

Why the most innovative people are the ones that are comfortable with risk

Innovation is by its very nature risky. It means creating something new, something different, and stepping into the unknown.

Successful innovations can look obvious or logical in hindsight - of course inventing vacuum cleaners without a paper bag, as Dyson did, was going to be popular - but at the time success was far from guaranteed.

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As a result, innovation requires a willingness to take risks and a desire to push the boundaries. “In a world that’s changing really quickly, the only strategy that is guaranteed to fail is not taking risks,” Mark Zuckerberg, the co-founder of Facebook, says.

In my new book, I look at the relationship between risk and innovation. This includes looking at the stories behind some successful innovations, not just in tech, but in the wider business world and in other spheres like sport, where the public spotlight can make innovations in tactics or selection particularly uncomfortable, offering a fascinating insight into what is required to succeed.

“If you don’t try to be creative, if you don’t ask: ‘Why do we have to do it that way? Why can’t we do it another way?’ then humanity doesn’t exist in the way we know now. These types of people are necessary to make football much better.” So said Pep Guardiola, the manager of Manchester City football club, and widely regarded as one of the most innovative

coaches in football.

Guardiola is from a line of pioneering Dutch and Spanish coaches. He played for Barcelona while Johan Cruyff was manager. Cruyff spoke about the importance of being willing to make mistakes if you want to innovate. "I'm never afraid of making mistakes and I tried to bring that idea to the pitch," Cruyff said. "I told players not to be afraid: 'If you have an idea, good: try it. And if it goes wrong, don't worry.'"

But being wrong is not easy. Ed Smith is the former chief selector for the England men's cricket team, and he challenged conventional wisdom by moving star batsman Jos Buttler to open the batting in T20 cricket. He has written about innovation and risk in his book *Making Decisions*.

"That was in conflict with conventional wisdom at the time - that felt that the best use of Buttler was as a finisher," Smith told me.

"Innovation brings with it innate risks, which are misunderstood. We talk about strategy and people don't realise that there's a coldness to strategy, a ruthlessness to strategy, which is that you're not going to allow yourself to dissipate resources in an unstrategic way - it's the same way with innovation.

"Innovation brings with it an implied insult, and the implied insult is to conventional wisdom, which, by the way, occupies a very prominent front-row seat in the commentary box and in the press room, where the dominant figures are ex-players who had their experiences, the logic they used and the conventional wisdom that dominated in their time. So you're picking a fight if you're innovative in sport and you've got to understand that it's not going to be an easy ride."

Phil Knight, the co-founder of Nike, has spoken about his happy childhood in Oregon as one of the reasons why he was prepared to accept this challenge. "Could I have risked as much, dared as much, walked from the

razor's edge of entrepreneurship between safety and catastrophe, without the early foundation of that feeling, that bliss of safety and contentment? I don't think so," Knight wrote in *Shoe Dog*, his book about the story behind Nike.

The willingness to face this discomfort also stems from a belief in your innovation - that the upsides will outweigh the downside risk. This is why the area around King's Cross station in London has been transformed over the last 20 years. Argent, the developer behind the regeneration project, pioneered a new way of thinking about mixed-use property. Developers had previously been reluctant to put shops or restaurants into the ground-floor of office buildings because of concerns it would annoy businesses who worked there. But Argent believed this was the way to create dynamic public squares and spaces.

"I don't know whether we were just naive, we certainly weren't visionary," says Roger Madelin, who was chief executive of Argent. "But the few of us at Argent had been to cities around Europe and we knew what we liked. We liked nice office buildings, nice restaurants and nice public spaces. So we thought: 'Well, why don't we put nice restaurants under our office buildings with a nice public space?' It wasn't rocket science, but no-one was doing it.

"I think saying to ourselves 'Why not?' and then just doing it really told us that there isn't this kind of huge wisdom of experience out there. There's just a lot of people who haven't really opened their eyes and asked themselves 'Why not?'. It's just: 'Oh, we can't do that because of this or that, or this rule or that.'"

Smith credits Howard Marks, the US investor and co-founder of Oaktree Capital, as someone who has influenced his thinking on this. "He's weighing different forms of information, he's living with uncertainty, he's not assuming he can predict, he's balancing cooler rationality with instinct

and intuition, and he's suspicious of consensus because he knows if you always do what the consensus says, then you're not adding any value as an individual," Smith says of Marks.

"He has this great line: 'In order to have the benefit of being different and better, you have to bear the risk of being different and worse.'"

Smith says that line summed up his job as a selector. It also demonstrates the risks you must face to innovate.

Graham Ruddick is author of *Risk Roulette: The surprising reasons why some businesses work, and others fail*, out now, published by Kogan Page, priced £13.94

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