Managerial Risk Taking

A healthy, productive work environment depends on individuals for whom growth, development and taking risks is a way of life. Suzanne Sisson explains how more people, both managers and subordinates, can overcome the fears that stifle risk-taking behavior.

By SUZANNE SISSON

"We've got to take more risks in this organization!" "We want managers who have an entrepreneurial style!" Increasingly, American businesses are responding to intense competition and generally tighter markets by encouraging risk taking. Consequently, managers are under new pressure to be more daring and to facilitate the same qualities in their subordinates. The question with this new permission is how? How does a manager change his or her own risk-taking behavior and help others to change? What are the underlying principles of risk taking?

The nature of risk taking

What makes risk taking risky is the potential for losing something. The more there is to lose, the bigger the risk. Understandably, the reason we avoid risks is that we focus on what we might lose rather than what we might gain. We either take the risk with tremendous anxiety or we do not take the risk at all. When there is more to lose than to gain,

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we wisely choose not to risk. Other times we have virtually nothing to lose and much to gain, yet we unwisely choose not to risk.

People take risks based on their ability to predict success from past experiences. Risk taking becomes a habit that contributes to confidence. We can choose to increase or decrease the frequency of risk-taking behavior. Getting ourselves and others to take risks is difficult at best. Fear is the biggest obstacle.

The ultimate fear

Most of the fears that inhibit risk taking lead utlimately to a subconscious fear that people will emotionally or physically withdraw from us. As a consequence of taking a risk that meets with disapproval we imagine: "If I'm a failure, no one will love me"; "If I succeed, I'll be alone at the top"; or "If others don't think well of me, they'll leave."

Few of us work in places that encourage talking about such fears, which helps to keep them repressed, although the subconscious fears continue influencing our attitudes and actions. An organization's interest in increasing risk taking is easier to articulate than to implement. Managers can encourage risk

taking by understanding some common fears and learning how to overcome them.

Abandonment fears

The abandonment fear is manifested in superficial ways unique to each individual. I, for instance, am not a "car person," so the fear of losing my Honda, though inconvenient, is not foremost in my mind. I do not lock the car nor, unfortunately, do I wash it much. You, on the other hand, might care a lot about cars, evidenced by the fact that you drive a Porsche. You have your car, dripping with accessories, washed and waxed and you always lock it. The thought of anything that increases the risk of losing the vehicle makes your stomach churn. Even if our cars are of equal value and we decide to bet them on something, the risk would be different for each of us.

Richard E. Byrd in his book, *Guide to Personal Risk Taking*, addresses four types of fear that keep us from taking risks: fear of failure, fear of success (related to fear of failure), fear of what others will think and fear of uncertainty. While it is clear that these fears are real, one can ask, "So what if you do fail or if others don't approve of you?" The fear of being cast aside or becoming somehow invisible can

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leave a person feeling psychologically immobilized. Taking a closer look at these typical risk-taking personalities and how a manager might coach them helps foster healthy risk-taking behavior.

Fear of failure

Picture Carl, the overly careful manager known for his steady, if not static, approach to his work. He likes to keep a low organizational profile which results in little organizational influence for either himself or his work group. He is routinely turned down on requests for additions to staff, development and capital expense monies or raises. He doesn't ask much anymore.

Carl's focus is on his people, and he becomes too involved in their work, rather than associating with his peers and supervisors. His response to problem solving is maintaining the status quo. He prides himself on treating everyone equally, according to the rules, without taking the risk of interpreting rules to make room for individual differences or motivational needs.

If Carl is criticized or confronted by anyone for his lack of vision or leadership in the organization, he reacts defensively, exhibits hostility and, ultimately, becomes depressed. Consequently, people don't criticize Carl much.

Carl is afraid of failure. Opportunities present themselves constantly for personal risk taking and Carl retreats to what he feels he does well.

None of us likes to fail, but some people have an excessive fear of failure that all but immobilizes them. Such a person is a perfectionist who internalizes failure and believes that the source of failure comes from within the self. The results are brutal self-punishment and severe limitations on the kinds of risks taken. Risk-taking opportunities are perceived as sources of anxiety instead of interesting, if not exciting, challenges.

Fear of success

Joan has done very well as a middle manager. She is a young, fast-track performer who started with the company five years ago upon completion of her MBA. Within two years, she was promoted to the position she now holds because she was bright, dynamic, creative and had excellent leadership skills. She started a new management function and gave it visibility and credibility. In her three years in the position, Joan added three staff people and pulled them together as a strong, credible team.

Now Joan is poised on the brink of applying for a job that would be a big break into top management. Suddenly, however, she feels ambivalent and full of self doubt. She postpones revamping her resume and begins to fantasize about a dream given up long ago to be an interior designer. Chances are Joan is experiencing some fear of success and is engaging in avoidance behavior. Paradoxically, fear of success is the flip side of fear of failure. The difference is that the more successful one is, the more visibility one has. Success, while seductive and attractive, tends to isolate people. The successful person is set apart. Putting people on a pedestal is unfortunate for two reasons: it's a long way to fall and it creates the opportunity for many people to watch the fall.

Fear of what others will think

Jim is the picture of ambition, a bright young executive whose entire life is consumed with being promoted and working himself up the organizational ladder. What others think is extraordinarily important. Therefore, organizational norms are followed exactly. Jim works Saturday mornings and Wednesday evenings voluntarily because his boss works extra hours at that time. His pin-striped suits and tasteful ties are appropriately conservative and corporate. He displays all the proper journals prominently so that people entering his office will note them.

Jim is careful to tell people what he thinks they want to hear. He suggests pragmatic solutions to problems that seem obvious to most people and his suggestions lack creativity.

We all like to have others think well of us. For some of us, however, what others think becomes what we think of ourselves. The risk of losing the favor or approval of others can be threatening; if not a major crisis, an identity crisis of sorts.

Fear of uncertainty

Miriam has everything under control at work and she wants no surprises. She needs to know at all times that her staff is productive and follows the rules, so she discretely checks the attendance log and disciplines lack of punctuality. Miriam prides herself on how much she delegates. Her method is to assign a lot of work and then make all decisions with her staff on their assignments. This helps her to monitor the staff and keep her involved. She prefers to work with concrete issues and considers organizational meetings a mere forum for organizational politics.

Miriam is vaguely discontent in her position, which she has had for 10 years. She has not sought another position because she feels comfortable and secure, even thought a little bored at times. She will continue, as so many others, to use institutionalized norms (policy and procedures, bureaucratic channels, etc.) to feel safe in rejecting anything that might hint of change, and thus, a need to take a risk. Her dominant fear is not so much failure as it is being unsure of outcomes. Hence, anything that suggests an unknown creates intense anxiety because it presents the possibility of lessened control.

It has been said that it is not change we fear as much as the loss of control associated with change. When we lose control and feel we cannot manage our lives, we react with anxiety, depression, loss of confidence and a host of other equally uncomfortable feelings. Taking a chance on something means, however, that the outcome is ambiguous and not completely known. We are leaving familiar territory and crossing a bridge to a new place.

For some, ambiguity is so intolerably painful that fear inhibits approaching bridges. Others do approach and shake and quiver as they cross. People like Miriam, who cannot tolerate ambiguity, will have difficulty taking risks.

Telling employees that you are going to take risks encourages them to do the same. It is imperative that they understand what you are doing so your behavior change doesn't trigger paranoia. Begin by identifying smaller, less threatening risks, then working up to larger ones.

Modeling

Numerous studies show the strong impact of managerial modeling on subordinate behavior. Subordinates take cues from their peers, subordinates, if they have any and, most importantly, from their bosses. If a manager wishes to increase risk taking among subordinates,

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the place to start is by demonstrating consistent risk-taking behavior and an attitude acceptance of personal failures.

Visualization is an effective way to model behavior. As a manager, it is important to demonstrate that you prepare yourself for successful risks by focusing on the positive outcomes of what you want. You may want to suggest that subordinates concentrate intensely on the desired end product. "Try to imagine yourself giving that speech to the vice presidents in a poised and confidant manner, with all the facts at your disposal." Urge subordinates to use this vision as a meditation exercise several times a day. The goal is to help the fearful risk taker focus on positive results rather than self-defeating negative ones.

Encouraging the positive

For Carl, whose risk-taking initiative is impeded by fear of failure, suggest that he raise his profile, make better working alliances with peers and reduce involvement with subordinates. Carl might be resistant and need to talk through his fears and concerns at first. Encourage him to do so. When he is through, begin focusing on the positive results that would come from a new assignment. The objective is for Carl to begin realizing what can be gained rather than lost. This activity may need to be repeated over and over again.
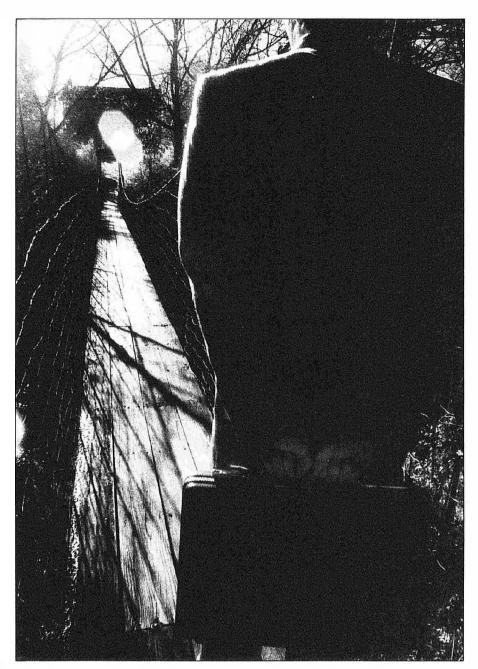
It is crucially important for Carl's manager to be patient and understanding while continuing to draw out the benefits to be gained from new endeavors.

Accepting mistakes and fears

A manager should avoid tapping fears of failure, concern over what others think and uncertainty. Once a subordinate is encouraged to take a risk, be supportive and available without hovering.

With Joan and her fear of success, identifying and diffusing fears are important. The manager should also empathize and remind her that no matter what happens, she is supported. "Joan, you're a very capable professional and I know you're going to do well in that position. But, let's play out the worst that could happen.

"If you didn't do so well, that would be no reflection on you as a person and I'd still think you were the greatest. I'm here for you in whatever way will be helpful." This encourages Joan, articulates the worse possibility and lets her know that she will not be abandoned. Joan's manager should follow up by helping her to focus on the positive.

Providing a non-punitive environment

The environment that encourages risk taking is non-punitive; mistakes are acceptable and not punished. When mistakes are punished or there is the threat of punishment, risk taking is minimal. Jim, who fears what others will think, is extremely vulnerable to the displeasure of others and will go to any length to avoid it. This, of course, robs him of his creativity and individuality. Jim's manager needs to encourage Jim to express his own opinions and to begin trusting himself to take risks rather than parroting what he thinks people want to hear. The manager needs to be accepting of Jim's actions, praising what he has done right and minimizing what he has done wrong. This does not mean that Jim's mistakes will be ignored. Rather, the emphasis will be on what he did right.

The manager who wishes to encourage risk-taking behavior needs to be non-punitive in both behavior and attitude. Attitudinally, the manager needs to accept that the risks subordinates have been encouraged to take might not turn out successfully. Applaud the attempt and do not focus on the failure. This means that managers' fears and anxieties about failure, which might include how subordinates' failures will reflect on him or her, must be diffused so they do not extend into the realtionship with subordinates.

In essence, it is important for the manager to demonstrate trust in the   41

subordinate while helping the employee take risks appropriate to their abilities and organizational realities. Clearly, some will adamantly resist any attempt at encouraging risk taking. Refusal must be evaluated in the broad context of individual performance, and either be accepted or pursued with further action.

If some form of abandonment is an overriding fear, it seems important for those who are taking risks to develop a support system within the environment where the risk is being taken. Managers have a primary relationship with subordinates and the opportunity for enormous impact in changing behavior. However, the managerial relationship is not enough. The individual needs to create an environment where these changes and challenges will be supported. The objective is to prove to ourselves that we will not be alone in our venture, nor will people disappear if things don't work out.

Place your bets

When attempting to increase risk-taking ability, ask, "What do you stand to lose?" A house, a car, a job, a loved one, your pride, certainty? Or you might stand to lose more than you could gain and decide not to risk. The biggest fear is usually the fear itself, the result of a lifetime habit of letting fear get too big and being controlled by it. The fears may never go away but they can be accepted, managed and diffused by understanding them and learning to work through them.

Learning to take appropriate risks is a complex behavior related to self-esteem, confidence, the ability to make good choices and to personal philosophies and values. These and other components form a system reflecting socio-emotional health. Interestingly enough, like any system, it can be changed by changing one of its parts. By focusing on risk taking, people can be encouraged to engage in behaviors that increase self-confidence, self-esteem and require changing some attitudes about themselves and others in order to become healthier and more productive.

Taking risks is synonymous with life and growth. It is by taking risks that we learn to test ourselves and come to understand what we can do. Most of us grow and develop by reaching farther than we thought we could. The job that once seemed overwhelming now seems routine; the peer whose behavior we confronted is now our closest ally; the challenging financial goals we set for ourselves, we met. These risks forced us to try new behavior and allowed us to discover more about ourselves.

Some people naturally take risks more freely because their self-confidence helps them perceive risks as challenges. Others need to be pushed and supported to develop the confidence for accepting risks more easily.

The manager as a mentor and coach can play a unique role in encouraging and supporting risk taking. Managers can use the knowledge gained from understanding abandonment fears and how they influence behavior to model desired behavior, help subordinates identify fears and provide support and guidance as the employee begins to experiment with new, risk-taking behaviors.