





### Risk Type Compass™ –The Psychological Consultancy Ltd

The Risk Type Compass provides a spectrum of personality 'types', with four distinctive types, known as typical: Spontaneous; Wary; Deliberate and Adventurous. Between these are some of the more extreme risk types: Intense, Prudent, Composed, Carefree.

## Eight risk types

Below are highlighted eight key risk types across a wide spectrum of psychological profiles, all of which demonstrate strengths and weaknesses related to decision-making within an organisation.

### Spontaneous

A Spontaneous type is impulsive and excitable. They enjoy the spontaneity of unplanned decisions and are attracted to risk like moths to a flame. However, they can become distraught when things go wrong. Their passion and imprudence make them exciting, but unpredictable.

### Intense

Highly-strung, anxious, alert to any risk and fearful of any threat to their precarious equilibrium. The Intense type invests a lot emotionally in people and projects and is nervous about failure. Passionate and self-critical by nature, they take it personally when things don't work out.

### Wary

Self-disciplined and cautious of risk, the Wary type is organised, but unadventurous and puts security at the top of the agenda. They will be drawn to the idea of securing their future, but anxious that however well something worked for others, it will go wrong in their case.

### Prudent

Very self-controlled and detailed in their planning, the Prudent type is organised, systematic, conservative and conforming. Conventional in their approach, they prefer continuity to variety and are most comfortable sticking to what they know.

### Deliberate

Self-confident, systematic and compliant, the Deliberate type

tends to be unusually calm and optimistic. They experience little anxiety and tackle risk and uncertainty in a business-like and unemotional way. They never walk into anything unprepared.

### Composed

The Composed type is cool headed, calm and unemotional, but at the extreme may seem almost oblivious to risk and unaware of its affect on others. They take everything confidently in their stride, seem quite imperturbable and manage stress well.

### Adventurous

The Adventurous type is both impulsive and fearless. At the extreme, they combine a deeply constitutional calmness with impulsivity and a willingness to challenge tradition and convention. They seem imperturbable, fearless and intrepid.

### Carefree

Impulsive and unconventional, the Carefree type is daring, excitement seeking and sometimes reckless. Not good at detail or careful preparation, they often seem vague about their intentions. Their impatience and impulsiveness can lead to hasty and imprudent decisions.

These descriptions are informed generalisations based on extensive personality research and while the essence of a type will be accurate for the majority of those falling into that group, individuals will vary in the degree to which type characteristics dominate their overall performance. In some cases behaviour is learned, to perform well in a job role. However, while surface attitudes towards risk flex and change, an individual's underlying temperament remains consistent and when things go pear-shaped and we are under pressure, we typically revert to type.



## Organisations rarely assess a manager's risk profile in any reliable way as a part of the recruitment and development process

Over recent years, concerns about risk have focused heavily on health and safety issues and physical risk in the workplace. In the aftermath of the global economic meltdown, it is now the financial sector that gets top billing on the risk agenda. But, even though there have been a number of high-profile examples of duplicitous dealings and rogue trading, the emphasis has still been more on the processes and procedures of the organisations than on the personal characteristics of the perpetrators.

Apart from the general acrimony and mud-slinging of the blame game, discussion has centred largely on issues of remuneration, compliance, regulation and legislation – on structural issues rather than on the personalities involved or the culture of the industry.

Yet one of the most important ways in which individuals differ from one another concerns the ways in which they respond to risk. A manager's natural disposition towards risk, his response to it and his capacity to manage it distinguishes him from his peers and influences his managerial or leadership style.

Whether he is the *Prudent type*, preoccupied with the elimination of risk and uncertainty, or the fearless *Adventurous type*, who actively courts danger and seeks excitement, determines his mindset and the way that he handles problems, plans for the future, motivates staff, shapes economic strategy or grasps opportunities. It contributes to his success or his downfall. In extreme cases it can bring his organisation crashing down around his ears.

Whether a task is high or low risk, if the individual engaged in it is hot-headed, impulsive and risk-taking, risk exposure self-evidently increases dramatically. Put simply, a gun, kitchen knife, baseball bat or even a sharpened stick all have risk implications but risk exposure depends critically on whose hands they are in.

Within the financial sector, these distinctions are illustrated with particular clarity: mismanagement of risk has provided many lurid headlines over recent years. Jerome Kerviel was accused by Société Générale of causing losses worth more than £4bn. Nick Leeson's risk-taking destroyed Barings Bank. The top guns of the world's banks turned a deaf ear to caution about derivatives, sub-prime debt and Frankenstein bonds, leaving us with a financial system in tatters and a mountain of debt to shift.

Kerviel maintains that his bank knew about his risky deals, but looked the other way when times were good and only intervened when it all turned sour. He may have a point. Whatever was going on between them, Société Générale should clearly have had a more balanced approach to risk and could have saved a lot of money had it spotted his risky behaviour earlier. However, Société Générale is not alone: organisations rarely assess a manager's risk profile in any reliable way as a part of the recruitment and development process.

Although it has brought these issues to the public's attention, this is not something that applies only to the financial sector. Risk-taking is a necessity for any enterprise and risk-takers have a part to play alongside more prudent, compliant or traditional contributions. This inherent ambivalence and complexity, plus the need to achieve an appropriate balance of risk dispositions across the various functions of an organisation, presents some very particular issues and challenges.

The tools available to assist in this process have, to date, been limited. Even the vocabulary that we use to discuss human risk factors tends to be media-led, one-dimensional and simplistic. Recent psychometric research and the identification of taxonomy of risk types is an important development that can help organisations establish an individual's risk characteristics and enable management to get to grips with these issues in pragmatic and practical ways.

Applied strategically, this approach can ensure a balanced organisation, with the most appropriate cross-section of risk types. This helps to restrain the tendency for staff to be recruited in the image of the senior management and offers a better chance that balanced decisions are made, potentially reckless decisions are tempered and that the 'group think', which allows unsustainable practices to flourish, is resisted.

Staff assessments within organisations tend to focus on leadership and talent management, often placing the emphasis on such characteristics as assertiveness, charisma, dynamism, innovation – a heroic version of leadership that has been increasingly criticised.

The challenge to that model comes from research into management derailment that has implicated the 'dark side' of these qualities as the Achilles' heel that may finally bring about their destruction. It seems that the seeds of one's downfall are to be found within distinctive and deeply-rooted personality features; the very features that originally marked one out as a high-flier.

Another compelling line of research has simply focused on the CEOs of companies that had enjoyed sustained success in out-performing the market over many years. It seems that their leadership style is frequently self-effacing, media-shy and modest, but committed and very determined.

Whatever one's view about the personal qualities that ought to shape an organisation's management selection strategy, the question of the risk profile of contenders is rarely addressed. Although most would agree that effective management of the human risk factor is a key ingredient for business success or failure, risk is either addressed solely from the structural, procedural or physical risk perspective or has somehow dropped off the corporate radar, either because more visible qualities are given greater priority or because it hasn't been clear how one would carry out such an assessment.

The key insight is to recognise that an individual's underlying temperament remains consistent

and, however well those impulses may have been controlled, when we are under pressure, this is what defines the nature to which we revert. Organisations need to assess how managers and leaders will cope with risk in today's high-paced business environment and fit them to a role that suits their temperament and personality.

There are complex dynamics involved in all this and it is pretty much uncharted territory, but the ability to characterise people as one of eight risk types (see p43) promises new ways of viewing individual employees and the cultural balance that, in combination, they create. The decisions required of managers, recruiters and decision makers are concerned with 'fit' and the accommodation of individual differences necessary to maximise sustainable performance. Issues include:

**1 Type and attitude** Risk *type* reflects a person's underlying physiology. It is at the same level as colour blindness, your reactions to heat and cold or your ability to roll your tongue; the 'nature' part of risk tolerance. However, risk tolerance is also influenced by learning, experience, current trends and popular beliefs: the 'nurture' part of risk tolerance or risk *attitude*. What you see in the behaviour of others is a combination of type and attitude.



## In managing others you may be able to influence attitudes, but you will not change the underlying risk type to which we revert under pressure

The important thing to appreciate is that risk attitude is changeable. For example, attitudes to financial risk went into reverse after the economic melt-down, changing from unprecedented borrowing to unprecedented rates of debt repayment. In managing others you may be able to influence attitudes, but you will not change the underlying risk type to which we revert under pressure.

**2 Self awareness** Managers and supervisors typically give higher ratings to job candidates or existing employees who may or may not be high performers but who they view as being similar to themselves. Knowing your own risk type – and the benefits and limitations that it implies – is helpful in trying to avoid this distortion.

Risk types are broadly balanced in the population so there will always be seven who are not your type for every one that is. Awareness of one's own type helps to keep comparisons in perspective. It also alerts you to the dangers and limitations that are implied by your own risk profile.

**3 Role risk characteristics** Every job has its own risk dimensions. On the personal risk side, this includes everything from job insecurity to stress, toxic exposure and physical danger. The risk as 'uncertainty of outcomes' side of the equation is most clearly present in sales, business development, artistic creativity and innovation, in investment and insurance, and in all entrepreneurial activities. Recognising the different risk characteristics and demands of each role is the first step in matching jobs to risk profiles.

**4 Culture** Whenever there is a difference between the over-arching culture and the values associated with particular roles, there will be implications concerning the status of those roles, the ability of

those in them to fully embrace the organisation's mission and communications between them and other, more aligned groups. It's a matter of 'fit'. Think of the hard-nosed accountant at an *avant-garde* ballet company, a driven and spontaneous sales person in a stuffy academic publishing house, or a psychologist in a civil engineering company.

To maximise efficiency and engagement, it is important to recognise any distinctions between the risk demands of particular roles and the risk culture of the wider organisation and to actively manage them. Sustainable high performance demands a diversity and balance of risk types.

**5 Awareness** People tend to see themselves as 'the norm' and easily dismiss others who, because they may be profoundly different, they do not really understand. They may view them as wrong-headed in some way or they may suspect or even fear them. For this reason, a culture based on awareness and acceptance that all risk types will have their benefits and shortcomings is unlikely to arise spontaneously. Within a situation in which the risk related to roles varies, it is necessary to cultivate, coach and train 'risk type' awareness. This puts people's judgments on a more informed, more accommodating and more constructive footing.

**6 Communications** People who have similar values or attitudes have a common basis for communication – they each 'know where the other is coming from'. Within the full spectrum of risk types, and particularly at the extremes, differences between people are very significant. Those at the conservative, prudent end of the spectrum may be wary of the more flamboyant, swashbuckling risk-takers and free-wheelers, and *vice versa*. Each may find it uncomfortable to deal with the other, to communicate with them or to manage them effectively.

Leaders in L&D have an important role to play in ensuring, at recruitment and development stages, that the organisation has a well-balanced approach to risk-taking. Risk-takers, just like high-fliers, are needed for organisational success but, equally, they need to be well managed.

A more cautious manager needs the tools and understanding to effectively handle a high risk-taker who could, at the extreme, squander the entire company value on a chancy deal. This is a relationship rather like that of a frail, elderly person acquiring a savage bull terrier for his protection and it raises the same questions – can he manage him or will he, and the company, be destroyed by him? **TJ**

### Geoff Trickey

is MD of Psychological Consultancy. He can be contacted via [www.psychological-consultancy.com](http://www.psychological-consultancy.com)