

LEADERSHIP UPDATE



Leadership and Risk

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I was having breakfast a few weeks ago with my colleague Roger Akers (Akers Capital) and the matter of leadership and risk came up. We both have had fairly extensive experience at observing leaders and how they factor-in the consideration of risk as they address leadership issues in their roles as business leaders. It's a significant issue in the capability of a leader.

Entrepreneurs who have grown their businesses over a decade or two have somehow come to grips with risk management. Both Roger and I agreed this is a significant aspect of growing a business.

This led to a further observation that the next generation of management – usually a management team – may not be as gifted in spotting the risk issues and navigating to a good resolution. So how do you prepare the next generation to be good spotters and evaluators of risk?

It's not something we see a lot of articles written about, yet it does represent a high-value area of performance. What I have seen experienced leaders do, as they mentor the next generation, is to delegate and enable subordinates to get engaged in the heavy decision-making processes and risk management. In particular, you observe the quality of their judgment in the assessment of alternatives and their thinking processes. Here is a great opportunity to reinforce strengths and coach weaknesses. Not all entrepreneurs do this well, however.

Big corporations usually have sufficient opportunity to apply good coaching and mentoring toward developing tomorrow's leaders. It's not the same in smaller organizations. Usually in companies with

revenue under \$100 million, the entrepreneur-founder is still making most if not all the big decisions. That is the norm. This is one of the biggest hurdles entrepreneurs face in growing their businesses. They enjoy making the decisions, so it's usually one of the last things they think about preparing their staffs to do well. Ergo, their staff's risk assessment skills are stunted.

Getting your management team in the game of participating in the big decisions is some of the best business transition planning you can do as a business owner. If the senior managers don't know what it's like to be at the helm in heavy weather, they are only fair weather sailors. Then everything depends on the skipper – one person; not good risk management. Good leadership development includes preparing managers to be good risk assessors and risk takers.

As part of your mentoring and coaching curriculum for your direct reports, take a look at the quality and depth of the issues you engage them in. What kind of research and analysis are they doing to evaluate the future? What's the quality of ideas they are bringing to the table to help create a preferred tomorrow? How do they score on the 'risk assessment' scale? On a scale of 1-5, are they 2's, 4's or 5's? This is something to work on if you want your business to have a preferred tomorrow. You can use all the good help you can develop!

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