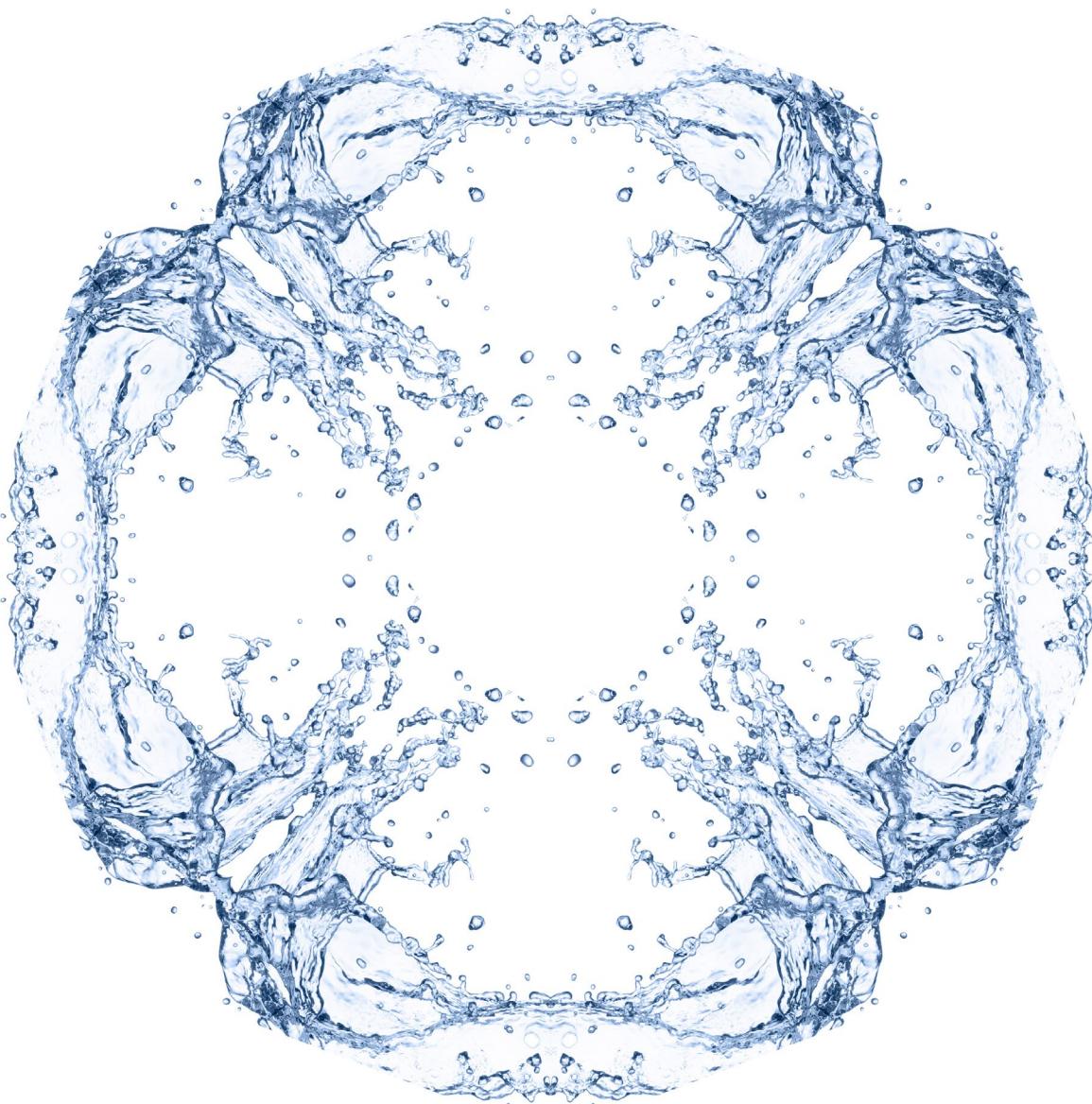


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The Next Wave

Real stories on leading through
risk, crisis, and disruption featured
in the Resilient podcast series

The Next Wave

Knowing when to paint outside the lines

What's one of the classic first lessons we are all taught as kids? How about, "Don't paint outside the lines." We could debate whether or not this is good advice for children, but for business leaders, there are times when painting outside the lines is exactly what is needed. Smart executives know that playing it safe with a paint-by-numbers formula doesn't cut it in today's competitive landscape. The truth is, no company can survive market disruption without taking some risks.

Avoiding risk altogether means missing out on opportunities that your competitors will pounce on, but taking reckless or unnecessary risks can jeopardize finances, regulatory compliance, consumer sentiment, or other mission-critical parts of the business. Successful leaders learn to be both bold and intelligent when taking risks; they know the right times to paint inside, and outside, the lines. Here are a few candid tips from Resilient podcast guests on how to be smart at taking risks:

Stop running from risk

There is no getting around it: The world is changing rapidly, and what previously made

a company successful may not cut it in today's business landscape. Executives know that change brings with it many high-stakes decisions, and no decision like that can happen without some amount of risk. So, instead of ignoring change or treating it as an afterthought, former **Chevron Oronite Company** President Ron Kiskis and other smart executives are using change to their advantage. "Change is inevitable," Ron told us. "Our job is to embrace good change, precipitate good change, and try to use it as an ally, not as an enemy."

Ron realizes that one of the biggest issues executives face with change is "pulling the trigger" on a smart risk. Living in a no-risk world is impossible, so Ron follows the "80-20 rule." Understanding that while he can be confident in 80 percent of the information regarding a decision, there will always be 20 percent that will not be available. But he says indecision in the face of those odds is not an option. "Somebody else is going to move on 80-20," he explained. "And 80 percent of the time, it's going to turn out really good and you're going to be holding the bag with nothing."

Learn from failure

No one likes to admit that their initial plan may not be working; but sometimes even the best laid plans may need to change due to unforeseen circumstances. Ron stresses the importance of being able to quickly pivot and change directions when taking smart risks. He understands that simply having a Plan A is not enough. "Problems arise when you don't give enough respect to the world around you to spend at least some time on Plan B and C," he said. "And organizations get in a world of hurt when they don't do that." Smart companies are learning to accept – but closely manage – failure as a necessary part of innovation and growth.

"Think fast, fail fast, pivot fast," is how **General Electric** General Counsel Alex Dimitrieff summarizes his company's version of that same approach. "If it's something that's not going to work, figure that out within months, not years," he told us. Alex says there's even a FastWorks movement within GE that teaches teams to "fail efficiently" in piloting new products and technologies. GE is careful, however, not to apply FastWorks experimentation



Ron Kiskis & Chevron Oronite

- Ron learned to navigate risk in optimizing Chevron's refining, marketing, and transportation business and helping the company top \$100 billion in revenue.
- Ron has led Chevron's drive in leveraging big data to enhance value and minimize what he calls the "risk of missed opportunity."

Key insight: "If you're trying to live in a no-risk world, you're not going to capture any opportunities."



Alex Dimitrieff & General Electric

- GE has launched an internal startup-style FastWorks program that features a fail efficiently ethos to help spur agility and experimentation in piloting certain products and innovations.
- Alex says GE is increasingly managing risk with big data, including systems that proactively address mechanical breakdowns and other industrial risks.

Key insight: "Every institution always makes mistakes. It's what you do with those mistakes that differentiates you."



Barry Salzberg & Deloitte Global

- Deloitte University, a 700,000 square foot leadership center in Texas, has hosted more than 65,000 participants and nearly 900 client experiences since it opened in 2011.
- Barry says data-driven research and strategic planning on the front end was critical to DU's successful launch.

Key insight: "You have to align what you're proposing to do with strategic vision...and then you have to have the data to back it up."

in certain areas – such as building, testing, and setting performance parameters for jet engines – where considerable time is needed to ensure the highest levels of safety and reliability.

Thankfully, whether your risk scenario invites fail fast experimentation or demands reliability, organizations can increasingly turn to data and analytics to bolster their strategic management of risk.

Seize data as a tool

Data is a powerful ally across the spectrum of risk management. Where failure really is not an option, GE's Alex Dimitrieff points to the example of how advanced data sensors in jet engines can now proactively identify, in mid-flight, when certain parts or services may be needed – sending telemetry to ground crews so a fix is ready upon landing. "It's really a marriage of analytical capability and industrial capability," he told us.

If we look at scenarios where the goal is to encourage taking a strategic risk, data can help tell the story and make the case. "You have to have a strategic

vision...and then you have to have the data," said former **Deloitte Global** CEO Barry Salzberg, thinking back to Deloitte's own initial planning for Deloitte University, which has now become a successful center for leadership and learning. "Have the data to back it up and the analysis of that data to demonstrate this is a good investment."

Moving forward

Making big bet decisions in an uncertain business environment with many variables is not for the faint of heart. The challenge is to take smart risks. Those who serve in the risk function must learn to walk in the shoes of the business, providing expertise and consultation to key stakeholders. This helps executives be more objective in decision-making so they can focus on value added, not just value preserved. As tempting as it may be to simply look away, successful leaders also need to put mechanisms in place that analyze data to connect the dots between risks and opportunities. That's how you move beyond painting-by-numbers to create a masterpiece.

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Let's connect

If you would like to learn more about how leading companies are navigating risk, crisis, and disruption, we would welcome the opportunity to talk with you. If you have your own resilient story to tell, please let us know.

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