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Are you using risk effectively?

1. It's vital to distinguish between risking and risky behaviour (see text). Who in your organisation exercises *risking* behaviour and who exercises *risky* behaviour?
2. Where do you stand on risk? Are you known for taking measured risks, with the mandate of others? Are you a bit of a maverick who takes risks without concern for others?
3. What is the risk culture of your team, department or organisation? Is it possible that progress is being hampered by being over-cautious? Think of all of the dinosaur-like organisations that didn't risk enough - and lost everything!
4. It can be helpful to have clarity around what is open to risk and what isn't. An airline wouldn't be willing to risk safety, but it might be open to trying out a new destination.
5. Entrepreneurial and innovative behaviours are critical assets in a hyper-competitive world. Usually seen as quite risky, they are often constrained. However, a set of good processes can minimise risk without stifling the output. What type of processes do you have in place to stimulate and shape innovative and entrepreneurial behaviour?

HOW PLAYING IT SAFE CAN BE A RISKY OPTION

Risk, everywhere you look

Whether it's in the tragedy of the Christchurch quake or the Queensland floods, the calamity of revolution in certain Arab nations, or simply doing business in turbulent economic times: there is no shortage of high risk contexts.

Being bombarded 24/7 with news-grabbing stories of turbulence and turmoil raises our awareness of the riskiness of the world we live in. Faced with these raised perceptions, we might be tempted, more than usual, to try and avoid risk completely in our everyday dealings. However, choosing always to play it safe may turn out to be among the most risky decisions we ever make!

Risk is a fact of life

Risk (and uncertainty) is all around us! It always has and always will be part of life itself. Motivational guru, Antony Robbins, points out (and economists during the GFC rudely found out) that the past does not equal the future. This means that we can never be certain what will lie ahead of us, even with fancy models or decades of experience.

Recent complexity science points out that our interconnected world is a complex adaptive system. Apparently small incidents can lead to unimaginably large events. Similarly, major occurrences sometimes have unexpectedly limited impact. All the actions we take may not lead to the outcomes we anticipate, so each is essentially risky. Of course, we feel some actions are less risky than others and, mostly, it works out that way.

What is your appetite for risk?

We all have and use our own risk-reward formula, whether consciously or unconsciously. We understand that low risk is more often equated to low reward, while higher risk needs to have a 'risk premium' attached. More risky ventures need to offer greater reward.

Investment options demonstrate this well. Blue Chip shares are expected to show solid but tempered growth over time. Speculative shares, like those associated with exploration, on the other hand, are high risk. If we speculate on the latter, we should be prepared to lose most or all of our investment. And we will if the company doesn't strike it rich before the speculative investment funding runs dry. But we can also expect dizzying returns, many times that of blue chip stocks, if their claims come good.

Just as we all have our own formula for calculating risk and reward, each also has their own appetite or tolerance of risk. Think back to your childhood days. That's why some were always first to dive off the high board, and many followed afterwards. There were also those who never took that chance.

Willingness to risk

UGM leadership and team research confirms that people in teams have widely varying appetites for risk. There are those who are willing, on behalf of their team, to engage in activities where outcomes are uncertain. The greater number are less eager to do so, but readily mandate the risk-takers.

Interestingly, this seems to come down to how people deal with the perceived loss attached to failure. The resilient risk-takers recognise that risk is a big part of life, and don't attach all their self-worth to the outcomes (win or lose). If things don't go well, they're mostly able to take it on the chin. They look to the next opportunity for success, rather than dwelling on their loss. In contrast, some take the failure pretty hard and it affects them personally.

We found that when things go well, everyone in the team is willing to bask in and share the radiated 'glory' of success. However, when things go badly, the risk-takers absorb the impact of failure and willingly shield the rest. The risk-takers fully understand and accept this dynamic. It's the price they pay for being mandated to take the risks they believe are necessary for the team to move forward.

Risking versus risky behaviour

Our research also distinguished between two types of risk-associated behaviours. Firstly, there is *risking*. Risking is the influencing (leadership) behaviour where individuals act in uncertain conditions, under mandate, in the interests of the group.

The second is *risky* behaviour. Risky actions are self-centred, unmandated and sometimes even reckless. Quite often the cost of failure that results is unwearable, even unbearable, for the affected team or organisation.

This distinction is a powerful aid to help teams engage levels of risk necessary for progress. Simultaneously, it highlights that risky behaviour is not representative of the way in which teams should be expected to deal with risk.

Taking charge of an uncertain future

Current realities show that standing still almost certainly results in obsolescence. In fact, obsolescence is usually a guarantee of extinction. However, not everyone is equally comfortable with uncertainty and possible loss. Nevertheless, since it's a pre-cursor of progress and success, teams and organisations need people who will exercise *risking* influencing behaviour.

What is your own approach to risk? Who in your team or organisation exercises *risking* behaviour to move everyone forward? What about *risky* behaviour? How much of it do you see in your workplace? What are the consequences?