

## On Leadership: The Risk Factor

I've been eavesdropping again – and what I heard got me thinking. It's all about risk.

Okay, here's how it started.

I had been invited to the House of Lords to have lunch with one of the Lords along with a staff member from one of the political parties. They had read my monograph on strategy and Party Positioning and wanted to discuss some of my ideas. I was early so I looked about, read the papers and thought what an adventure this was.

While waiting in the sitting area (which is one of the least comfortable, welcoming or attractive areas I've ever seen) three men joined me. Two were business types and one was a Lord who had been granted his peerage as a result of his business activities. They were waiting for another business type to join them and were talking about a new venture fund they were putting together. It had to do with farming.

You know me. Anything 'venture guy' related always perks my ears up – so I stopped reading and looking and tried to be discreet as I actively listened in on their conversation. Eventually I had to intervene. I gave up on discreet altogether. They were making me nuts.

The whole conversation centered around not just how to reduce the risk but how to do the investment with absolutely no risk at all. They weren't concerned about how much money they would make – anything was fine as long as they didn't lose a penny.

Nice philosophy you might say. Good to think that the venture guys are protecting their investors to that extent.

Of course it wouldn't matter if the folks whose business they were investing in went broke or made no money at all – even though they'd broken their backs to develop the idea and business plan, meet the right people, put together a compelling package and presentation (including that all-important elevator pitch), develop the business, hire staff, train them, develop a customer base....You get my drift. These guys probably wouldn't invest enough money to push the odds in favor of the entrepreneur in any case.

It wasn't even the money loss philosophy, itself, that bothered me, because that can be considered laudable in a strange way (given that it was a venture fund). It was their attitude toward risk that made no sense to me.

So, in my wonderfully polite way, I said, "Excuse me. I couldn't help but overhear your discussion." (They were very polite about the fact that we all knew that I had been eavesdropping.) Only then I followed it up with, "What I don't understand is where the 'venture' part of your venture fund is if there's no risk involved? Isn't the whole purpose of venture funds

to put monies toward projects that are higher risk, new enterprises? The ones that push the envelope? And don't your investors put their money into your fund for just that purpose – to find new opportunities that have excellent payback? Isn't that the risk everyone shares? Big risk, big payback?"

Because I lead with my accent, they immediately knew I was American – so the question they asked was, "Are you from the Silicon Valley?" in a slightly patronizing, disparaging way. They then went on to explain that while Americans may be willing to take those sorts of risks with their own and others' money, there was far too much risk involved. They wanted, they all agreed, to be able to "sleep comfortably every night" - and the way they could guarantee that was to nullify the risk in any investment they made.

It was a good thing they were joined by the person for whom they were waiting at that point because it wouldn't have been pretty. We all smiled politely as they left but I was fuming.

I didn't mind the "American" comment. (You have to have thicker skin than that if you come from California, let alone the States.) It was their disparagement of risk. As venture guys, by definition they're supposed to be looking for the leaders in their particular field – or at least in the field they're investing. That means there has to be risk. It's the only way to ensure forward movement at an organizational or societal level. Otherwise all you're doing is guaranteeing the status quo...while the rest of the world is moving on.

And that got me thinking about how risk is defined and considered – and it led me to an interesting conclusion about best of breed executives and risk.

According to [riskglossary.com](http://riskglossary.com) there are three levels of risk. You can be risk averse, which means you prefer to take less or no risk. You can be risk seeking – which is also referred to as risk loving – for people who like it so much they are even willing to pay to take risks. And then there are the people who are risk neutral. They are the ones who are indifferent to risk. It simply doesn't affect their decisions.

I think that there is a common misconception that successful executives are risk seeking. You hear all the stories – from their extreme sports hobbies to their swashbuckling corporate decisions. They look risk in the face – and then spit in its eye. They love risk.

Nope. I don't think so. I think best of breed executives are risk neutral. They know it exists but it doesn't stop them. They look at what needs to be looked at – upside and down – and then make considered decisions based on what they want to achieve for themselves and their organizations.

From small business owners to CEOs of multi-national corporations and every executive in between, it's those who understand risk for what it is but commit to moving forward – because they know it will result in the greater good – that are true leaders. Not only because they keep moving, but they create the sort of environment that leads others to want to follow.

Think about it. When you are around someone who sees beyond and can speak to what they see, doesn't it make you pause for a moment and think? How often have you met someone or

heard someone speak and thought, 'they'd make a wonderful mentor' or 'I'd love to work with them.'

It's because – undoubtedly among other things – they've figured out how to combine their vision with their comfort with risk and their belief in themselves as well as in you. In an odd way, that equals charisma. It makes a leader someone people want to follow.

So as you go forward and look at the decisions you're making, pay attention to how you're thinking about and reacting to risk. Are you risk averse? Risk seeking? Or are you risk neutral – knowing that there are risks involved but having enough faith in yourself and your abilities, as well as in those with whom you surround yourself, that you can make your vision happen?

Would *you* want to follow you?

If so, great. Keep going. If not, it's time for a change. Figure out why you're holding yourself back – because this is within you. Then be ready for a level of excitement and success you may have hoped for but not really believed possible.

It *is* possible – and you're the one to do it.

## About the Author

Leslie L. Kossoff, internationally renowned executive advisor specializing in strategy and corporate turnaround, was cited by *About.com* as **“one of the most intelligent and perceptive voices on executive and managerial leadership today.”** For over 20 years, she has assisted clients in the public and private sectors in the U.S., U.K., Europe and Japan. Her clients, ranging from start-ups to multi-nationals, include Sony, Kraft Foods, the UK National Health Service, Fidelity Investments, Seiko/Epson, 3M and others.

A former C-level executive in the aerospace/defense, pharmaceutical and entertainment industries, Leslie enjoys an outstanding reputation as an invited speaker at conferences around the world. She is the author of two books, including the award-winning *Executive Thinking*, is the editor of the blog EU Economic Engine and writes regularly for *Horticulture Week/The Grower* focusing on business and management issues in the agricultural industry. Having written over one hundred articles in journals including the *Financial Times* and *CEO Magazine*, she is frequently quoted in *Entrepreneur*, *Investor’s Business Daily* and is a regular guest on the syndicated “Small Business Advocate” radio program. Jim Blasingame, its host, cites Leslie as **“one of the top organizational thinkers for executives and business owners.”**

During her association with Dr. W. Edwards Deming, the quality management expert credited with turning around Japanese and Western industry during the latter half of the last century, he declared Leslie **“Quite simply one of the best at implementation.”**

Leslie is a founding Board member of the Global Women’s Leadership Center at Santa Clara University Leavey School of Business, serves on the Advisory Board of the Russia Research Network, is the former director of the Institute for Quality and Productivity Improvement at California State University, Long Beach, has been a member of the Judges Panel for the Sterling Award for Quality in California and is included in the *Who’s Who Registry of Global Leaders* among others.

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