

Taking a Risk Is Not Immoral

by Dan Pallotta

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Innovation, or at least talking about innovation, is all the rage these days, especially when it comes to addressing great social problems. But in order to innovate, you have to risk something. As in risk *losing* something. Usually money. Possibly reputation. As much as people like to spout the latest literature about bringing risk-reward principles to social problems, when you actually come to them with a proposition that has high rewards and some measure of risk, their first response is, “Well, I like the idea, but it’s risky.”

The fact that it’s risky is not a problem. The fact that people think risk is a problem, or a flaw, is the problem. Risk is an essential attribute of introducing an innovation to the world. It’s not a flaw.

In the humanitarian sector, risk is viewed not only as a flaw, but as unethical, immoral, sinful – criminal even. The entrepreneur seeking to fund a new idea that bears risk is looked upon as suspect, a shyster, an outlier living on the wrong side of principle, character, and propriety. Don’t associate with him or her, lest your own character be called into question.

These entrepreneurs are the recipients of countless hyper-sterile rejection letters and e-mails that say, “Thank you for reaching out to us but your idea is not a good fit for us,” or, “We are in the midst of a strategic planning process and thus cannot consider your proposal at this time.”

This kind of response is not limited to the humanitarian sector, but it’s particularly pronounced there. It’s a near-religious belief that organizations must not risk donor funds intended for charitable purposes on some new endeavor that might lose money.

To limit the investment of donor funds to only those things that an organization knows for certain will succeed is to apply a strange definition to “charitable purpose.” If medical researchers had to limit themselves only to those experiments they knew would succeed, they would never conduct a single one. Indeed, you couldn’t even call them experiments. If an organization cannot take risks with donor funds in pursuit of brilliant ideas for increasing the size and scale of the organization and its revenues, then it cannot grow at any meaningful level. Thus restricting investment to things that carry little or no risk and therefore offer little or no reward is the very opposite of charitable purpose. The same holds true in business with respect to shareholder value.

Let me state this plainly. Taking a risk is not a sin. It is not immoral. It is not sneaky, so long as you tell people about the risks. It is not a crime. Stealing is a crime. Lying under oath is a crime. Taking a chance on a dream is not. Those of you who are entrepreneurs, or social entrepreneurs, remember this: The fact that the dream you’re pitching causes some – maybe a lot of – doubt in your mind does not make you dishonest, inauthentic, or a criminal. Every person who’s ever had a dream has simultaneously had raging doubts and judgments. Little punishing voices in our heads shout, “You are a loser, this idea will fail, you are reckless, it is unconscionable that you would risk people’s money to test this out, you belong in jail.” Don’t listen.

Also reject the poisonous idea that you escape being a criminal only if your idea works. You are not a criminal if the idea fails. Without failure we remain frozen in ignorance. Failure contributes to the advancement of a solution, somewhere down the road. Edison said, “I have not failed. I have found 10,000 ways that don’t work.” And if he had never found the ways that didn’t work, the way that did would have been obscured to us forever.

The world is only moved forward and has only ever been moved forward by those people who are willing to take large risks in return for large rewards, and by the people who support them. Now more than ever this world of ours needs some large rewards. Especially for those who live in extreme poverty.

The geneticist J.B.S. Haldane said that new ideas have four stages of acceptance: i) this is worthless nonsense; ii) this is an interesting, but perverse, point of view; iii) this is true, but quite unimportant; iv) I always said so.

The entrepreneurs out there pitching big ideas and those who support them are the most moral and beautiful people I know. Why? Because they have integrity and consistency in their character rather than hypocrisy. The world is full of people who sit on their high horses disparaging risk and risk takers. They counsel caution in order to gain moral stature, all the while making use of a thousand innovations made possible by the very people and practices they shun.

It's not the people who shun risks who are the saints. It's the ones who dare to take them.

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