BEFORE PIVOTING YOUR BUSINESS, MAKE SURE YOUR TEAM HAS THE SAME DEFINITION OF

Risk.

THREE WAYS TO HAVE THE CONVERSATION ABOUT RISK BEFORE PIVOTING YOUR BUSINESS

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Many companies today are undergoing some kind of pivot to survive, reach consumers in a chaotic environment, or reinvent their business model in an unprecedented digital *economy*. Before they can make these changes, it's critical for business leaders and their teams to connect about what *risk* means to them.

HOW IS RISK DEFINITION AFFECTING SMALL BUSINESSES POST-PANDEMIC?

Be aware of the difference between risk tolerance and risk definition. Risk is present in every pivot. The perception of that risk will determine how a team makes decisions. Sometimes, a low-risk tolerance or differences in what constitutes "risk" can cause leaders to make ineffective decisions and might hinder them from taking action.

For example, if a company is considering opportunities to expand operations as COVID-19 restrictions ease, the risk of this pivot might seem greater to the particular decision maker who judges current operations to be going fine. To this individual, an "if it ain't broke" attitude reigns. They'll avoid making significant changes to the business plan for fear of trading an adequate status quo for a potentially worse one. They view change as inherently risky.

Another decision-maker, on the other hand, might view success as temporary and believe the current situation is not an indication of future success. They will feel like standing still is just waiting to get run over. In this case, they view not changing as inherently risky and pivoting the business as the lesser of two evils.

WHY IS IT SO IMPORTANT TO ALIGN AROUND RISK DEFINITION BEFORE YOU PIVOT?

If your team doesn't have a good working knowledge of its risk biases before it sets out, decision-making will be fraught later on. Imagine you are pivoting your business to add a new product line. Some members of the team might question this suggestion, hearing risk rather than *opportunity*. They'll hear: "Should we risk our current success for something we've never done with a new, unproven product line?" Others will hear: "Should we pursue this opportunity to keep ahead of the competition?"

It is important to know that these different viewpoints exist in your company before you begin planning your business pivot model. In fact, it might be useful to have these different viewpoints present, because they will form different questions around the new product line possibilities. The team member who sees change as vital might ask about the challenges of ensuring material supply and accessing processing facilities, whereas one who is hesitant to change might be concerned instead about diverting resources from core products and dilution of the brand image. Combining these concerns allows a team to share their risk definitions and come to a plan that more comprehensively addresses potential issues.

HOW TO PIVOT A BUSINESS WELL BY ALIGNING YOUR TEAM'S DEFINITIONS OF RISK

Begin your business pivot on sure footing by getting clear about the different definitions and tolerances for risk in your company.

Here are three strategies that can help you have those initial conversations:

1. **START WITH A PERCEIVED CHALLENGE**

   Rather than jumping straight to a solution, start by asking questions about the challenge. For example, ask "We're doing well with our core products but losing total market share to our main competitor; how might we proceed?" rather than simply stating "We need to introduce new products."

   This allows all participants to frame the question and possible solutions based on their own definitions of risk. You might not be able to accommodate everyone's individual perspective, but a better initial understanding of the issue is likely to help gain more commitment to the ultimate decision.

1. **DON'T ASSUME RISK TOLERANCE IS THE PROBLEM**

   By starting with the perceived challenge, as noted above, and encouraging open discussion, you will get a much better feel for how the people involved both define and tolerate risk. Set aside your own biases; for example, don't automatically assume that one who sees your preferred approach as risky is simply risk-intolerant. That presumption makes another's point of view too easy to dismiss without considering the true drivers behind it.

   It has been said that disagreement is useful in the early stages of the decision process, but not after a decision has been made. Don't insist on consensus, but if all can speak freely during the process, you will be more likely to reach understanding and commitment despite differences. This approach is known as "disagree and commit," a process *favored by Jeff Bezos* and other groundbreaking business leaders. Open discussion is more likely to result in commitment even if some disagreements remain.

2. **CONSIDER THE COSTS OF INACTION**

   Inaction can feel like the safest course, especially when there are risk-averse members of the team putting their point across. But it's important to consider and quantify the risks of not acting in this climate.

   Take Kodak Co. as one example. It was the first to *invent a digital camera* in the '70s but failed to develop the technology at the time and eventually lost out when its patent expired and the market continued growing without it.

   If you fail to move forward, your competitors might advance without you and leave you in the dust. The cost of inaction can be dire, but you can avoid such a fate with an in-depth analysis of the pros and cons of staying the same. It will help you flush out differences in both risk tolerance and risk definition and allow the team to move forward with transparency.

With almost all small businesses needing to pivot in order to survive and thrive in a rapidly shifting world, aligning your team around what risk means is vital. Risk tolerance and risk definition are both necessary conversations to have before you start planning the nuts and bolts of your business pivot.

ABOUT THE AUTHOR

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