Why The Hardest Decisions Aren't Really About Risk

"I'm not doing it," John remarked.

"Why not?" the doctor asked.

"Because everyone who has this operation gets worse."

John had lived with an enlarged prostate for years. It was a benign condition. His medication was no longer providing enough relief, so his doctor recommended a routine procedure.

Was John right?

Most of us know someone whose condition appeared to worsen after an operation. It is therefore easy to conclude that the operation caused it. Yet medicine is rarely that simple. In John's case, the stories he had heard may have involved people with prostate cancer rather than a benign prostate condition. Very different diseases with very different outcomes.

Our brains are remarkably good at connecting events and constructing explanations. They are far less adept at distinguishing coincidence from causation. At first glance, this seems like a medical story. It isn't. It's a story about how we make decisions when the future is unknowable. Over a century ago, economist Frank H. Knight drew an important distinction in *Risk, Uncertainty, and Profit* (1921) summed up as follows:

1) Risk is when you don't know the outcome, but you can reasonably estimate the probabilities of the possible outcomes.
2) Uncertainty is when the possible outcomes, their probabilities, or both are unknowable.

That distinction is more relevant today than ever.

Even when risks are measurable, we often underestimate the likelihood or impact of extreme outcomes. Under uncertainty, the challenge is greater still. It's not just that the extremes are difficult to estimate; some possibilities cannot be meaningfully assigned probabilities because the future itself has yet to unfold.

So why was John so convinced?

Looking back at two friends whose conditions deteriorated after surgery, the outcome seemed inevitable. He remembered the neighbour whose condition worsened, while forgetting the many people who quietly recovered. Because the deterioration came after the operation, he concluded that the operation must have caused it, overlooking the possibility that the disease itself may have been responsible.

Each of these mental shortcuts nudged him towards the same conclusion. Uncertainty gradually disappeared and was replaced by certainty.

Once you recognise this pattern, you begin to see it everywhere. In relationships. Career decisions. Parenting. Investing. And increasingly, in conversations about artificial intelligence (AI). Many organisations ask:

"Should we adopt AI?"

While it sounds right to ask, this is the wrong question. Nobody knows exactly how regulation will evolve, how quickly clients will embrace AI or the use of their data with AI, which technologies will prevail, or how competitors will respond.

Waiting is also a decision. Yet notice how confidently many people speak about the future.

"If you don't adopt AI, your business will be left behind."

Others are equally certain:

"AI is just hype. It will blow over or just become mainstream."

Although these statements point in opposite directions, they share the same hidden assumption that uncertainty has already been resolved. Neither prediction can be known with confidence today. The better question is:

"How should I position my business given that I don't know exactly how AI will reshape the future?"

That is the difference between making decisions under risk and making decisions under uncertainty. When facing **risk**, the objective is to optimise.

When facing **uncertainty**, the goal is to minimise the cost of being wrong, remain adaptable, and preserve future options.

A simple framework can help:

1) What do I know?
2) What don't I know?
3) What assumptions am I making?
4) If I am wrong, can I recover?
5) What keeps the most options open?

These questions are less about making perfect predictions and more about building resilience.

The important question was never whether John's operation carried risk. Of course it did. Every meaningful decision does. The real question is whether fear had convinced him that uncertainty had already been resolved, and that he knew what would happen.

He didn't. Neither do the rest of us. The future doesn't ask us to predict perfectly. It asks us to make decisions wisely despite never knowing it completely.

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