

TAKING SMART RISKS

How to identify, assess, and conquer risk to maximize your opportunities

BY BRIAN TRACY



“ The issue is not whether or not you take risks. The issue is how skillful you are and, therefore, how confident you are in taking the right risks for the right reasons in pursuit of the right goals or objectives. ”

-Brian Tracy

All of Life is a Risk of Some Kind

Whenever you engage in any action where the outcome is uncertain, for any reason, you are taking a risk. You take a small risk when you drive to work or walk across the street. You take a larger risk when you start a business or invest a sum of money. You take a risk whenever you venture into the unknown, where your possibilities and probabilities cannot be determined to an exact degree. From the time you get up in the morning until you go to bed at night, and even when you are sleeping, you are facing risk to some degree.

The issue, then, is not whether or not you take risks. The issue is how skillful you are and, therefore, how confident you are in taking the right risks for the right reasons in pursuit of the right goals or objectives.

It is a fact that every great leap forward in human life begins with a giant step of faith into the unknown. Men and women who accomplish wonderful things are invariably men and women of great faith and confidence in themselves and their abilities. The better you become at analyzing and assessing risk, and then avoiding as much of the risk as possible, the more competent and more capable you will become, and the more successful you will be.

Five Types of Risk

There are basically five types of risk for you to consider. The first type is the simplest. It is the risk that is not yours to take. It is the decision that you do not have to make or the gamble that you do not have to engage in. Every action has a consequence and often creates the need for further actions, either to follow up on or to remedy what happened. Whenever you can delegate an act entailing uncertainty, you can reduce your risk of losing time and money and can increase your likelihood of long-term success.

The second type of risk is the risk that is unnecessary. You engage in an unnecessary risk when you act precipitously, without sufficient information or without taking time to think it through carefully in advance. Peter Drucker said, "Action without thinking is the cause of every failure." Many of the mistakes that you have made have occurred because you acted without thinking—that is, you acted without taking the time to minimize the risks involved.

The third type of risk is the risk that you can afford to take. Calling on a new prospect, following up on a lead, and exploring a new opportunity all are risks that you can afford to take. In these cases, the cost of failure is very low, while the rewards of success can be very great. Buying an inexpensive product or service, trying a new restaurant, and going out with a new person all are risks entailing uncertainty that you can afford to take because the down side is limited. Perhaps the worst that could happen is that you would experience a little bruise to your ego.

The fourth type of risk is the risk that you cannot afford to take. The consequences of making a mistake would be too enormous. You cannot afford to bet your whole company or your whole bankroll on a speculation of any kind. You cannot afford to commit all your resources to a single project and have your entire success or failure hinge on the outcome of that project.

Many salespeople make the mistake of working on one very large prospect and gradually curtailing their efforts to develop a series of smaller prospects. From everything that I've heard and seen, whenever a salesperson does that, the large prospect always fails to materialize, and the salesperson is left with empty hands and an empty pocketbook.

People in the world of investing talk about the importance of spreading one's

risks. No individual and no company should be dependent upon one or two people for their financial well-being. One of the best ways to minimize risks is to develop alternatives to what you are currently doing. The more alternatives you have, the lower your risk, and the higher your likelihood of success.

The fifth type of risk is the risk that you can't afford not to take. The down side may be costly, but the up side is so exciting that it is very much worth taking a chance to go after it. If you are working on a big prospect whose headquarters are a long way from your main office, it's certainly a risk to travel all the way there and back several times, but it's a risk that you can't afford not to take. If the prospect materializes, it can make a major difference to both you and your company.

Sometimes you will be given a job opportunity that you can't afford not to take. Although there is always a potential loss involved, the up side may be tremendous.

Assess the Outcome

One of the best of all exercises, in every situation involving uncertainty, is to assess and evaluate the worst possible outcome. Ask yourself, "What could possibly go wrong in this situation?"

Remember Murphy's Law: "Whatever can go wrong will go wrong." There are several secondary laws to Murphy's Law, such as "Whatever can go wrong will go wrong at the worst possible time" and "Of all the things that can go wrong, the most expensive thing will go wrong at the worst possible time."

Triple Your Time-Estimate

Another sub-law is "Everything takes longer than your best calculation." In

advising businesspeople, I suggest that they take their very best estimate of break-even for any business venture and then triple it to arrive at a more realistic number. Whenever businesspeople follow this advice, they are amazed to find that, in spite of their best initial calculations, it indeed takes about three times longer than they thought it would to start making money.

Add 20% to the Total Cost

Another sub-law is "Everything costs more than you can possibly anticipate in advance." In minimizing risk in any venture, always add a "fudge factor" to account for the degree of uncertainty. Whenever I do a business plan, I always add 20 percent to the total of all costs that I can identify, to come up with the probably cost. Anything less than this, whether in business or your personal life, is likely to be an exercise in self-delusion.

Once you have identified the worst possible things that could go wrong, make a list of everything that you could do to offset these negative factors. Engage in what is called "crisis anticipation." Look down the road, into the future, and imagine every possible crisis that could arise as the result of changing external circumstances.

Be Realistic

Men and women who have achieved a high level of success are intensely realistic. They do not put their trust in luck. They carefully calculate every possible risk, and then think about what they would do should it occur. They always have a backup plan in case things do not go as they wish them to. They have a "Plan B" and options to that plan that take all kinds of variables into consideration.

Successful individuals engage in strategic thinking. They minimize risk by continually questioning their assumptions and asking themselves what they would do in the case of unanticipated delays, cost overruns or unexpected

actions by their competitors. They are seldom caught unprepared because they have thought through the kind of uncertainties that create unacceptable risks—risks they cannot afford to take.

In dealing with risk, a mild degree of fear or anticipation is often very helpful because it keeps you alert and aware of what might go wrong. The problem with fear is that most people have it to an excess and are, therefore, paralyzed by their fears rather than motivated by their opportunities.

Do the Thing You Fear

There is an old saying, "Faint heart ne'er won fair maid." And there is another, "Nothing ventured, nothing gained." Giving in to fear makes you fearful, while acting boldly makes you courageous. Your actions create your beliefs, and your beliefs create your realities. Each time you feel afraid or nervous for any reason, the only solution is to "Do the thing you fear." An old man once advised his grandson with these wonderful words: "Act boldly, and unseen forces will come to your aid." Truer words were never spoken.

Most salespeople are selling far less and earning far less than they are capable of because they have an exaggerated fear of rejection. Even though they have never met the prospective client or customer, they have an inordinate fear of that person, and worry whether that person will like them or approve of them. When you actually dissect the fear of rejection by prospects or strangers, it seems kind of silly. But for salespeople faced with the need to develop new prospects, it can, and often does, paralyze them in their activities and hold them back.

One of the very best ways to develop your ability to take intelligent risks is to consciously and deliberately do the things you fear, one step at a time. You don't have to leap out of an airplane without a parachute. That is not risk taking. That is simply being foolish. What you do have to do is to resist your

natural tendency to slip into a comfort zone of complacency and low performance. Take any fear that you may be experiencing and treat it as a challenge and as an opportunity to grow and to become a better person. Face the fear, control the fear, master the fear, and continue to move forward regardless of the fear. This is the mark of the superior person.

Many of our fears of taking risks are unfounded. They have no basis in reality. When you test them, you find that they don't even exist.

Be Impressed by Others

Often we are afraid to take the risk of approaching a stranger because we fear that this person will not like us, be interested in us, or be impressed enough to want to have anything to do with us. However, the simple solution is to get out of yourself and focus all of your attention on the other individual. When you concentrate your attention on the other person and find reasons to like him or her, to be interested in him or her, or to be impressed by him or her, a remarkable thing happens: The other person, in turn, finds that you are likable, interesting and impressive. And the secret is to ask questions about the other person and then to listen attentively to the answers. Men and women who are popular with others practice this all the time. They eventually find that they have nothing to fear in introducing themselves to people, either on a personal or on a business level.

If you are in sales and you are thoroughly conversant with the benefits that your product or service can bring to people, you can approach them with calmness and confidence, seeing yourself as a helper rather than a salesperson. The very best salespeople, in all fields, see themselves as friends and advisers to their customers and prospective clients. They feel that they are in a position to do a favor for a person who can benefit from what they have to offer. Instead of seeing risks in approaching someone they haven't met, they see opportunities and possibilities. Their attitudes are

positive and expectant rather than negative and reluctant. They overcome the fear of rejection by thinking and talking about ways in which their product or service can help the other person and can enrich the other person's life or work.

A very good way to overcome the fear of risk taking is to set clear, written, measurable goals for yourself, and then to review those goals regularly.

When you have clear goals and plans, and you continually work on them and evaluate your progress each day, you will see what you're doing right and how you could improve your performance. You'll feel more competent and capable and better about yourself. You'll become more thoughtful and reflective and willing to take on even greater challenges. You'll feel like the "master of your fate and the captain of your soul." And your fears of taking risks will become smaller and smaller.

The "Golden Mean"

The Greek philosopher Aristotle said that all virtues are located on what he called the "golden mean" between two vices. The virtue of courage, or the willingness to take risks, is located between these two vices: cowardice on one end and impetuosity on the other. Your job is to straddle this golden mean and to strike a happy balance between acting impetuously, without thought, and not acting at all, allowing fear to govern your emotions and actions.

You learn how to take intelligent risks without fear by taking intelligent risks, and then by analyzing what happened. When you have clearly identified the risk involved, you can plan and prepare to maximize your opportunities while minimizing those risks. The more positive you feel about yourself, the more effective you will be in everything you

undertake. Your ability to confidently take calculated risks in the direction of your goals will ultimately lead you toward success.

About the Author:

Brian Tracy is Chairman and CEO of Brian Tracy International, a company specializing in the training and development of individuals and organizations.

Brian is also a founder, investor and the Chief Learning Officer of iLearningGlobal, the preeminent online Business Training portal in the world

Brian's goal is to help you achieve your personal and business goals faster and easier than you ever imagined.

Brian Tracy has consulted for more than 1,000 companies and addressed more than 4,000,000 people in 4,000 talks and seminars throughout the US, Canada and 40 other countries worldwide. As a Keynote speaker and seminar leader, he addresses more than 250,000 people each year.

He has studied, researched, written and spoken for 30 years in the fields of economics, history, business, philosophy and psychology. He is the top selling author of over 45 books that have been translated into dozens of languages.

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He speaks to corporate and public audiences on the subjects of Personal and Professional Development, including the executives and staff of many of America's largest corporations. His exciting talks and seminars on Leadership, Selling, Self-Esteem, Goals, Strategy, Creativity and Success Psychology bring about immediate changes and long-term results.

Prior to founding his company, Brian Tracy International, Brian was the Chief Operating Officer of a \$265 million dollar development company. He has had successful careers in sales and marketing, investments, real estate development and syndication, importation, distribution and management consulting. He has conducted high level consulting assignments with several billion-dollar plus corporations in strategic planning and organizational development.

He has traveled and worked in over 80 countries on six continents, and speaks four languages. Brian is happily married and has four children. He is active in community and national affairs, and is the President of three companies headquartered in Solana Beach, California.

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