T1A EP 35 Filler Removed

**Brian:** Welcome to the One Advantage Podcast, exploring the intersections of pure power, culture, and agility. Your host, Jason Richmond, Mike Richardson and Leo Bottary, co-founders of The One Advantage Community of Practice and Advantage Peer Groups. For more information, please visit us@idealoutcomesinc.com.

**Mike:** Hello everybody. Welcome back to another episode of the One Advantage Podcast. We got the best of the best with us today. Myself and Leo Bottary. We have no idea where Jason Richmond is today, but he is not. Here he must be somewhere else doing all of his great work around culture. We've got a good one for you today, everybody.

A sort of continuation of our last podcast that was all about Agile decision making. This one is a sort of continuation of that. We're gonna talk today about the risk reward ratio. Risk taking is the fuel of business innovation and growth. Leaders must embrace the potential risks and rewards swiftly adapting to change.

A perfect blend of speed and thoughtful consideration is the key to effective decision-making and ultimate success. Leo and I are gonna explore that together. Deeply today. But of course, before we do that, we want to know where everybody's been and what they've been up to, Leo, what you've been up to in the last couple of weeks.

**Leo:** It's been Salt Lake City, San Francisco, Milwaukee Irvine. And I was in Compton a couple days ago doing a six hour program for a client there it's been good, yeah. I'll be actually home the rest of this week. Today and all today, Friday, everybody, yes, there is that.

All of next week though, I will be home, but then I'll be back on the road. Pretty much that full first week of August.

**Mike:** So you. Your air miles accounts are looking pretty healthy these days, but are you getting snarled up in, in some of the travel, chaos that we're hearing about with storms and wildfires and all this stuff?

**Leo:** I've been very fortunate. Yeah. And I know it's been difficult for a lot of folks, but I've been extremely

lucky yeah.

**Mike:** Good good.

Yeah. I've I've been here, but Global calls all the time. All over the place. And then gearing up in September to go down for an annual convention in Cancun of all places.

So looking forward very much to that. And let's dive deep into the topic today. The risk reward ratio. It's that rolls off the tongue, doesn't it? Risk reward, it's like supply and demand. It's upsides and downsides. So it can be a rich conversation when you start to think about.

Of that, Leo, how do you frame that up in your mind?

**Leo:** So I frame it up and this may be, so I frame it this way. First of all, I wanna define risk, a little bit, right? Yeah. Are we talking about strategic risk? Financial risk, reputational risk. . And then I think there's also the risk that.

I think we associate with, entrepreneurial risk and action and, doing kinds, these kinds of things where put, they put all their chips in, yeah. And they go for it kind of thing. Yeah. But then there's also I think, a risk associated with inaction. Let's say we've got systems that we need to update and we think, ah, hang on just a little bit longer, a little bit longer.

We don't do it. Something breaks down which may cause financial, strategic and reputational harm, right? Yeah. And so there's all kinds of things there. So I think there's a lot to unpack in this topic, which is really why I'm glad that I. Took the lead, initiating us to continue this conversation.

Yeah. As a follow on from last,

Last time.

**Mike:** Yeah. And I think that's a great start everybody, because really when you think about agile decision making, which was last, our last topic, and please go back and listen to that if you'd like to. It really is that paradox that Leo is speaking to of I don't wanna be.

Too quick and too shooting from the hip and too, reckless, right? But on the other hand, I can't afford to be too slow. And two analysis paralysis and two by committee. So it's almost like I gotta live in the middle of too much, too quickly, too little, too late and be in the flow of this sort of risk reward equation that can evolve real time.

And how do I. Be conscious of the reality of the upside rewards, of course, that we're going after, but also the downside risks that can unfold. And what can I do to maximize the upside rewards and mitigate the downside risks so that net I come out ahead if I'm, if I'm a little bit lucky here and there.

And so that's how I begin to think about it. And it does relate back to what we were talking about last time, Leo, we've gotta live in the middle of this agile flow, don't we? And last time we said that, really you can think of a business. Almost as a transaction flow of decisions, right?

You are transacting with your future as a flow of decisions and this really is a continuation of that. What would you add to the mix of that?

**Leo:** Yeah, I think it's an iterative process. It's smaller, quicker moves, not big leaps. . And I think some of the risks that you were talking about speaks to studies years ago that talked about companies on the leading edge.

That's one thing. But when you're on the bleeding edge, When, right when you're on, when you are out in front of certain technological advances, for example, before it's adopted in the marketplace to the degree that it's actually useful for you, things like that. And how. Those companies, although they thought they were being like super forward thinking, which they were, but you can be so much so that it hurts you more than

helps you.

**Mike:** Yeah. We had a very dear family friend, unfortunately passed away a few years ago. He was almost like a second father to my wife. Very accomplished businessman in Scotland a long time. Peer group member of of Vistage. And before that tech, it's where I first heard of tech from him.

And he used to joke all the time. He says, oh, my, my team comes to me all the time. He ran a global business. My team comes to me all the time and says, Sandy, his name was Sandy. Sandy. It's a calculated risk. And he would say, oh, really? Can you show me the calculations? And of course, everybody like no, it's okay, I understand it is a calculated risk, but let's not like literally, mathematically, but let's have a conversation about calculating the risks and rewards in broad brush terms, at least. What are we worried about? Regarding how this can go wrong what has to go right for the rewards to show up and what has to, what do we have to navigate around to make sure that the risks don't show up?

Let's go into this very consciously so that we can get the net. Reward that we want risk ratio as it were by design, not by accident. Because typically if you leave it to be by accident, risk typically wins the battle and you get sucked down into some sort of downside scenario that you would rather have not encountered.

I love that idea of Oh, really? Who's done the calculations?

**Leo:** What's interesting is I and that's so true. No question about it yet. By the same token, there's something to be said for. Calculated risk from the perspective of, all right, if I'm gonna jump off the cliff, I'm at least going to look first.

Yes. And find out if that's a hundred foot drop or it's a three foot drop. Yes. And so there's some at least element of and you described that of some care that has to go into that For sure. It's also, think about it from a technology standpoint, when we can be so eager to adopt it to new technology, a before, oftentimes our customers, vendors or whoever are ready for it, but b, when it's probably at its most expensive, because we know what happens to prices, we know what happens to all kinds of adjustments and things that are made to make things better.

Waiting six months, waiting a year or whatever can be incredibly. Powerful as we think about the impact this has on everyone, our own team our business and all of that I think goes into figuring out where do we place our betts, if you will.

**Mike:** Yeah. Where do we place our betts?

How do we hedge our betts? How do we spread our bits, as it were to diversify our risk? Not too much. Because if if you spread too broadly, then you're really betting on nothing. But you certainly don't want to necessarily go all in, bet the farm, on one thing.

And where this takes my mind to is, I. Other sort of ideas that roll off the tongue in the same way that risk reward does. We mentioned supply and demand. The other one is strategy and execution. Often we have a great strategy that in theory can deliver the business case. Of the reward equation with reasonable risk.

And then it all becomes about execution, which is where it often all goes wrong. And we just don't quite have the rigor and the consistency and the discipline of execution. And so all of a sudden the, in the practical reality, the risk reward balance shifts against us. And now we're at much more risk of things not playing out the way we wanted because we just don't have the.

Ability to execute the way we thought we did. And so for me that, that takes us to the other one that rolls off the tongue, which is supply and demand. Okay. We've got a business case. It does net out as a good reward risk ratio, but it is going to demand of us an executional discipline. Are we sure we can supply that?

Otherwise, we're fooling ourselves that this is gonna go well and it's more than likely to go wrong. What would you add in the mix of that Leo?

**Leo:** I agree with all of that. The one you made me laugh a little bit because the strategy and execution, while it does roll off the tongue, I've always execution the execution part, just because I feel like that's what's going to.

Be waiting for the people who fail at the strategy implementation, and so yeah we get into the execution in that regard. But no I think that's absolutely right. We also have to, I think, understand ourselves and our culture and how we bring people along.

First of all, how do we create a culture? Where we're, we all feel that we can take risk at some level now, right? So not risk that's going to put your reputation on the line or bankrupt the company or obviously things like that. But the kinds of, again, incremental. Moves that we can make that get us down the path towards something new and something different and it, and yeah.

And I think that's a, powerful part of this

whole,

**Mike:** A phrase that I find myself using a lot more and more. I've been using it for decades but it just seems to be more frequent for me, is what I'll end up saying to people is there's too big a gap. Between the talk and the walk.

And so you have two choices, talk less or walk more, right? You are talking a big game. Big strategies. Big ideas. High reward. Absolutely. But you know what? The track record of you being able to walk that talk is just not good. And why on earth would you lapse into doing that again?

Perhaps you need to, put the training wheels on a bit more, lower your sights. And get more of a track record going that you can walk the talk and then you can raise the bar again. And

**Leo:** And I think when you do that, just what you said, when you do that, it also gives you the confidence to be able to take on more going forward, right?

Yeah. 'cause we get those small wins. We get, we, we know that I can get into something, I can be successful at it. So the next time I do it, yeah. I have that confidence and that understanding of what that looks like.

**Mike:** In a sort of 1.0, 2.0, 3.0 way, everybody, get the snowball rolling with a 1.0 where you're not biting off more than you can chew you.

Yeah, there's a bit of stretch to it, of course. Otherwise it's not exciting. But you can get your arms around it, get your heads around it. Let's deliver on that one point. Oh, let's do something simpler, sooner. And then sophisticate it later with a 2.0 and a 3.0 and that, and let's a trajectory of reward and risk unfold.

And another very common thing that I find myself saying more and more, Leo I. I've, the last two or three client engagements I've had, I've said this, I've got another one coming up in a couple of weeks, and I'm doing all the one-to-ones right now, and I'm finding myself saying this that is in the mix of everything we've talked about so far.

Everybody, especially with growing businesses is if you're not careful, your many businesses become a big, small company. They've grown their revenue base. But they're still running the place. Like a small company. And so therefore there's a bigger gap between the complexity of the business now because the revenue base has grown and the infrastructure required to play the game at that level and in that gap between the infrastructure that isn't up to the complexity.

Chaos breaks out and that just means a bad situation goes from worse to worse. Because if you're living in disorganized chaos, then. You, things are happening. You're dropping the ball, things are breaking, and you just, if you're not careful, it becomes a self-fulfilling, self-defeating, vicious cycle that you have no choice to break out of.

And I know that, that's in the thick of all of your work around pure innovation. One of the ways to break out of that, Is to sort start turbocharging teamwork through a peer powered approach to the innovation challenge. Correct?

**Leo:** Absolutely. And I do want to, while we've got a few minutes here too, spend a little time talking about kind of those decisions that we delay.

Yeah. The whole, now not to pick on Southwest Airlines because they're not the only company this happens to, but let's face it, they had a situation where there were the early warning signs that they needed to make some real updates and changes. I believe it was to the reservation system.

They weren't done. The system crashes. It cost, calculable amount of money. I'm sure thousands of, flights canceled. Reputation hurt. Now whatever strategy you were imposing, you had to divert resources in order to fix that versus pursuing what you were doing. And, but yet those are tough choices because those can be big expenditures.

Those can be big moves to make. So how does one know, and stay ahead of that curve, without making the change too early. But, it's so interesting to me as

well.

**Mike:** Yeah. And what that brings up for me, Is, when I talk about agility and all of my work, and you've, we've been in a room together doing all of that many times.

. I'll talk about big. Break down moments like an aircraft accident, like the BP golf oil spill, right? A business that sort of derails GE General Electric being a great example, that. It's it's bouncing back a little bit now, but GE really ended up in a really bad place and got kicked out of the Dow Jones and is in the process of breaking itself up and all of that kind of stuff.

And typically everybody when you do the in, in the case of an aircraft accident, when you do the accident investigation, or, in the case of a business situation, when you really diagnose what really happened here it typically didn't just happen all of a sudden. It has typically been taking shape for a long time.

When, for instance, when the investigation. Was done into the BP Gulf Oil spill. It was concluded that had been an accident waiting to happen for probably a decade. Progressively, right? Because they'd been ripping costs and resources out of sort of the safety management department amongst other things.

Don't quote me. But that is definitely the sort of bottom line conclusion that was come to this disaster didn't happen, in the last hour, in the last day it happened, over the preceding weeks, months, quarters, years, possibly out to a decade. And you typically see that with, real life.

Accidents, aircraft accidents in particular. And indeed when you read about General Electric, from the heady days of Jack Welsh, there was just this sort of progressive slippery slope. I. 10, 20 years later that brought GE to a bad place. And so the point of all of that, everybody is that invisibly behind the scenes.

If you are not careful, your risk reward ratio is actually shifting against you. You are just not fully conscious of it until. The invisible becomes visible. That's right. And now you're in a really bad spot. What would you add to that, Leo?

**Leo:** No, I think you've framed it beautifully and I think that is, that's the challenge, right?

Yeah. That's the idea of something that is invisible. Yeah. In some ways visible, invisible to some people. Not invisible to everybody. Exactly. Exactly. Yeah. And so in part two it's really listening to the people in our organization who are giving us those early warning signs. And I think trusting that they are, deeply concerned about something that could have, that could put the entire company at risk.

Yeah.

**Mike:** Yeah. And I, when I'm, in a room doing this kind of stuff I draw down trajectory and at the right hand bottom end of that down trajectory, I put an asterisk, and then I put the three letter abbreviation, O Ss M and ask people what's an O S M?

And they'll, Somebody will get it a oh shoot moment just to keep it clean for our listeners. Oh, shoot moment, right? So when you have a big oh shoot moment, like a BP golf oil spill, or an aircraft accident or something like that, I ask them you know what was back here? What was back here?

What was back here? Oh, there was a medium sized O S M. Before that there was a small O Ss m and before that there was a very weak signal. O ss m. This big o s m didn't just happen out of the blue, right? It has been foreshadowed by medium-sized osms, small o, sms, and all the way back possibly months, quarters, years ago.

With these weak signal osms, and so what really good agile leaders get really good at everybody is differentiating signal from noise. Picking up on the very weak signal osms that foreshadow bigger, bad stuff happening. And on the upside, you can pick up, of course on weak signal opportunities. That foreshadow huge breakthrough opportunities.

And I think that for me is in the present, if we can turn up our sensitivity as a leader. To these weak signal downside risks and weak signal upside rewards, then we can take charge of the unfolding risk, re reward ratio flow that is unfolding in our business and our journey.

Real time right here, right now, what would you add on the fire of all of that, Leo?

**Leo:** I think it's, it speaks loudly to clarity, culture, and communication. Yeah. You can have those. Early warning signals and have them not be communicated in a way, so having the culture where people feel the psychological safety to raise these issues, bring them forward, and give everyone a fair chance at being able to, deal with these things before they become the big osms.

Yeah. And really, in all fairness, right? That. You have to have a culture that allows for that kind of communication. And, I don't know of any greater gift to A C E O or to a leader than to have that communication flow to not only instill it as part of the responsibility of every employee, that when they see something, say something in that regard, but to create environment that.

Allows employees to speak their truth from their vantage point so that everybody can look at it and see it. And I think that goes for not only mitigating risks and crises, but also for, Hey, there's an opportunity over here. Let's take a look at this and let's think about what that's, that, that looks like.

And I think a lot of the best organizations out there, I think Google famously. Does a lot of very cool things around small groups and small teams working on various, projects and innovating and, some of the things turn out to be learning moments, if you will. And in other cases, they turn out to be something that, can make a big difference at the company.

So I think just creating that environment, and again, it's that iterative process. It's that. Ability for people to try and learn now, try and fail, try and learn some more, try something else, learn some more. And to have that as in, in peer innovation, we call it the learning achieving cycle.

Yeah. And when you have a company firing in all cylinders in that regard, I think you can both mitigate risks and you can, try new things in a way that can be healthy.

**Mike:** Yeah. I really like all of that. We've we, because it's really brought us, everybody that's listening here, it's really brought us into the present and really invites you to ask yourself, okay what can I do right here, right now in the present today to.

Be more in, in charge of, take more ownership of the unfolding risk, reward balance that's happening right now. And where it takes me, everybody is that old adage that we live life forwards, but we understand it backwards. And when those big osms happen and we look backwards, we go, oh shoot.

You know what? Actually, now that I'd have to look myself in the mirror. Yeah, there were medium-sized things, there were small things, there were weak signals. We just missed them. And actually, as Leo said a few minutes ago, actually, you didn't miss them. Somebody in your organization saw 'em. And probably in some way, shape or form try to speak up when they look at most of the disasters the space shuttle disasters and all of that kinda stuff.

People saw things and they spoke up, but it all got lost in the shuffle. And so speaking to what Leo was saying, everybody is. How do you make it safe? How do you tap into the power of peers for people to speak up? And by the way, the question I often get asked is, Hey Mike, you talk about weak signals and separating the signal from the noise.

How do I know what is signal and what inno is noise? And of course, the question is right here in the present, you don't, but the only way you will be able to have a good guess is if you tap into the power of peers. You and you listen to the peers around your table who can speak up safely and confidently, and you somehow manage to, piece together the collective intelligence of your peers to, to ha to take a solid guess at what's signal and what's noise.

And then by the way, what you do, and Leo spoke to this as well. Is you engage in a test and verify approach to contact reality. Okay, we think that's noise, we think that's signal. Let's go do some things to contact reality and test and verify that's signal and that's noise. And, oh shoot. Hang on a minute.

Actually, what we've learned is that isn't noise at all. It's actually signal. This signal was noise. And so we reshuffle and iterate and adapt and just keep doing that right. In a learn and achieve and adapt kind of cycle that you speak about in peer innovation. What would you add, Leo?

**Leo:** Yeah, I just think that again it is small quick moves, not.

Big slow ones or even, big dramatic ones I should say. Yeah. And just look at right now, and I know you, you speak quite a bit on this in terms of AI and where it's going and how people are, and I think in many respects, a lot of people are taking a good approach to it from the perspective of just trying to learn more about it.

They get an app on their phone, they stick their hands in the clay, and they start playing around with it to see what it can do. And they're not, whole sail dedicating their life to it at this point in time, but they are, they're going through the process of seeing how this integrates into something that can help them.

And I think that's a healthy way to go about it. And, yeah. So yeah.

**Mike:** Yeah, and I think everybody, if if Jason was here, and hopefully will be next time and he'll have chance to weigh in on, on, on all of these things, clearly Jason would be doubling down on what Leo and I have been talking about.

And really all of this comes back to culture, everybody. What culture do you have? What core values do you have? What behaviors do you have that make it safe for people to speak up loudly and clearly? And to engage in a, in a conversation flow. As I say, your conversation flow becomes your cash flow.

And if you're not picking up on, on osms taking shape in your conversation flow, then guess what? They're gonna show up in your cash flow real soon. It may take weeks, it may take months, it may take quarters, but it's probably gonna happen sooner than you think, and it's probably gonna be bigger than you think.

And, the old adages we like to say is the task of imagination. Everybody is to do the work of crisis without the crisis. So let's imagine how the risk reward ratio can shift against us. And let's imagine how we can design against that and imagine how we can we can create a rewarding future and avoid a risky future.

Final thoughts Leo to leave our listeners

with.

**Leo:** Hey, just keep learning, sharing, applying, and learning some more. That's really what it's all about,

right?

**Mike:** Yeah, and don't be afraid to fail everybody. If it's smart failure, it's not dumb repeated, failure history repeating itself, failure.

But if it's smart failure, it's not failure at all. It's learning. And there's actually only one way to learn, and that's by doing, which means you will experience failure. Hey everybody. Thanks. Thanks for being with us again here for another episode of The One Advantage Podcast.

We'll look forward to having you next time, and we'll hope to have Jason back real soon. Goodbye everybody.

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