

# The Art of Risk-Taking: Should Leaders Be Rewarded?

THOUGHT PAPER

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## Introduction

Leadership brings with it great responsibilities, rewards—and, inevitably, many risks. Successful leaders are thought to be bold risk-takers. Yet, between the urgency to enable digital transformation, the ongoing economic challenges, the infamous ‘great resignation’, and the aggressive and unprecedented boom in the global startup ecosystem, one is forced to examine the value of taking risks.

Just two years ago, business leaders, like most, were caught unaware by a pandemic that brought the world to a dramatic halt. As a result, leaders and their risk-taking capabilities were put to the test. The global crisis saw leaders scrambling to facilitate remote working at an unimaginable scale, adapting and responding to the changes within and outside their organization due to ambiguity, uncertainty, and confusion. Unfortunately, pandemic-related changes are not the only areas that are demanding leaders to step up.

**But here is the paradox.** Taking risks is necessary but in an environment filled with ambiguity and constant disruption, leaders must also act with caution. However, in most cases, the first action is rewarded while the latter is ignored. This holds especially true for the next generation of entrepreneurs.

In this thought paper, we explore this core leadership trait in today’s context and share insights from senior executives and leaders in the industry on rewarding the ability to take risks.

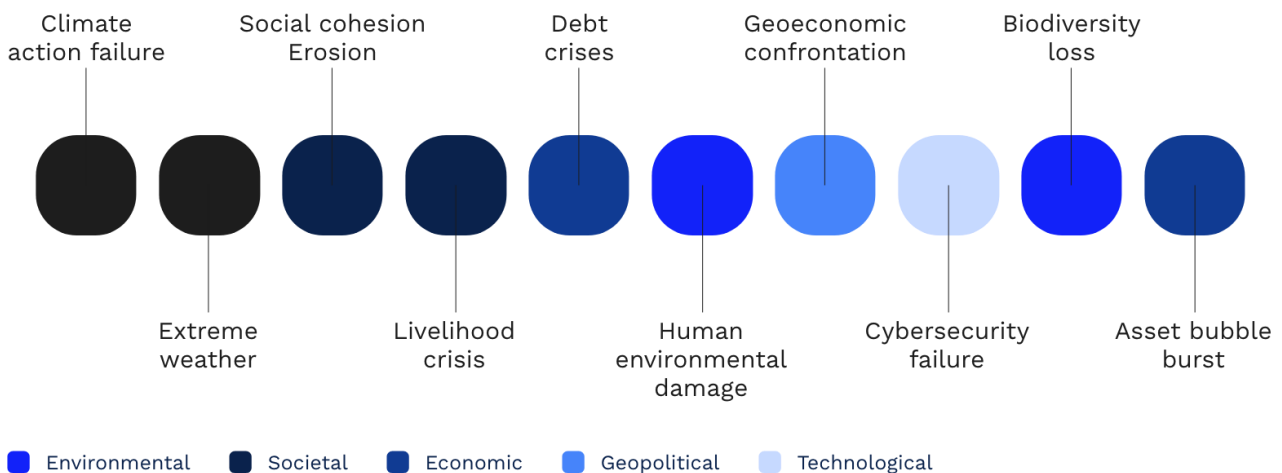
## No risk, no reward

*‘In a world that’s changing so quickly, the biggest risk you can take is not taking any risk.’* When Facebook (now Meta) co-founder and CEO started out, this is the life-shaping advice he received from his investor and co-founder of Paypal, Peter Thiel. Indeed, leadership and risks are somewhat inseparable. Every

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### TOP MEDIUM-TERM GLOBAL RISKS

Over the next 2-5 years



Source: World Economic Forum Global Risks Report 2022

The devastating changes in the climate, the massive shift in consumer as well employee behavior and priorities, social and economic unrest, along with cybersecurity challenges are some other factors urging leaders to act fast, and be bold – in short, be willing to take risks.

leader is expected to have the courage and tenacity to be able to take risks frequently. For entrepreneurs, it forms a key element of their success as founders of businesses that make a difference.

However, what sets successful business leaders apart is not the risks they take but how they approach them. The ultimate purpose of taking risks is long-

term growth which is why successful leaders are thoughtful risk-takers. They move forward with the understanding that they are never acting alone, aligning their decisions with the purpose, value, and strategic goal of the business. In an uncertain business climate, where nothing ever stays the same, they use their expertise and experience to anticipate what comes next but when the future looks different from what they had expected, they demonstrate the agility to take on a different course. Instead of letting the fear of failure or reputation damage hinder them, they adapt and act in a way that serves the company's interests.



Source: <https://www.pwc.com/us/en/library/pulse-survey/executive-views-2022/risk-management-leaders.html>

While these traits are celebrated, it is important to point out that risk-taking behavior does not exist in a vacuum.

## A risk-positive environment: Why it matters

Whether you are a business or an individual, if you want to innovate, you have to be ready to fail – may be a few more times than you like. As individuals, if we fail, we are (ideally) asked to learn from our mistakes and try again. But somehow we forget to apply the same encouraging approach to taking risks as a leader. An environment that is not just tolerant of failure but actively supports risk-taking behavior is extremely important to drive innovation and build a pipeline of bold decision-makers.

One might argue that this is easier said than done as businesses have a lot more at stake. We agree. This is why a risk-positive culture has a detailed, well-thought-out structure that supports risk-taking in a controlled environment. Take leading global tech companies like Google and Amazon. As an HR leader of a B2B commerce venture points out, **“these agile organizations encourage risk-taking across their workforce by allocating special funds to fuel innovation. They have a structured approach to risks, pushing CXOs to take bold bets albeit in a controlled risk environment and slowly, extending beyond that – making inroads into uncharted territories.”** These organizations identify their best

risk-takers and create an environment for them to take smarter risks. While the successful risk-takers are undoubtedly rewarded by way of promotions, greater role visibility, and deeper social connections, unsuccessful risk-takers are not left behind. For every risk-taking effort that did not end well, learning documents get created. This enables other leaders/CXOs to learn from and build on their mistakes.

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**There is no room for risk-avoidance.**

- HR leader from a B2B commerce venture

In a nutshell, risk-taking needs to be weaved tightly into the DNA of an organization and everyone in it. This leadership trait will thrive only in a well-defined structure that provides support for every attempt, enables collective learning for everyone, and encourages leaders to view challenges optimistically; as opportunities and not problems.

## Should leaders be rewarded for taking risks?

The short answer might seem like a yes but it comes with its own asterisk. There is no debate on whether risk-taking is essential for innovation, growth, and long-term success or not. We all know it is. However, reckless or unstructured risk-taking can lead businesses into deeper waters. In a world that oversimplifies decision-making with vague mottos like ‘go big or go home’, it is essential to stress the importance of exercising caution when required. This is especially relevant in today's context.

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**Instead of rewarding CEOs/promoters for taking risks, what is more critical is the person's ability to make the right judgement.**

- Founder & CEO of a media-tech SaaS company

CEOs, founders, and CXOs must all be rewarded for good decisions and not for their risk-taking capability alone. An aggressive risk-taker's decision might be clouded by the need to act boldly, and their decisions may not always be based on facts. On the contrary, a thoughtful risk-taker has the strong ability to recognize what risks are worth taking. According to the Founder and CEO of a media-tech SaaS venture, **“leaders should have the ability to extract value from the limited data available to them—based on their past experience, knowledge, current trends, and external factors.”** At the same time, they should also have a council of advisors and experts that can empower and guide them with more data, insights, and diverse points of view.

This makes us wonder if instead of asking whether risk-taking should be rewarded or not, the question we should be asking is how organizations can promote a culture of thoughtful risk-taking. Based on our discussions with leaders from different industries, we have identified 3 key elements to enabling smart, purpose-led risk-taking:

### 1. Define thoughtful risks

What does a thoughtful risk look like for your business? CEOs and senior stakeholders need to identify the guardrails of risk-taking within the organization, communicate them effectively, and review every risk before being implemented.

### 2. Nurture the risk-takers

Like with everything, risk-taking behavior can be honed with the right support. Identify the fast-learners and bold decision-makers, and empower them with the right information, and financial (and other) resources, at every step of the way.

### 3. Reward thoughtful risks

Even the ones that were not successful. Organizations should have a proper structure in place to review both, success and failure. Rewarding the best attempts regardless of the outcome demonstrates how serious a company is about taking risks as long as these risks are calculated and relevant.

## The takeaway

Leaders define an organization's culture. A leader who is a thoughtful risk-taker can set the right precedent for others who follow. This is the behavior that a company's board members/shareholders must reward. In many situations, it will be imperative to act with caution, while in others, taking risks will be the only way to move forward. **Balance is the key. Leaders who successfully demonstrate the ability to recognize the organization needs will inevitably reap the rewards. Having said that, it is essential to remember that innovation is driven by those who work hard and take calculated risks. As an organization, it is necessary to reward every individual ready to go the extra mile and take the initiative to step outside their comfort zone.**

## About the Author



**Varun** has over 20 years of experience in the corporate world, of which the last 15 years have been in executive search where he has led and managed critical client relationships across diverse industries. While working at

EMA Partners, he managed engagements that span the sr. leadership suite with a special focus on Digital, Tech & IT Services, VC/PE-Portfolio and Professional Services. He was instrumental in developing firm's capabilities in the Digital & Technology space. Before co-founding PeopleAsset in December 2018, Varun was leading the tech practice at one the fastest growing executive search and hiring firm, headquartered in India.

Prior to joining EMA Partners, Varun was associated with Korn/Ferry where he was part of the Global Technology Markets (GTM) India practice. His areas of focus at Korn/Ferry included: Business & Professional Services, Business Information Services, IT/ ITeS, Electronics, Software & Emerging Technologies, Consulting, Big Data & Analytics, HR, and Finance. Earlier, between 2008-2011, Varun ran his own search firm before which he was associated with a niche economic, business and market research firm, IMA India.

Varun comes in with multi-domain, multi-functional expertise in Executive Search, and Leadership Coaching & Development. He had successfully completed Decision Dynamics Certification in the Executive Assessment Suite, is an Executive Coach, and regularly advises early-stage ventures/ entrepreneurs.

### About PeopleAsset

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**Varun Sarin** is the Co-founder, Director at PeopleAsset.  
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