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Why Risk Is Important

Entrepreneurs, like ice climbers, are often said to risk their necks. But there are ways to cut danger to sane levels—and some very good reasons to try

by [Bill Buxton](#)

In a recent conversation with my friend and colleague, Roger Martin, dean of the Rotman School of Management at the University of Toronto, he mentioned that a student had asked him: "What is it about entrepreneurs that enables them to live so far on the edge? Do they thrive on the adrenaline of risk-taking?" This made me think of another question that I frequently encounter when people find out that I love ice climbing: "How can you live with the risk? Do you actually enjoy flirting with death?"

I think that these are all the same question, founded on the same implicit but ill-founded assumption: that risk equates to danger. Now, I am not going to try and convince you that there aren't people who do love the rush of throwing the dice—with their life or their bank account. But just because someone won a multimillion-dollar windfall by buying lottery tickets with their retirement fund, or survived running a treacherous river without any training, the fact is not altered that what they were doing was gambling, not investing. The end result is as unrepeatable as it can be inadvisable.

CALCULATED RISKS

So if it's not the thrill of gambling, what does distinguish the serial entrepreneur and the ice climber from the population at large? For a start, they understand the very clear distinction between risk and danger. Second, and—perhaps most importantly—they know that there are ways to approach an otherwise dangerous task in such a way that the risk is reduced to an acceptable level.

In fact virtually everyone knows this, at least in some domain. For example, driving in good weather on a 12-lane freeway in a well-maintained car is something that a trained driver would not hesitate to do. Yet it could be near suicide (or murder) for someone who had never been behind the wheel of a car, or who was driving a vehicle without brakes. What is curious about human nature is that we sometimes seem unable to translate knowledge from such everyday examples into our workaday life.

Why do entrepreneurs and ice climbers repeatedly prompt questions of flirting with death and disaster? My best guess is that a lack of familiarity prevents nonpractitioners from seeing what lies behind the surface: the serious and conscientious preparation that such people bring to their respective activities. To illustrate this, let me tell you a bit about ice climbing.

ESSENTIAL REQUIREMENTS

Anyone who has ever walked on a frozen lake, gone ice skating or tried curling knows that ice is slippery and that it takes practice to move with any kind of confidence. Now imagine that the ice sheet is vertical rather than horizontal. This should give you some sense of the challenge of ice-climbing. But then remember there are four things that the prepared ice-climber brings to the base of any climb: training, tools, fitness, and partner(s)

The need for training is pretty obvious. One has to know what one is doing. Just as you have to learn the rules of the road

in order to drive on the freeway, the ice climber has to be educated about technique, the appropriate use of tools and procedures, reading the ice, and the evaluation of objective hazards.

Tools have improved significantly over the past decades. Strapped to one's feet, in a manner not unlike roller-skates (but much more secure) are crampons. These have one or more long, sharp, surrogate toes that you can kick into the ice, thereby giving purchase to your feet. In each hand one has a short, curved, ice axe that is designed to enable one to smoothly drive the pick into the frozen water, thereby giving you something to hold onto. In the event that someone above knocks off some ice, one wears a helmet to protect the head. For protection in the event of a fall, one has a rope firmly tied to a harness around the waist. While ascending, the climber regularly sets a hollow titanium screw into the ice. This forms part of a system of running anchors. The rope attached to the climber's waist is clipped to the anchor, from which it runs to another person who is anchored below, paying out rope—but also positioned to catch the climber with the rope, should a fall occur. Properly placed, the ice screw will hold the load, with the ones below it as backup.

Fitness is critical. It doesn't matter how good my training is or how good my tools are: If I am halfway up a climb and run out of strength, I am a liability both to myself and my partner. The middle of a route is not the time or place to suddenly realize that it might have been a good idea to do some jogging, pull-ups, or other conditioning before setting out. If people want unnecessarily to put their lives at risk, I guess that is their prerogative. But they have no right to jeopardize that of their partner in the process.

THE ELEMENT OF TRUST

This last point relates to the fact that the whole exercise is based on trust; trust in our training, our assessment of the situation, our tools, fitness, and—especially—our partner. You wouldn't consent to being driven on the freeway by someone you didn't trust, or who was impaired in one way or another. Nor would any reasonable person put their life in the hands of such a person in the mountains. Your partner is someone you trust with your life. Perhaps because of that, a partner is also the kind of person who makes the experience doubly enjoyable, being shared.

If all four of these factors are well considered and adequately addressed, the recreational ice climber can undertake routes with a margin of risk that is comparable to a typical urban bicycle commuter. If any or all of them is not adequately addressed, the consequences could be catastrophic.

The lessons for business are simple: the four considerations employed by the ice climber are exactly the same as those used by the serial entrepreneur or the effective business person. Of course it could be argued that the rich scope of business constitutes a much more amorphous challenge than a frozen waterfall. But that makes it all the more rash to proceed without carefully considering the following:

Training: What, in fact are the skills that would best equip me to engage this problem? Are they evident in my team? If so, how do I hone them? If not, how do I bring them onboard?

Tools: What tools are relevant to the problem? What are the potentially useful processes, technologies or other instruments that might give me purchase and protection throughout the exercise?

Fitness: How does one prepare? How rusty are my skills? What would constitute a warm-up exercise, or a "preliminary heat" that would let me find out if I were ready for the game?

Partners: No matter how good you and your team are, in most significant cases you will need partners. Do you have the right ones? My approach in this is simple: Get the best. If you can't, you might want to question the wisdom of proceeding. After all, if they aren't working for you, they may be working for someone on the other side of the table.

These basic points provide a skeleton on which you have the opportunity to flesh out your creativity. The more innovation and insight that you bring to determining the answers pertaining to each of these four points, and the more effectively you execute on the answers, the lower the risk of your endeavor and the higher the probability of success.

Are there any guarantees? Few. Yet if you fail, which you might, at least there is a higher probability that you will live to try again. But remember, business—like life—never was about certainty (as long as we rule out the proverbial death and taxes).

Finally, what struck me most about the question from Roger's student—a student in an MBA program at Rotman—was the implicit assumption that risk was the domain of the entrepreneur, not him. If there is a single message in all of this, it is this: The most dangerous way of all to play it is so-called safe. Safe leads to atrophy and certain death—of spirit, culture, and enterprise. There is not a single institution of merit or worthy of respect in our society that was not created out of risk. Risk is not only not to be avoided, it is to be embraced—for survival.

Anyone for ice climbing?

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