

3 ways your attitude to risk might be holding back your strategy

By Rosie Yeo, Author



- In uncertain times, organisations often focus on their immediate challenges and let the long-term horizon fade further into the distance.
- Bold strategic moves involve a decision to do things differently or a decision to do different things.
- Ensure there is clarity about your shared, organisational risk appetite early on in your strategy conversations, so that your decision-making around risk can be built from this foundation.



How often do we start discussions about big issues hoping to find the answer, the solution, the absolute guarantee? Sometimes, when I'm working with an organisation, the overarching objective appears to be to find certainty — to find one decision they can make, or one action they can take, that will assure their future. How nice would that be?

But we can't always guarantee success. Sometimes circumstances change without warning. Sometimes we can't get our own act together. Sometimes we make the wrong call.

Bold strategic moves involve a decision to do things differently or a decision to do different things. The more resourcing you invest in big strategic decisions, the higher the stakes. Not everything is within your control, however, so even the best-planned strategies carry some risk.

Long before COVID, Professor Roger Martin wrote in the *Harvard Business Review*. '[I]f you are entirely comfortable with your strategy, there's a strong chance it isn't very good... True strategy is about placing bets with making hard choices. The objective is not to eliminate risk but to increase the odds of success.'

Assessing and mitigating risk is a key part of strategic planning. But sometimes, our attitudes to risk can hinder the creative collaboration needed to design and implement powerful strategy. Here are three ways our approach to risk impacts our ability to create the right strategy:

1. We revert to individual risk aversion because there is no shared agreement about the organisation's risk threshold.

I have worked with organisations in which strategic decisions were derailed by one or more board members who were opposed to any change at all on the grounds of 'risk'. Sometimes this instinctive response was based more on a fear of the unknown than any methodical assessment and balancing of risks and potential benefits.

Often people's discomfort around options for change is based on their individual perceptions of risk, rather than measuring proposals against the organisation's agreed risk threshold. That's why it's important to ensure there is clarity about your shared, organisational risk appetite early on in your strategy conversations, so that your decision-making around risk can be built from this foundation.

2. We confuse boldness with recklessness

As a facilitator, I encourage teams to set higher ambitions and create new pathways to success. But sometimes people get so enthused by their creative ideas that they ignore other key element of powerful planning — carefully mapping the pathway to achieve those ambitions.

Bold decisions are not reckless, but they are also not risk-free. That's why it's so important to take the time to identify the key risks and enabling factors and then set a clear plan for mitigating the risks and maximising the enablers. Only then can we make clear-eyed strategic decisions.

3. We fail to assess risk in the context of our long game

In uncertain times, organisations often focus on their immediate challenges and let the long-term horizon fade further into the distance. But strategy is planning for **long-term** competitive advantage.

When those long-term ambitions are shared and supported, we can make braver decisions because the risks can be viewed from a broader perspective. When we understand the stakes, we can make better decisions because they are seen in context over a longer timeframe.

Organisations can collectively develop the confidence to take bolder decisions together.

We can't control everything, and we can't ignore the risks. But we can give ourselves the best odds for success by finding that balance between risk aversion and recklessness.

I often say that creating strategy requires a blending of information, imagination and shared ambition, and it's the same when assessing risk. Focusing together on the long game means reaching a shared vision for our best possible future, widening our perspective to plan the best path forward and building the confidence to take action.

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