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How to Make the Best Choice in a Storm

Since it's not possible to anticipate all possible events, CFOs must learn how to roll with the unexpected.

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CFOs are often confronted with situations requiring quick and decisive action. From changing market conditions to urgent business issues, like matching a competitive offer or making an acquisition, CFOs are often called into action with limited information and little time to respond.

Making a decision too quickly can have bad consequences, and so can waiting too long to take action. The key to making the optimal choice is giving yourself enough time to account for the perceived risk of not acting. A CFO's instincts can make a critical difference between taking advantage of an opportunity and missing one, between avoiding a problem or having one.

In a recent *Harvard Business Review Online* column, Peter Bregman pointed out that it's not possible to be always ready for any situation that may arise. Rather, he stressed the need to become "comfortable acting in the face of the unanticipated." Using sailing as an analogy, he told the story of a couple that encountered a storm during their first sail together and their response: first, stopping the boat; second, assessing their options; and then sailing forth. Bregman's clear message was that too often we try to plan for every contingency and react too quickly to events.

It's difficult to argue with the "stop and think before you act" message, but what about those unanticipated situations when you don't seem to have enough time to think things through? Are you to stop what you're doing and take precious time to consider the alternatives? I believe the answer is yes. However, you need to do so with a sense of urgency commensurate with the events taking place around you.

Whether sailing a boat or driving business decisions, during whatever time you have to decide on a course of action, you must assess the risks — and be careful not to create an unexpected risk that may be greater than the one you were seeking to avoid.

On a recent trip to Italy with my family, as we were boarding a subway in Milan, a pickpocket lifted my wallet. The platform was tightly packed and I was focused on getting my family aboard. Just as the doors were closing, two people behind me decided not to get on. I then realized my wallet was gone. As a seasoned traveler I should have known better, but I forced the subway doors open and went after them. I cornered them, demanding the wallet back, and one of them dropped it on the floor, declaring they had "just found it." I grabbed the wallet and reboarded the train.

But even though what I did in that situation worked, I hadn't taken the risk into account, to the disapproval of my much-surprised family. Actually, my first move was OK; by forcing the subway doors open, I stopped the train. But the next move was all instinct, and it was not smart, because anything could have happened. I created more of a threat than was already present. It is much better to have a holiday spoiled by a lost wallet than to never have another holiday. Coming to that conclusion is what risk management is all about.