

A risk worth taking?

BUSINESS TODAY talks to Geoff Trickey, whose company the Psychological Consultancy has done some pioneering work in the area of attitude to risk and the implications for training

Why is it important to understand a manager's risk profile?

Firstly, and most obviously, it is useful to be able to place managers (and other employees) on the spectrum between 'over cautious' and 'gung-ho adventurous' so that you can evaluate their actions and their likely responses in that light. In other words, it allows their own managers to manage them appropriately. The interpretation of instructions and policies will reflect their appetite for risk.

What are the implications of not understanding a manager's risk profile?

One's Risk Type is not visible and, in the company of their superiors, people will restrain their behaviour (we all do it) so, typically, we only learn about an employee's propensity for risk if and when their reputation catches up with them. An instruction or encouragement that doesn't take Risk Type into account may tip the response too far, or not far enough.

Do you think the ideas and theory around risk profiling have implications for the boardrooms in UK plc generally?

The general rule is that, the higher you get in the structure of the organisation, the less likely you are to feel the need to hold back or to restrain your true nature. This applies to risk taking as well as to other features of personality. The opportunities for risk taking are also greater so, yes, the implications for the board room are considerable. The greatest threat to personal restraint comes in times of stress, or intoxicating success. In the first instance, stress leads you to regress to your more primitive self. In terms of Risk Type, this may mean that you withdraw and become paralysed by inaction, or conversely, that you become increasingly reckless, doubling up on your bets until you're broke. In the second instance, success leads to feelings of invulnerability and you have total belief in your own abilities. We certainly saw some of this in 2008/9 as major banks imploded with their top brass in total denial.

Could you tell us about how your own risk profiling works? Which types of staff do you work with and how do you look towards developing a profile of somebody?

Risk taking is embedded in personality so we deconstructed personality assessment to identify all the elements that might have implications for risk appetite and reaction to things going wrong. The result of our research identified four clear factors and these became the four poles of the Risk-Type Compass. The final version of Risk-Type Compass identifies people in one of eight Risk Types – four 'pure' types (the original poles) and four 'complex types' (people falling at the quarter points) who have a blend of the characteristics of both the poles on either side.

The Risk-Type Compass is used by financial advisers to assess their client's propensity for risk (an FSA requirement), for personal development, for coaching of senior staff, for team building or for part of a selection process. We have researched the Risk-Type Compass with IT professionals, recruiters, police officers and fire-fighters.

Based on these profiles is it fair to say that some people simply aren't fit for senior roles in organisations?

No. The critical issue concerns self awareness. Organisations require risk takers as much as they require cautious and wary types. The problems arise when you don't know yourself well enough. We have been dealing with this question in relation to auditors; can you justify declining applications from Spontaneous, Carefree or Adventurous Types? Again, the issue is whether they are sufficiently self-aware. Within an organisation Risk Type may well influence which desk, which team or which specialism you would be best suited for.

What are the implications of the recession in terms of managers 'reverting to type' where risk is concerned?

The dangers are probably greatest when people act on their instincts rather than using their heads. Recession and the associated uncertainty has a general and pervasive inhibitory influence that will effect all Risk Types. The tendency is for people across the board to take less risk – this is what slows commerce down and dries up the money supply and the wholesale money markets. People tend to act like sheep in this situation. The records in borrowing that characterised the boom years reversed almost overnight to break records in the repayment of personal and corporate debt after 2008.

Recovery relies on people being prepared to take risks again. The risk takers will be the first to sense an opportunity and we are all reliant on them to get things restarted. I expect the shoots of recovery to come from the countless small businesses where the entrepreneurial spirit is strong – typically run by the Adventurous and Intentional Types. They will spot the opportunities at the micro level of the economy and make the most of them.

My advice to government would be to scrap red tape, ease employment restrictions, incentivise small businesses through employment schemes and tax breaks in order to share the burden of risk that we need them to take.

