

**BOB:** One of the, one of the keys to leadership is knowing when to, when to allow people to make mistakes and when to intercede, before they make a, before they make a mistake, I'm all of the opinion that getting a few bruises is better than being intact all the time. I don't know if I go all the way to broken bones, but there, there is a place... is a place at which learning is more valuable because you are allowed to do something versus having somebody in receipt on your behalf.

**CHRIS:** Welcome to *No Turning Back*, a podcast hosted by General Stan McChrystal and myself, Chris Fussell. Our goal here is simple: to have serious conversations with serious leaders so that we can learn from the best and navigate these complex times together. Thanks for joining us.

**ANNA:** We're excited to continue our risk mini-series on *No Turning Back*. This week, Stan and Chris speak to Bob Wood, the former Chairman and CEO of Chemtura Corporation. Bob has an impressive career navigating business risk: before Chemtura, Bob was an executive at Dow chemical - spending over two decades years there and climbing the ranks in the business. He has been a member of a variety of impressive boards, to include the US Olympic and Paralympic Committee, MRC Global, Praxair Inc., and Univar Solutions, to name a few.

Notably, Bob is a member of the board of directors at McChrystal Group, where Stan and Chris have worked closely with him for a number of years. Bob is known for candor and his intelligent questions, so Stan and Chris wanted to pick his brain about how he thinks about business risk.

In this week's episode, Bob explains why market leaders need to be paranoid, and why market laggards need to be creative. He walks us through how his own thinking of risk has evolved as he became responsible for others leading a team, and how he thinks of risk as a member of boards of directors. Bob challenges leaders to understand the risk upfront through good questions, rather than understanding it from hindsight. He also outlines how he'd prompt younger leaders to think about the relationship between risk and opportunity, and offers key questions leaders must ask themselves when thinking about a particular risk.

Stan's latest book, *Risk: A User's Guide*, is available to purchase everywhere. We hope you enjoy the insights shared today on risk. Thank you to Bob for making the time. Now, over to Stan.

**CHRIS:**

**STAN:** Well, Chris, good to see you again, obviously. And Bob, thanks very much for being on today. We are really excited to have you, because this is a first. You know, it's the first time we've ever had a member of McChrystal Group actually on here, but also someone with a really powerful set of business experiences.

Just as you've contributed to our team, experiences that can give our listeners a broader idea. So, thanks for taking the time today.

**BOB:** Well, thanks for the invitation, Stan. This is, uh, given me occasion to really think about risk and how risk has evolved from a personal point of view.

**STAN:** So, we're going to jump right in into the complexity of business decisions. Where could there be risk there? And in the new book, we talk about a story with John Antioco, who is the CEO of Blockbuster.

And many of us are remember Blockbuster from sometime back. There were 9,000 Blockbuster locations. You walked in, you smelled buttered popcorn, you saw slightly stale candy. And then there was this collection of movies. And, and typically on a Friday evening, I take my wife and son and we'd dutifully go down there and get the movie my son wanted, the movie my wife wanted, I paid for both of them. And then we headed home.

But famously, John Antioco was approached by Netflix and said, would you like to buy Netflix? And at that time, the price was a paltry \$50 million. And yet he made the decision not to make the, not to make the move. It seemed like a financial challenge at the time. It's hard to acquire new companies, but I'd like to, with your background, how do you view decisions like that, which seemed huge in the moment. And they can be either huge failures or missed opportunities?

**BOB:** I think assessing risk and managing risk involves a thousand questions that should be asked. It also, in my mind, confirms my belief that market leaders need to be paranoid. Market laggards need to be creative. And if you're not paranoid as a leader, your chances of being picked off are pretty high and it's not unusual for somebody who's in the position that Blockbuster was, to think we just have to do the things we're doing better, as opposed to thinking what are the real threats?

And I think the thread for me that runs through risk is the threat. And if you're not asking yourself a bunch of questions and have people asking you a bunch of questions, I think you'll fall short of understanding what the real threat is. And that is a perfect example.

And it's not just Blockbuster. That could be any industry. And if you don't have people at the top who think like that, and people who challenge them in the organization, the same thing happens that happened to Blockbuster.

**STAN:** Bob, as a follow-up, are there any industries where you think the lights are flashing red, and yet you don't see leaders responding to that?

**BOB:** Well, I think that there's obviously the, in the industrial space, the oil business has some real challenges it's facing. Not only from a ESG point of view, but there's more and more activity in the field of electrification that's going to impact them. And I think what you see now is the real big players sort of trying to push it off, trying to not acknowledged the fact that there is a threat.

Now, clearly we're going to continue to need oil for a whole number of different things, but the amount of capital needed to discover new sources, the changing use of oil and demand is going

to continue to be a challenge. So, in my mind, coming from an industrial background, that's one area that is... that's going to be challenged going forward.

The other thing that goes back in time a bit, that I always think about is when I was a young guy in the chemical business, and we were thinking about India and China and how fast they were going to be able to get up to speed. We kept saying to ourselves, there's no way they can build telephone poles fast enough to be able to communicate and bring them forward into the modern era. Well, we didn't think with our capability and understanding that cell phones would change the whole atmosphere, the whole dimension and thinking of alternative ways to do things, I think is one of the big challenges that businesses in every industry face.

And again, asking the right questions about what could happen versus what you expect to happen will help guide you, I think in, in many cases.

**CHRIS:** Bob, can you, because we hear that a lot from, from leaders that, you know, have similar experiences to you that sort of asking the right questions, but having that team around you that can help ideate there to identify those risks that might, you might not... see yourself. But it's easy for, and we've all seen leaders fall, fall prey to this, it's easy to just ask questions and then get back the answers that people think you want to hear, versus challenging one another's way of thinking or how we're, how we're reviewing risk.

Any, any lessons you've learned throughout your career on really developing a team of, of leaders inside of your organization that aren't afraid to have that two-way dialogue?

**BOB:** Yeah, the first thing that I ask people when they come to see me, and there's an issue that they want to have input on is to say: what's the worst thing that could happen? And are you willing to live with that? If that's what happens? And secondarily not just the worst thing, but what's the best opportunity that would come out of you exercising a decision around that risk?

So, it's not just asking the questions, it's delving deeper into what are the implications of the answers to those questions? And if people are just throwing up obstacles or throwing up things that have a small likelihood of happening. That's not nearly as productive as questions you can run down the answer to and feel comfortable with. It's really unfortunate that decisions often get evaluated with the benefit of hindsight. For me, the real challenge is to understand the risk upfront, to ask the questions upfront, and then you can evaluate whether or not it was, it was good or bad. How many of the things that happened? Did you forecast or anticipate how many did you miss? And what was the reason that it turned out to be a bad decision, if it in fact did? But hindsight is always, always perfect. And that's the thing I try to instill in people who I, who I've worked with.

**CHRIS:** Yeah, really interesting point and Stan, if I can put you on a spot, because there was, in military planning, you you'd run through, if I was briefing the general on, on the courses of action that we were considering for operation, you'd brief a series in a sort of standardized threat assessments.

And one of them was the, the most, most deadly course of action. Like what's the worst thing that could, could go wrong there? And sometimes as Stan can attest, that could turn into a bit of lip service. It will be cut and paste from the last mission. So, how did you develop a lens for that and force people to really say, is that a serious assessment or is even worth talking about, did you any, any reflections, there?

**STAN:** Yeah, that's a great observation, Chris, because we used to have the two... there was one most likely enemy course of action, and we would describe that and then most dangerous or deadly course of action. And what if that happened?

And you're right. There was a tendency to say, well, if that happened, that would really be bad. And then you go back to the course of action that you want the enemy to do. But, but in reality, of course, once the most dangerous course of action starts to unfold, that's where, as Bob said, you've got to peel back because for example, Mogadishu, a helicopter gets shot down and then suddenly you've lost the initiative.

Then another gets shot down, then suddenly your entire force is tied up in dealing with those developments. And so, as you start to talk about the most dangerous or deadly course of action, it becomes a parade of horrors. You know, one thing happens in something else happens and suddenly you're out of ammunition or you're out of this. And so, you've got to go peel those back and make sure you've got enough capability to respond. It doesn't mean that there won't be some costs involved. It doesn't mean that you should take counsel of all your fears, but if you can't deal with the most deadly course of action, if you can't respond credibly to it, and work your way through a solution, then you've got a real problem. And that's what I think you've got to say stop, we've given ourselves an, an unacceptable level of vulnerability here.

**CHRIS:** Yeah, that's a great... I never thought the analogy between those two, but it's, it's, it's interesting.

Bob, pivoting a little, this, a little bit sort of looking through the other direction and we consider this a lot when talking with leaders and industry, and something I learned early on in, in, in the military was, we would have this phrase for it, you know, just because it went wrong, doesn't mean it was the wrong decision, right?

So don't, don't, overlearn the wrong lessons just because something didn't work, because, you know, the enemy gets a vote, the market changes, there's all these other reasons. And there's lots of examples in that, of that in military history, and in, in the corporate space. There's a famous one from the, studying the Japanese fleet at the Battle of Midway, where the senior Japanese admirals made a decision to rearm, and ended up losing ships and a lot of sailors as a result of that decision.

But historians would say, no, if you were in his position, it was the right course of action. He just could have anticipated all these other things that were about to happen. And so, as a senior leader, how, how did you look for that? You know, cause your staff would bring you: we missed the numbers on this and we should fire Johnson, or whatever. But you have to step back a level

and say, wait a second. I think, I think that is making the right decisions based on all the information they had and maybe it was a brilliant decision, but there were these other variables that they hadn't seen coming. None of us saw them coming. So, how did you learn to tease that out and just not go with did it work or not work versus was the decision accurate?

**BOB:** Chris, I was very fortunate in my career to have some really exceptional mentors. And I think one of the, one of the ways you deal with those things is to cast a very wide net, particularly if there's uncertainty around what you want to do, if your staff is relatively new, even if they're relatively seasoned. They come in with a perspective and they come in with their experiences. And I always tried to broaden the circle of people if it was a critical decision or one that involved a significantly higher level of risk.

I always try to get input from people outside of the inner circle, because A) they have less fear of being wrong, B) they have a different set of experiences and C) they're going to tell you what they believe as opposed to what somebody wants you to hear. So, when we evaluate risk, it is not anything that's rocket science, it is what's the impact, and what's the likelihood? Where those two things meet is where you begin to think about how you deal with them, where you get the input, and who's likely to give you the most unsafe, slanted, unbiased perspective on doing it or not doing it and what what's likely to happen.

So, I think casting a wide net... in the example that you use, that probably wasn't as likely as some other decisions, because it's, it's more of the spur of the moment. I think that the more you think about those things in advance, the more likely you are to come up with a decision that yields the kinds of results that you want.

**CHRIS:** Yeah. It's, as you both know, I, I like to dabble in the sport, the sport of climbing, which some people consider high risk is actually a relatively low risk sport if you're smart about it. But there's a, there's a climber out there that is fascinating to anybody in the endeavor, Alex Honnold, and many of our listeners will have heard of him because he's known for some crazy free soloing, which means he climbs issued a rock faces without a rope. But he's a very analytical person, I've never spent time with him. And I know a lot of people in the climbing world that know him well. And he even talks about this and in the way that he looks at the risk associated with, with a project that he's working on. He says, you know, I can't control the impact of an error, but I can control the likelihood as much as possible.

And so, it's exceptionally well-rehearsed. He'll spend weeks or months or years working on a major project and memorize it down to, to the specific move, even on like, you know, multi thousand foot climbs because he's, he's smart and his assessment, you know, above a hundred feet, I'm going to die, there's just no fighting gravity, but I can reduce the likelihood of that happening to as close to zero as possible. So, unless there's some unforeseeable variable, then the odds of me making it through are pretty good, even though the impact is 100% at a certain point in the, in the climb.

So, it's, it's a, I love that likelihood versus impact comparison.

**BOB:** There's clearly a difference between your risk assessment and tolerance than mine.

**CHRIS:** They used the ropes. Trust me.

**STAN:** Yeah, it's funny. I got taught some climbing when I was younger in my military career. And I, I agree with Chris that climbing is really not risky. I think it's simply crazy. And so, I stay away from anything that looks like a rock wall now.

What I want to talk about is a person's relationship to risk. And I use that term there because I think each of us have one and it's partly our position, it's partly our personality, it's partly our experiences. You know, there's this perception in people that all young soldiers are scared. And then as they get older, they become more courageous. In my experience it's the opposite.

All young soldiers are bulletproof. They absolutely think, Hey, no problem. And then they learn, they are not. And as they go forward, people break into and I'm going to oversimplify into two sort of lanes, one becomes somewhat bureaucratic and becomes very cautious. And another becomes, what we, we like to say is a person who takes reasoned risks and leads in a way and accepts a certain amount, but they do it in a, in a different way.

I'm going to ask you: from the earliest part of your career, describe your personal journey with risk. How did you think about risk when you were just out of school? Just off the football field and going into the real world? And then how did that evolve over time?

**BOB:** Stan, I think you're exactly right. Risk understanding and tolerance change over time. When I was a kid, I didn't even know what risk was. I just knew I was going to go do something and if something bad happened, it happened. It wasn't an assessment of risk, but as you mature, I think you'd look... at least from my perspective, I looked at it very differently. When I started my career, I was responsible for myself, so I didn't have people working for me. I didn't have a significant enough role that if I did something wrong that the whole company was going to be at risk. And therefore, I took a number of, what I would describe as chances or risks that some people said, "I'd never do that." So, when I had my first sales assignment, I gave my district manager a list of things I was going to accomplish over the next quarter.

But you know, some, I knew I could do, others I didn't know I would do. But I said, here are the five things I'm going to in the quarter. I mean, my peers thought that was absolutely insane, but for me it was A) a motivator and B) different than what my peers were doing. So, it may have been risky, but I didn't, I didn't consider risk as a, that we're describing today.

But as I progressed, and more and more people responsibility and had more and more impact on the organization. Then I became, began to understand risk, and understand that it had to be more thoughtful than just doing things. And I think all of us have a same, same kind of transition where we have responsibility for people, it has a much broader impact and you're much, much more careful.



But even, even as a young person, developing a network of people who could provide input and provide perspective was very important. And it only became more important as I progressed through the, through the organization.

Now, as a member of a number of boards, I think we have, I have, a responsibility. It's a challenge management with the kinds of questions that would keep you out of trouble. I mean, not out of trouble, but minimize the amount of trouble. And I think when I think of Theranos, who is also something that you guys talk about, that that is in my mind, the perfect example of having a board that's disconnected and not paying attention to what's happening.

And the whole thing is built on rather shaky ground to begin with. And if you don't have people as directors who are willing to stand up and challenge management, then what happened, is what's going to happen almost every time, if not every time. So, I think it just expands as you go forward, it causes you to think more broadly about impacts, and good things and bad things that can happen as a natural course of business.

**STAN:** Yeah, really valuable. I'm going to ask you to turn the lens around now from where you are. And you've got a cohort of young people growing up in a, in an organization and you want to teach them risk. How do you, how would you do that?

**BOB:** Well, I think it goes back to what we were talking about earlier. First of all, I'd like to have them tell me what they think risk is and how they think about it. And if they think about it. Because it's very possible that they don't consider it as part of their ongoing activities. And then I, then, then I think taking them through a series of exercises or series again, of questions about what they want to accomplish, how they want to accomplish it, what they think can go wrong, but more importantly, what are the opportunities associated with risk?

It's hard for me to think about risk without thinking about opportunity because the two are so closely linked. I suppose there are exercises that you could do with them that would help. But I think the foundation of it is: what do they think about it? What kind of risk have they experienced and how will they challenge themselves to ask the right questions prior to there being in a bad outcome?

**STAN** That's useful.

**CHRIS:** Bob... can we go back to the, to the board question? The Theranos example, you know, that Elizabeth Holmes trial sort of ongoing and that's, you know, that's been a point of real interest for so many over the last several years.

But, on the board side, I mean, that things like that, that risk is, under the surface, I think probably more often than we'd imagine. It's not just, you hear about the occasional one-off because that was such a uniquely valued organization. But you... I'm imagining you've had to have been on boards where you can see risks like that bubbling up, or I'm sure you have peers, at least, that have been caught in the middle of something like that at a board level.

How do you, and, and, you know, there's, leaders in the military most will tell you, you can walk into any military headquarters and pretty quickly read is the, is the leadership communicating down into the ranks effectively. And if, and if there's a problem with a unit, senior leaders, the ones I always respected the most, would say, I can switch out the leadership and make this unit really good, very quickly. Right? So, it's, it's got to start at the top and work its way down. So, I'm wondering at the board level, are there things you look for, is there a sense you've gotten over time to say, are we having honest conversations? Or are we setting ourselves up for this existential risk like in the example you just mentioned?

**BOB:** In my mind, integrity is an absolutely essential element of successful leaders and successful companies. You can, in many cases, look at a situation objectively and know that it's not right. And yes, there are cases where that's happened. You have to be willing to either call it out or leave. And, and in my mind, it's as simple as that. You can't tolerate a lack of integrity from leadership or your peers in an organization at that level, knowingly allowing things to happen that you know, shouldn't happen.

I mean, there are some... not knowing anything about really the business, you can look at how that group acted. First of all, the selection, secondly, their understanding of the business.

Third, how they challenged or didn't challenge leadership in the organization. And know that there's not going to be a good outcome. So, if there's not integrity, then you don't have anything that the company is built on, because at the end of the day, and maybe in the middle of the day, something bad is going to happen as a result of, of that.

**STAN:** Bob, I'm going to do something a little bit tangential to this and talk about responsibility and how that can sometimes cause risk. We, we have a mutual friend, John Vines, who tells a great story reminder to us. He says, if three people are responsible for feeding the dog, the dog's going to starve.

And so I'd like you to talk about when responsibilities aren't clearly delineated how does that induce risk?

**BOB:** Well, Stan, I think you asked me about young people. I think having them recognize that accountability as a critical element of any successful businesses, is the first step. So there has to be a level of accountability in an organization for it to, to happen.

If ... we just had a situation with a client where, what you just described is actually what's happening. There are too many people who don't understand what the leader's expectations are, don't understand what the priorities are, and therefore they're off on a bunch of different tangents and not focused on getting the results that they could accomplish as an organization.

So, I think understanding the expectations, understanding or demanding, to know whose accountable, is a responsibility, if not of leaders then of senior people in the organization. In this case, um, there are a few senior people who will call that out and who will try and get it changed.



But if the leader doesn't acknowledge that there is a huge benefit and expectation for defining accountability, it is likely not to go very far.

**CHRIS:** Bob, this is a little bit, from a different angle, but, I'm curious your thoughts because, uh, we all came as the three of us came up as athletes. I came up as a wrestler, you played football all the way through college, Stan came up as a baseball player. Do you think sports analogies are overused or are they a good framework for talking about risk? Because we all fall prey to it. I think if you grew up in that world, it's just a natural way... it was organic to the way your brain was wired from a very young age. So, I see the logic in it, but, but it gets thrown around a lot, especially football. So I'm curious if you have any reflections on overused or, or very effective.

I have been accused many times of overusing sports analogies. So, I'm very sensitive to that as a way to make a point. I do now consciously though, think about things that are not sports related, because it does capture the imagination of people outside of sport. I think there are huge and valuable things to be learned from sport, but I also acknowledge that everybody doesn't relate to them in the same way.

So, I think it, it is or can, for sure, be overused. I do think it's valuable. But third thing is I think looking at other things that you can make an analogy from would likely have a bigger impact depending on the audience. And, and I'll put at the end, depending on the audience, because there are some audiences that will really resonate with your analogy. There are others that won't, and I think being sensitive to the audience is a key part of whether or not it's the appropriate thing to use a sports analogy.

**STAN:** Bob, I want to talk about communicating risk to somebody with a different background from yours. We used to, in special operations, always have a real challenge trying to communicate to decision-makers from a different background, diplomatic or whatever, the level of risk of something. They would say, well, how risky is that? And we'd say, well, it's high risk. Well, what does that mean? You know? And so, how do you learn to communicate in a way that somebody who may have a very different perspective of yours gets what you're trying to tell them?

**BOB:** It depends on the situation, Stan. I think back to bad decisions that I've made, and it is, it is almost, every time is because I didn't do what we were talking about before, soliciting input from a lot of different people. And then as a result of that, you can then say, well, here's a risk and explain what the risk is, or you could buy this business. The business is not performing well. You think you have the answers to it, but at the end of the day could bankrupt your company. That, that is, that is a risk.

There is a, a risk that your best customer could be stolen from you by a competitor because they think about the issues differently. I think there are things in day-to-day life, when you're talking to people in a business, in your business, or in another business that you can say, well, what if this happened? How would you react? And do you consider that likely or unlikely and how do you mitigate it? Or how do you take advantage of it?

And it is just, I think that straightforward, in terms of how you're telling people or asking people what they think. And again, I hate to keep using this, but the fact is: questions will help you get there better than, than statements. If I ask you what you think can go right, or can go wrong, it causes you to think about what the implications of that are much better and perhaps deeper than if I'm just telling you what the, what the answer is.

**CHRIS:** When I was a younger officer in the SEAL teams, pre 9/11, um, there was a training accident and, and someone died as a result. And I've never been accused of being good at paperwork. So, but one of the results was, every unit before they went out and did anything, someone came up with some crazy spreadsheet, risk analysis thing, and we've all seen this drill before. So, the idea was okay, Lieutenant Fussell has taken his platoon out to do something at the firing range, and there's this 40-line spreadsheet where you got to fill out every possible scenario and what's the risk on one to five and how are you mitigating it? And you get this number down at the bottom.

It says, okay, you're cleared for training and it's just me talking to a spreadsheet. So of course, you know, if the number says you can't train, you're going to go out and change three things until you get to 75 or whatever you need. And those things, you know, whether it's in the military or industry, you can understand from a bureaucratic position, why things like that come into play. But as, when you're trying to lead an element or a team or wherever you are, it's just, it's an unnecessary, it's a wasted effort, right? Because people are just going to say, if you want to know how I'm going to mitigate the risk it's my range safety officer who I know super competent. It's the training department. It's the, we're all competent people, you know, it's, it's all these variables that come together and ultimately your trying to, you have to empower and trust your leaders to make sure that they're capable.

So, just I'm curious from both of you, whether you've had to fight things like that back in, in leading organizations and when you, if you do push back on them, where, how do you have a conversation that says no, here's how we're going to mitigate risk, whether it's at a trading desk or a sales team or an operational unit in the military? Stan, do you have any thoughts there because I'd love to get Bob as well.

**STAN:** Well, just a real quick story. When I was a Lieutenant, I was in the 82nd airborne division famous organization and our maintenance was terrible. It was a 1970s. And so, the division commander put these roadside checkpoints and he would stop military vehicles and have a team inspect their maintenance.

And if a vehicle got stopped from a unit, the battalion commander would get a hate letter from the division commander, which is very bad for their career. Very scary. So, my battalion commander who wasn't that smart, he put a policy in that said nobody can use one of the military vehicles without my personal approval. This is a battalion of 600 people. You just couldn't get business done with everybody had to go. So, he solved that risk. People didn't use our military vehicles, so none of them gets stopped, and he didn't get any letters. Meanwhile, our

maintenance got worse, morale plummeted because people use their own cars to do military business.

And so, we created a much bigger risk by trying to solve this somewhat personal narrow risk. And I don't know how many times in my career I saw replace that. You've probably seen it in corporate, Bob.

**STAN:** See, now, now a SEAL platoon would have said, all right, Smitty, I want you to go out and steal all the cones they're using to stop vehicles. Problem solved!

**BOB:** That's a classic example from a, a business that has multiple functions that's operating as a matrix, as opposed to operating as a line organization. So, we used to have a guy in manufacturing who wanted to make one grade of product all the time and only make that grade. So when R&D came up with a new product, a new formulation, a new additive package, the first answer was, "no forget about it."

Well, okay, Frank, we don't have enough people who want to buy poly A. So, you can make all you want, but you're going to end up with a big inventory issue that we can't sell and is going to end up looking bad on your books from an inventory point of view. So we, we ultimately got him into a dialogue about how you could do product switchovers without loop, without having to go through a big, uh, analysis of the, the, the grades that are not usable and have to be sold as, as we called it off grade, and, and ultimately he discovered that as we made more money, his perspective was less valued than it had been when he could make just one grade, because we're the only ones making the product, and you had customers, you could tell customers what they were going to use, as opposed to them telling you what they need.

So, in, in matrix organization... or actually earlier what Stan said, who has decision-making rights and who's who is accountable. You have to get that figured out in order to be able to get through those endless questions to, to the right answer.

**CHRIS:** Okay. One, one final question and comment, observation. Bob, I'd love your thoughts on both of you... you said both are a sort of teaching leaders, right? You, you lead groups, but you're also, you're also trying to teach and mentor the next group of leaders to, to take on bigger positions. And so, the question here will be like, when, when did that become a skill you worked on, or was it intuitive from an early stage? Because I think, personally, when it comes to risk and it's sort of tied to this, do you fill out the big spreadsheet or do you just go out and make sure you do the job effectively? And if you been on too far to one end or the other, you're either doing nothing or taking on too much risk.

And I think leaders that teach, groom younger leaders that are no longer personally scared about messing up, right. They know if I go above this line, it's just not acceptable to the organization. Bad things happen, people go to jail, people die, whatever it is. If I go below this level, I'll never get in trouble, will never get anything done. And I know in this zone heer, I'm going to teach her on the edge of error when I get to the edge of it. But I know Bob trusts me to make those

judgment calls. And I know when I mess up, he's going to teach me why it didn't work. And I'll be better the next time.

When, when in your career did you start to, to think like that?

**BOB:** It is that whole process is clearly situational? I would say that probably 10 to 12 years into my career when I actually had people working for me and I had responsibility for an organization, up to that time, I was, I was clearly learning more than I was teaching anybody, anything, but I had a role that, at that point in my career, was very positive.

It was a role in HR and I was responsible for recruiting all of our new hires into the commercial organization and placing them in one of the sales offices. So, I had to figure out what the strengths and weaknesses of those people were and match them up against the right office manager, because I knew who the good teachers were, I knew who the bad teachers were, and I knew who was going to benefit from what, and if there needed to be an intercession, then I could be prepared to help them understand what was being taught.

But it is situational because as you progress, those issues are going to become more obvious and the needs of the individual are going to become more obvious. And that's the way in my mind, you can, have the biggest impact. But I would say the biggest impact is, uh, people watching what you do versus what they say, what you say. And, and that in my mind is the most powerful part of teaching people is that they can learn from what you do in addition to what you're telling them and apply different skills in different situations.

Yeah, that that's brilliant. Chris, I remember watching you teach risk. We were in your backyard a few years ago and your son Thorpe was climbing up in the tree, above the patio area. And somebody said something like, oh, you know, he could fall and hurt himself. And you said, well, you know, a few broken bones come with life. And he'll learn. And I remember thinking how true that is. And sometimes you've got to let people and organizations learn a bit for themselves. You know, if you don't get a little scuffed up in life, you don't learn, you know, to, to take care and do it.

But what I would tell you, Bob, you have been extraordinary today, your wisdom, and of course your wisdom on our team on a daily basis, but also on our board meetings is extraordinary. But your wisdom today to all of us... when we think about risk, but we don't. We say risk, but how often do we really stop and think about it? And you've given us a real window for that today. So, we are deeply in your debt.

**BOB:** Well, thank you. Let me just make one other comment, because what you said about Chris and his son actually reminded me of something that was not that dramatic, but, but one of the, one of the keys to leadership is knowing when to, when to allow people to make mistakes and when to intercede before they make a, before they make a mistake. I'm always of the opinion that getting a few bruises is better than being intact all the time. I don't know if I go all the way to broken bones, but there, there is a place at which learning is more valuable because you are allowed to do something versus having somebody in receipt on your behalf.

So, thank, thank you for the time. It's been very educational for me as well. The whole process of thinking about this title and looking through the book. So, so thank you.

**CHRIS:** Bob. I've seen the helmets that you wore when you were playing in Michigan, so I'm not buying the broken bones concern. Great discussion.

**STAN:** Take care, Bob.

**BOB:** Thank you. Bye-bye.

**CHRIS:** Yeah, so, just a great discussion as we knew it would be. I first met Bob, we, we met him through mutual friends years ago and he had, he had retired a few years prior, having been a very senior executive, having been a CEO, um, and wanted to, I think in part, some of those lessons that he'd learned is obviously comes across. He's a very thoughtful leader and wants to groom others to learn from his own mistakes and learnings.

And so that's when he, he dove in and started spending time with us and has worked with us in various capacities and, including being a senior advisor with our clients, a board member, inside our group, but it's still great to have a discussion like this, where even though, you know, someone professionally and we've developed friendships to really go deep on a topic, it was a pretty rewarding half hour for me.

**STAN:** Absolutely. When I think of his performance on our board, because it really showed today in the way discussed. He will sit and hear us talk about where we think we are, where we're going, what our big ideas for going in this direction or that going to initiative. And then he will pull the conversation up. He'll raise it up a bit and he'll say, okay, where are we trying to get to? Is that a route that would actually get there? You know, what would make us successful? And I think that if you have a naysayer in a room who just, you know, does a lot of hand wringing goes, that's risky. Don't do this. You tend to shut them out.

But if you have a Bob Wood in the room and he stops and he says, well, you know, that's a very thoughtful idea to go in that direction. And then he pulls the conversation up and he teases out of us: what are the things we ought to be thinking about, we ought to be considering? It's extraordinarily helpful. And so, and when we're going in the right direction, we've got its validation.

**CHRIS:** Yeah. Having spent time recently with someone whose, whose board you sit on, who said, that you are frequently the person in a board meeting that says the least, but when you speak, you're asking just the right questions around: tell me more about why this... and this reflection was, it makes us realize, that was a good question. Let's tease it out now. We're even more confident in that decision or that was a huge blind spot. We've got to slow down.

And Bob, Bob is very similar as you just described. I'm curious there, do you think that, I mean, Bob has that, I've seen that in other senior leaders that I've grown to know and respect, but I

think, and I might be very biased in my thinking here. So, I'm curious your thoughts. I think the military does a good job of developing that intuitive sense of the thoughtful in your word count, but make sure that the words of the right, right ones at the right time. Would you, would you agree, do you think that's more universal than I'm saying?

**STAN:** I think it's personality, but I think the military reinforces it and maybe it's one of the byproducts of the hierarchy, because when you're more junior as you're going up, you're not going to just run your mouth in a meeting when you were asked to speak, you're going to say something you think is going to be effective because you know, it, it won't look, it won't feel right if you don't. So that's a positive of a hierarchical system that people don't feel just unlock. There's some negatives as well, but I also think personality wise, you've got a Bob Wood who has done a lot, but I think he just thinks he doesn't, you know, there are a lot of people who, you know, go on transmit before they turn their brain on.

And, I think that we've all been in rooms with that. You asked him a question. I that'd be curious your, your answer to it around, um, what areas in industry give you the greatest pause or where do you think there's the risk underneath the surface that hasn't manifested yet? I mean, in all the work you're doing on risk and the book coming out here, where does your head go in that when you think of that question?

**STAN:** I think of whenever you've got misplaced incentives and what I mean is, of you've got like the real estate bubble of more than a decade ago, there were people who were heavily incentivized to give very low quality loans. And there were people, there were an entire chain of people who were incentivized to take a highly risky, short-term look at things.

So, anything we look at now. where you've got people who can profit by taking what in, in a wider look would be a very, very risky... but it, but it pays a lot, then you probably going to have troubles. And so, you know, people are certainly asking about cryptocurrencies and I think it's way too early to tell. I think there are certain products that, that people are probably selling that are dangerous.

But there's a near-term profit incentive in them. You think of things like vaping and all, and I think wherever you've got that as what I consider misaligned incentives for the good of people and, and inherent risks, maybe health risks, as opposed to near-term profit.

**CHRIS:** Yeah. It's a, it's an interesting point. I, like yourself, talk to folks that are getting out of government service, military pretty regularly, just as they're kind of mapping out the next chapter and, I don't know if this, you could argue this is good or bad, but I'll often share the reflection that, you know, if you just, if you're just chasing money, you're going to get over your skis.

You, you put yourself at risk, potentially, most folks wouldn't, wouldn't go that far, but you'll, we'll put yourself in this gray area, of your, maybe your personal moral lines or whatever the case may be, and I always. We know if somebody wants to go deeper, I will say, look, I think my personally, my financial position is very low risk.



If I can explain where every single dollar I have come from. And justify that organization or whatever the case may be. And so probably, stupidly, I've never touched cryptocurrency. Why? Because I couldn't explain it to my kids. And if I can't explain how it works and it's just, it's just above my pay grade.

Right. It's, it's an interesting future thing, but I can't put money towards it in good consciousness. I just don't, I don't get it yet. I don't know how it's going to play out. Right. So it's just not an, and I'm sure there are financial wizards that will listen to this and say, that's silly. I'm not arguing that, but I've always been much more comfortable if I can explain where, how money is made in a system before I want to be part of it.

**STAM:** Yeah, I think you're exactly right. Let me pull it to something, you know, I've talked a lot about, because we've talked about sort of social cohesion and order. At what point is that a risk that we have some kind of agency over? Meaning if it, if we think it's just happening and we didn't cause it, and there's nothing we can do, then, you know, that's different, but is that a risk that we as just normal citizens have some kind of ability to impact?

**CHRIS:** I think it is, you know, we, we had a conversation recently that was out with, =Garry Kasparov, the second time we've had had them onto the show and in the second interview, which we've just released, it makes this point that just stuck with me since, since we talked with them, which was, you know, from a, from a non US perspective, looking at your country and he, he loves the United States.

He's a big believer in democracy and that's real cause that he pushes, he said, you're bringing a lot of this on yourself. You're arguing internally about things that the outside world would say, yeah, of course, you've got that problem. It just means you're your complex country, but you're also doing all these great things both internally and outside of your borders.

And so that gave me both cause for hope, maybe to your point, like, look, we're, we're, we're doing things well, and we can take agency of this, but also cause for concern that I think at the end of the day, so many big systems are really just held together by this story that it tells itself. And we all decide to believe in a country. And so it's a country. We all decided to believe the dollar has value. And so it has value, right?

And so, when you start to chip away at the belief in that story and people see, they don't see themselves as part of it, but they see themselves as an individual storyline, then the thing can dis-aggregate very quickly. And I do think there's politically, and in the media, there's all these other areas where folks are incentivized to break it down into individual storylines and not a collective narrative.

And so, I think that is an area that worries me. And you combine that with the speed of information flow and disinformation, all the stuff that's happening there. I worry about that on the long, longer time horizon. How do we, how do we reconnect together as a, as a nation.

**STAN:** Yeah, no, it's, uh, it goes back to the greatest risk to us is us and therefore the greatest opportunity for decreasing risk is within us as individuals in a society. Yeah, great conversation with Bob as always.

**CHRIS:** Yep. It sure was. So, thanks for listening and looking forward to the next conversation.