

Evaluate the Affordable Loss

Define the level of loss you are prepared to accept to pursue a new initiative.

When people reflect on their biggest regrets, they wish they could redo their inactions more than their actions. *“In the long run, people of every age and in every walk of life seem to regret not having done things much more than they regret things they did,”* observed psychologists Tom Gilovich and Vicky Medvec. They summarize this regret: *“The most popular regrets include not going to college, not grasping with profitable business opportunities, and not spending enough time with family and friends.”* Research reveals that people’s greatest career regrets include some version of not taking initiative because they wanted to avoid risk.¹

Often, we don’t know if taking a jump into the unknown will result in a favorable outcome. We may want to take a risk, though we don’t want to take a crazy risk.

One way to mitigate risk is the concept of affordable loss. Its purpose is to define the level of risk we are prepared to take when exploring a growth opportunity. Answering the questions below will help you define the level of loss you are prepared to accept.

In this activity, pick a risk you are thinking of taking and ask yourself three questions:

- 1) Do you want it? If you are not intrinsically motivated, your risk is high. Innovation is hard work. We aren’t likely to demonstrate adequate commitment if our motivation is shaky.
- 2) Do you have the means? If you do not have all you need, can you get by with what you have?
- 3) Is it within your affordable loss? If not, lower the risk.



¹ Dubois, David (2015). “How to Increase Leaders’ Moral Authority,” INSEAD November 19, 2015, <https://knowledge.insead.edu/leadership-organisations/how-to-increase-leaders-moral-authority-4372>