

# **TAKING SMART RISKS**

## **How Sharp Leaders Win When Stakes Are High**

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**DOUG SUNDHEIM** is a leadership and organizational consultant. He has more than 20 years of experience in growing businesses. He now works with Fortune 500 companies including Morgan Stanley, Harvard Management Company, The Chubb Corporation, Citigroup, University of Chicago and Procter & Gamble. Prior to starting his own consulting company, Doug Sundheim worked for several years in the Internet strategy field and started his own catering company which grew to have 100 employees. He is a graduate of Cornell University and Columbia University.

The Web site for this book is at [www.takingsmartrisks.com](http://www.takingsmartrisks.com).

ISBN 978-1-77544-757-3

**MAIN IDEA**

Whenever you or your organization play it safe for too long, all that ends up happening is you stagnate. More specifically, if you avoid risks all the time:

- You forget what it feels like to deliver big wins.
- You stand still and don't grow.
- You don't create anything new and better.
- You lose a little bit of self-confidence.

In all, when you stay in your comfort zone indefinitely, you really don't feel alive. To keep growing, you have to work towards achieving some challenging goals which force you to stretch and grow – and the best way to do that is to regularly take on some "smart risks."

Smart risk taking is all about being bold but careful at the same time. You undertake a meaningful challenge which definitely forces you to stretch but at the same time you prepare thoroughly and thoughtfully so as to minimize the hazards involved. It's about getting in the "smart-risk zone" which lies somewhere in the middle between your comfort zone and the danger zone.

To stay in that smart-risk zone for any period of time takes practice. You basically have to do five things on an ongoing and sustainable basis to get into this smart-risk zone and stay there:

1. Find something worth fighting for
2. See the future now.
3. Act fast, learn fast
4. Communicate in a powerful way
5. Create a smart-risk culture

*"Smart risk taking is about creating new things, understanding what you're made of, and feeling confident and alive. You lose these when you play it safe for too long, in essence losing the "life" in life. So you need to take risks. But even when you know that you need to take risks, fear can still stop you from doing it. It's only by being aware of what's at stake when you do not take risks— loss of growth, progress, and learning— that you find the right risks to take."*

– Doug Sundheim

**How to take smart risks**

- ▶ **1 Find something worth fighting for** Identify something you consider meaningful and inspiring
- ▶ **2 See the future now** Clarify what the big idea means to you in everyday terms
- ▶ **3 Act fast, learn fast** Get some inexpensive experiments running and fail quickly
- ▶ **4 Communicate in a powerful way** Have the tough conversations and get everyone aligned
- ▶ **5 Create a smart-risk culture** Build a team of people who understand risk taking

**Background – The concept of the "Smart-Risk Zone" . . . . . Page 2**

While the dangers of taking on too much risk are obvious, the simple fact is if you don't take a risk now and then you won't grow. There is a "Smart-Risk Zone" which lies between the Comfort Zone and the Danger Zone. Savvy leaders position their enterprises there in order to drive growth and this is something you need to do as well.

**1. Find something worth fighting for . . . . . Page 3**

To take smart risks, you have to find something you care about enough that it's worth risking your time, energy and resources. Find something which motivates you to take smart risks and you'll be halfway there. It will also give you a reason to hang in there when the going gets hard.

**2. See the future now . . . . . Pages 4 - 5**

Your big idea sounds nice in theory but what will it mean in everyday terms? Clarify precisely where you're going and what it will look like when you get there. If you can do this, you'll be able to enlist help from your partners, suppliers and others to make the right things happen.

**3. Act fast, learn fast . . . . . Pages 5 - 6**

Rather than commit too many resources right up front, get busy testing pieces of your hypothesis quickly and inexpensively. Be prepared to learn what works and if necessary fail while you figure out the right way forward. The sooner you can learn what does not work, the more inexpensive it will be for you.

**4. Communicate in a powerful way . . . . . Page 7**

When you're doing something risky and things are changing rapidly, small misunderstandings can snowball quickly. Smart risk takers assume communication will break down and plan accordingly. You have to get to know how others are thinking and get everything out in the open.

**5. Create a smart-risk culture . . . . . Page 8**

Taking smart risks is not an individual activity. To keep this happening again and again, you need to build a culture where everyone knows it's OK to fail. You need a culture where everyone understands what smart failure looks like and you have leaders who actively model the right behavior.

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