to give direction weight. A decision becomes strategic the moment it binds resources, reputation, and energy to a chosen path.

Most operational choices are reversible. Strategic ones are not. That is precisely what gives them power. When a company decides to replatform its product, enter a new market, or shift its business model, it is not merely taking a risk; it is making a **commitment** that defines who it will become.

Consider, for instance, a firm that decides to abandon a legacy software architecture in favour of a fully cloud-native platform. It is not just changing code; it is choosing a different future — one that demands new capabilities, partnerships, and cost structures. That is the weight of commitment.

Commitment turns uncertainty from an external threat into an internal compass. It forces consistency — across priorities, capital allocation, and behaviour. Without commitment, strategy drifts; with it, strategy becomes real.

Bruce Henderson described this as *strategic momentum*: every decision alters the conditions for the next. Leadership's task is not to avoid irreversibility but to choose it wisely — to determine which commitments create structural advantage, and which merely constrain future flexibility.

The Discipline of Uncertainty

Strategic maturity reveals itself not in how firms avoid mistakes, but in how they constructively engage with the unknown. The discipline of uncertainty rests on three principles:

1. **Optionality before Optimization**

In unstable environments, flexibility outranks efficiency. A company with two credible paths may seem indecisive but is, in fact, resilient. The objective is not to minimize variance but to preserve choice.

2. **Signals over Certainty**

As explored in Chapter 10, sensing weak signals is the essence of strategic vitality. Waiting for full information is equivalent to arriving too late.

3. Conviction under Ambiguity

The most senior judgment a board exercises is to commit when evidence ends. Conviction does not replace analysis — it transcends it.

Inside-Out Awareness — Stability as a Form of Judgment

Every leadership team must decide how it wishes to *know* the world.

There are only two ways to look outward:

1. **Outside-in** — The world is the fixed truth; our perception is the variable. We take the external environment as the objective signal and treat our vision as a model that must be adjusted whenever new data arrives. It is the scientific posture — precise, adaptive, but restless.
2. **Inside-out** — Vision is the fixed reference; reality is the variable. We take our worldview as the coordinate system and interpret the world's movements as signals around it. It is the strategic posture — steady, selective, and calm.

The difference is not philosophical; it is operational. An outside-in organisation scans constantly and reacts quickly — yet risks confusing noise for change. An inside-out organisation interprets slowly and acts deliberately — filtering volatility through a coherent frame of meaning. The first maximises sensitivity; the second preserves coherence.

Inside-out awareness is not denial of change. It is **discipline of interpretation**. It asks: *Has the underlying process shifted, or is this merely short-term variance?* Most events are noise around a stable structure; only occasionally does the structure itself move. Strategic judgment lies in distinguishing one from the other.

This approach creates what might be called **strategic calm** — the capacity to remain still while the world oscillates. Leaders who hold a clear worldview can read fluctuations without losing direction. They do not rewrite vision every quarter; they test whether the foundations of that vision remain valid.

When the structure of reality truly changes — when technology, regulation, or behaviour alter the equations beneath your model — then and only then must the worldview itself be rewritten. Until that moment, holding the line is not stubbornness. It is leadership.

From Reflection to Rhythm

The ability to think clearly in uncertainty is not abstract virtue. It must translate into rhythm — into a way of leading that gives motion to conviction. Where

analysis ends, practice begins. The following disciplines are not tactics, but patterns: the quiet architecture of how effective CEOs lead when evidence fails. They do not eliminate uncertainty. They give it shape.

The CEO Playbook: Turning Uncertainty into Advantage

Strategy under uncertainty is not about predicting more. It is about deciding faster, learning sooner, and committing deeper.

1. Define Your Conviction Horizon

Every CEO should draw a **time horizon of conviction** — how far ahead you can decide *with confidence*, not with data.

- 12–18 months: operational visibility
- 2–3 years: strategic conviction
- Beyond 3 years: purpose and direction, not plan

Action: Make your board discussion start from conviction, not forecast.

Ask: *What do we believe will still be true when the numbers change?*

2. Build Optionality into the Core

Replace single-path dependency with **structured optionality**.

- Develop 2–3 credible strategic paths, not endless scenarios.
- Anchor budgets in options, not commitments.
- Treat small-scale experiments as strategic probes — not costs.

Action: Require every strategic proposal to include a “Plan B” that’s *not a fallback*, but an alternative future.

3. Institutionalize Sensing

Strategy fails not for lack of ideas but for lack of awareness.

- Create a small **signal board** — 3–5 people scanning for weak, leading indicators.
- Measure *time-to-awareness*: how quickly insights travel from market to boardroom.

- Review patterns, not events.

Action: Add a 15-minute “Signals & Shifts” item to your monthly exec agenda — no PowerPoints, only what changed in the field.

4. Separate Risk from Uncertainty

Treat them differently in governance.

- **Risk:** managed through control systems, audits, and KPIs.
- **Uncertainty:** governed through discussion, reflection, and deliberate commitment.

Action: Redesign your board calendar — one session per quarter focused purely on “judgment under uncertainty,” free from reporting cycles.

5. Lead Inside-Out

Anchor the company in a worldview — your own diagnostic of how the world works.

- Review that worldview once a year, not every quarter.
- Treat turbulence as data, not direction.
- When the structure changes, rewrite the worldview — but only then.

Action: Write a one-page “CEO worldview memo.” Share it internally. Let people know what you believe — and what would make you change your mind.

6. Protect Energy, Not Control

You cannot manage uncertainty by managing more tightly.

- Replace control loops with energy loops: rhythm, focus, reflection.
- Keep decisions close to the information edge.
- Lead by coherence, not by detail.

Action: Ask yourself weekly: *Where does the organisation’s energy go — and does it align with our commitments?*

7. Make Judgment a System

Judgment can scale — if it's codified.

- Debrief every major decision within 30 days: what did we know, what did we assume, what was uncertain?
- Capture learning in a short “decision journal.”
- Build institutional memory of judgment, not just results.

Action: Start a simple ritual: “one learning, one surprise” after every board cycle.

These are not instructions but disciplines — a way of being in motion when certainty has disappeared. Uncertainty is not the opposite of control. It is the arena of leadership.

The best CEOs do not predict better than others.

They **structure conviction, institutionalize learning, and stay calm in motion.**

They know that in a world without certainty, the real differentiator is *how you think when the data runs out.*

The Judgment Gap

No model closes the final gap between knowledge and action. That gap must be crossed by judgment — the essence of leadership.

Judgment sits at the intersection of experience and imagination: the ability to see patterns others overlook and to trust intuition shaped by disciplined observation. In mid-sized firms, judgment often resides in the founder or CEO; scaling the company means scaling judgment into a system.

The strategic function (Chapter 10) thus evolves into an institutional conscience — a living dialogue between data and discernment.

Closing Reflection

Uncertainty is not the enemy of strategy; it is its proving ground. The role of leadership is not to remove doubt, but to decide which uncertainty is worth owning.

You cannot predict the future. But you can choose the version of it you are willing to live in.

Every act of judgment carries consequence. Once uncertainty becomes action, questions of capability turn into questions of conscience.

The next chapter, *Morality and Ethics of Strategy*, explores that transition — how purpose, power, and responsibility converge when leaders act beyond evidence. For if uncertainty tests leadership, morality tests its legitimacy.

Editorial Note

This chapter and *The Illusion of Knowing* form a deliberate dyad. The latter defines the epistemic limit — the mathematics that proves certainty unattainable. The former defines the managerial response — the discipline that turns that limit into leadership. Together, they complete one idea:

When knowledge ends, judgment begins — and that boundary is where strategy truly lives.

About Outdoor Connect

Outdoor Connect is an independent strategy advisory platform focused on board-level value creation for mid-sized, growth-driven companies (€50–€1B). We bring direct senior engagement—without the traditional consulting pyramid—to help founders, CEOs and boards set direction, make sharper capital allocation choices, and embed an execution rhythm. Core areas include growth strategy in technology and the energy transition, strategic repositioning in fragmented markets, and board-level sparring on value creation and M&A preparation.

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