

Risk in Leadership and Management: Risk-seeking vs. Risk Averse

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Abstract

The 21st century business environment is full of dangers and risk. At the same time, it is ripe with opportunities and rewards. As organizations continue to pursue opportunities and rewards with vigor, while minimizing unnecessary exposure to risk, leaders find themselves with one of two perspectives on risk: risk-seeking or risk averse. Leaders who are risk-seeking are not moved by the inherent dangers of risk, and understand risk to be a necessary part of the business landscape – and therefore engage risk head-on. Alternatively, leaders who are risk averse understand the implications of risk on the enterprise, and work to minimize, or even avoid risk altogether, or at least to the furthest extent possible. This paper examines risk from a leadership perspective. There are various types of risk that business leaders face, and those will be identified and described herein, along with a discussion of various approaches for addressing risk and how risk is manifested in the business environment. Finally, this paper will assist leaders in determining their own attitudes toward risk using various self-assessment tools.

Keywords: leadership, management, human resource management, risk, risk management

1. Introduction

Differences in attitude toward risk taking can lead to serious conflict in an organization. In marriage, if one spouse is a risk seeker and the other is risk averse, serious and continuing conflict can arise. In a business organization, if senior leaders have different attitudes and approaches to risk, struggles about business directions may abound.

You may have run into this type of conflict before, or you may have had bosses that were risk seekers or risk averse. Two examples from our work come to mind. One of our bosses was a real risk seeker. At one point he bet his job on a new service he wanted the company to roll out. He went to the CEO and asked for a grant of \$25,000 to start the new service. He told the CEO that if the new program did not work, he would give up his job. The CEO granted the \$25,000 and the new service was implemented. It was a success, and soon became the biggest program of that type in the state. That boss eventually became CEO of the entire firm.

Then there was another boss who was not a risk seeker. He had a very conservative personality. He was conservative in his personal life. He was politically very conservative. By religion he was a fundamentalist who adhered closely to his religious principles. He did not like to spend money. He did not come forth with break-through strategies for his division.

You may experience problems if you are a risk seeker and your boss is not, or vice-versa. If you are regularly coming up with new ideas, new products, new services that have some probability of failure and you cannot sell the new direction to your boss, you are going to be frustrated. It can go the other way as well. If your boss likes to take risks and you do not, the prospect of failure is going to continuously distress you.

In these days of the COVID-19 pandemic we are thinking more about risk. Should I go back and work from the office? Should we send our kids back to school? Should we go out to eat? Should I visit my grandparents? Very real decisions must be made with life and death consequences. These decisions may require us to change our mind-sets about risk, so as not to find ourselves left behind and overly subject to fear (Goran, LaBerge, & Srinivasan, 2017). So, what do we know about taking risks?

It turns out that risk-seeking has been studied extensively over the past decades. We now know much about risk seekers and risk adverse personalities. In the following pages we will consider some of the findings.

2. Types of Risk

There are many types of risk encountered by the typical person. There are physical, social, spiritual, and financial risks. A person may be risk averse with respect to one or more of these types of risk, and a risk seeker among other types. For example, a person may be very conservative and risk averse with respect to his or her personal life, but be quite a risk seeker at work while using other people's money.

2.1 Active vs. Passive Risks

Keinan and Bereby-Meyer (2017) studied risk taking and perceptions of risk taking. They determined that risks may be thought of as being in two categories: active risks and passive risks. Passive risks are those that arise from inaction, "foregoing an opportunity to act to reduce outcome variance" (p. 999). Generally, people think passive risks are less risky than active risks. Further, "people are perceived as more personally responsible for actions than for inactions, because actions are viewed as involving more agency and intent on the part of the decision maker" (p. 1000). Perceptions of risk vary greatly between active and passive. "Passive risks evoke less sense of responsibility, which in turn leads to a reduced perception of risk compared with active risks" (p. 1000).

People are usually accused of transgressions they committed, rather than actions they neglected to take. Consequently, we perceive passive risk as less risky than active risk, which may indeed be the case, at least from a legal point of view.

People who take on active risks are known as risk seekers, while people who accept passive risks are known as risk-takers. Since the literature does not normally differentiate between these two terms, we will use them interchangeably throughout the remainder of this paper.

2.2 Operational Risks

Kaplan and Mikes (2012) provided another perspective on classifying risks. They postulated there are three main types of operational risks: preventable risks, strategy risks, and external risks.

Preventable risks are "internal risks, arising from within the organization, that are controllable and ought to be eliminated or avoided. Examples are the risks from employees' and managers' unauthorized, illegal, unethical, incorrect, or inappropriate actions and the risks from breakdowns in routine operational processes" (Kaplan & Mikes, 2012, p. 50).

Strategy risks are those taken on by a company that "undertakes some risk in order to generate superior returns from its strategy. A bank assumes credit risk, for example, when it lends money" (Kaplan & Mikes 2012, p. 51).

External risks "arise from events outside the company and are beyond its influence or control. Sources of these risks include natural and political disasters and major macroeconomic shifts" (p. 51).

Approaches for dealing with these three types of risks will be considered next.

3. Various Approaches and Considerations for Addressing Risks

There are many considerations when it comes to evaluating risk in an organizational setting. Moreover, the way one approaches risk is influenced in several ways.

3.1 Gender and Risk

Frey, Richter et al. (2020) studied the relationship of risk-seeking to six correlates: household income, sex, age, fluid intelligence, crystallized intelligence, and years of education. With respect to gender, they concluded, "from the various theoretical perspectives, there exist a number of meta-analyses that provide support for the idea that men are more risk-seeking than women" (p. 4). Trying to explain why this might be the case, they speculated that "reduced levels of risk preference in females might be associated with the smaller potential reproductive rate of females compared with males, and with differential parental investment costs when accounting for specific reproductive strategies" (p. 4).

3.2 Age and Risk

Risk-seeking declines with advancing age. Multiple studies have so indicated, including the studies done by Frey, Richter et al. (2020). Several hypotheses have been advanced to explain this phenomenon. "...reductions in risk preference across the life span could stem from normative life transitions to adult roles (getting a job, marrying, having children) and associated systematic changes in personality..." (p. 4). It has also been theorized "that age-related reductions in dopaminergic function lead to reduced exploration and novelty seeking" (p. 4)

Age-related cognitive decline may lead to information processing limitations that reduce learning and lead to the use of simpler, less cognitively demanding strategies, which will affect choices under risk and uncertainty particularly in situations requiring learning or integration of large amounts of information (p. 4).

Gardner and Steinberg (2005) found that "...adolescents are more inclined toward risky behavior and risky decision making than are adults and that peer influence plays an important role in explaining risky behavior during adolescence" (p. 625).

Guillen (2020) of the Wharton School wrote:

From the point of view of investing, people generally become more risk averse as they age. Young people tend to put their savings into asset classes that offer growth in value, which comes with higher risk...As people turn fifty or sixty, they start rebalancing their portfolios by purchasing more bonds, which are less risky. Finally, as they approach retirement, they start to cash out or purchase an annuity (a fixed sum of money paid out in intervals). (pp. 55-56)

3.3 Household Income, Fluid Intelligence, Crystallized Intelligence, Education and Risk

Frey, Richter et al. (2020) found no strong correlation between risk-seeking and household income, fluid intelligence, crystallized intelligence, or years of education.

4. Ways Risk Is Manifested

In addition to the various types of risk discussed, each form of risk is manifested in various ways. This section discusses the various ways that risk can be manifested.

4.1 Perceptions of Risk Seeing in Others

Hsee and Weber (1997) studied peoples' perceptions of risk-seeking in others. Their study found that in abstract situations, "participants ... systematically predicted others to be more risk-seeking than themselves" (p. 47). This discrepancy was labeled as the *self-others discrepancy*. However, this discrepancy disappeared when the situation was real rather than abstract. Hsee and Weber further found that various social groups or nationalities were stereotyped as having more or less risk-seeking tendencies, even though the reality was that this was not the case.

4.2 Risk Taking in Groups

Individuals were more risk-seeking while working in groups than in decision-making as individuals. They "focused more on the benefits than the costs of risky behavior, and made riskier decisions when in peer groups than alone" (Gardner & Steinberg, 2005, p. 625).

4.3 Status Quo Risks

Various studies have shown that people are more likely to make decisions that leave the present situation in place than those that make active changes. The status quo is familiar, while the outcomes of an active change are not certain. The impetus to maintain the status quo is heightened when there are several possible outcomes to the active change. In this case the probability of a positive outcome is even more obscure than the case where there is just one possible outcome for an active change (Wang & Johnson, 2012; Keinan & Bereby-Meyer, 2017).

4.4 Decision Making for Others

Sometimes we are faced with situations in which we are making risk-based decisions for others. In that case, the loss or gain will accrue to the other person or entity, not to ourselves. Are we more risk averse or risk taking in those situations?

Vlaev, Wright et al. studied this situation in their 2017 study. They found that "decision-makers are less patient (more discounting) and more risk averse for losses than gains, with other peoples' money, especially when their choices for others are more uncertain" (p. 59).

4.5 Risk-seeking and Entrepreneurship

When one thinks of the entrepreneur, one automatically associates the title with one of risk.

Entrepreneurs are the likeliest personality type to make a lifestyle of risky behavior. They live in the moment and dive into the action – they are the eye of the storm. People with the Entrepreneur personality type enjoy drama, passion, and pleasure, not for emotional thrills, but because it's so stimulating to their logical minds. They are forced to make critical decisions based on factual, immediate reality in a process of rapid-fire rational stimulus response. (Personalities, n.d., p. 1)

Since entrepreneurs retain the full array of decisions for the business, they have the ability to determine the level of risk they are willing to take toward any given strategy.

4.6 Risk-seeking and Personality

The relationship of risk-seeking to personality has received the attention of many researchers (Frey, Pedroni et al., 2017). It is now understood that risk-seeking propensity varies somewhat from domain to domain. However, it is now believed that “there is also a general factor of individual risk preference, which remains stable over time” (Nauert, 2018, para. 3). “But our finding of a general factor of risk preference—suggests that risk preference is a personality characteristic in its own right. This insight will make it possible to examine the biological underpinnings of risk preference in future studies” (Nauert, 2018, Sec. 2).

Knowles, Cutter, Walsh, and Casey in early research (1973) found there to be domain-specific risk-seeking behavior, but there was an overall risk-seeking personality:

Consistencies in risk-taking behavior were investigated in a multi-method, convergent validity study of 13 risk-related measures...a general convergence was not found. However, factor analysis of the correlations indicated 2 qualitatively different kinds of dimensions. In addition to 5 strategy traits, *a single motivational trait was identified. The motivational trait was interpreted as identifying a person's general willingness to approach or avoid risk situations...* [italics ours]. The results suggest (a) a redefinition of risk-taking as a personality trait; and (b) that consistencies in risk behavior do occur across a variety of situations. (p. 123)

Zuckerman in his *Psychology Today* (2000) paper claimed:

It's not just a behavior. It's a personality. ...broad-spectrum risk-takers not only exist...but have a distinctive personality makeup that is the product of both genes and experience. Over the decades I have studied a personality trait called sensation-seeking—the pursuit of novel, intense and complex sensations and experiences, and the willingness to take risks for the sake of such experience. Risk-taking is not the main point of sensation-seeking behavior; it is merely the price such people pay for certain kinds of activities that satisfy their need for novelty, change and excitement. (p. 1)

Lauriola and Weller (2018) do not agree with Zuckerman's perspective. Their finding is more along the lines of more domain-specific risk-seeking behavior.

We concluded that the notion of a unidimensional “risk taking” trait seems misleading. The interplay of many traits encompassed in an overarching temperament model best represented personality-risk relations. Positive emotionality traits promoted risky behaviors that confer an emotionally rewarding experience to the person. Negative emotionality traits lead to heightened perceptions of danger, primarily motivating the avoidance of risk. The last disinhibition affected risk taking as a result of differences in self-control acting upon momentary feelings and in self-interest. (p. 3)

5. Mitigating Risk

As a leader in today's complex business environment, you do not have a choice of ignoring and not dealing with risks. You must manage the risks you encounter.

Rowe provided a conceptual framework for dealing with risks. He proposed a 5-step process: identify the risk, measure the risk, examine solutions, implement a solution, and monitor results, then repeat the process (Rowe, 2018).

Risk management encompasses the identification, analysis, and response to risk factors that form part of the life of a business. Effective risk management means attempting to control, as much as possible, future outcomes by acting proactively rather than reactively. Therefore, effective risk management offers the potential to reduce both the possibility of a risk occurring and its potential impact (Risk, n.d.).

The categorization of business risks into three categories as described above gives us a framework for treating business risks.

First are preventable risks. “In general, companies should seek to eliminate these risks since they get no strategic benefits from taking them on.” So how can organizations manage preventable risks? This risk category is best managed through active prevention: monitoring operational processes and guiding people's behaviors and decisions toward desired norms.” This is a “rules-based compliance approach” (Kaplan & Mikes, 2012, p. 51).

Strategy risks are quite different from preventable risks because they are not inherently undesirable. A strategy with high expected returns generally requires the company to take on significant risks, and managing those risks is a key driver in capturing the potential gains (Kaplan & Mikes, 2012, p. 51).

External risks require yet another approach. Because companies cannot prevent such events from occurring, their management must focus on identification...and mitigation of their impact (Kaplan & Mikes, 2012, p. 51).

Several approaches may be taken with respect to these categories of risk. Preventable risks should be controlled by rules and company culture. The other two categories require additional insight and work.

Strategic risks should be carefully studied before the strategy is implemented, and should be monitored continuously during the execution phase. Some firms have risk assessment committees whose members are experts with direct access to senior management. This committee needs to be independent of the persons posing the risks.

If the firm does not have the resources to analyze a strategy, it can employ consulting services to assist in risk mitigation. Three firms that provide risk assessment services are:

IBM, the Security Strategy, Risk, and Compliance Services (SSRC). <https://www.isb.com/security/service>

ClearRisk

<https://www.clearrisk.com>

Bitsight

<https://www.bitsight.com>

External risks may be mitigated through advanced planning and insurance programs.

6. Determining Your Attitude Toward Risk

Researchers have determined general characteristics of risk seekers and risk averse individuals.

“Understanding your employees’ tolerance for risk can help you manage more effectively and make smarter hires” (Hire Success, n.d., para. 1).

Risk seekers are characterized as follows:

People who are especially talented in the Risk talent embrace challenges with enthusiasm. They have a strong, charismatic and confident personality. They naturally focus on the rewards of success instead of potential failure...They are comfortable with ambiguity and have a highly optimistic perception of risk...People with this talent tend to have a persuasive personality that comes from the understanding that they’re standing firmly on a foundation of calculation. Risk is enthusiasm in the face of challenge. (Builders, 2017, paras. 1 & 3)

Individuals who are risk averse are quite different.

Someone who is cautious in the work place tends to stick with proven, time-tested solutions. It’s not that they never take risks, but they tend to be more skeptical of doing so. Cautious personality types prefer having time to weigh the evidence, do research, and give a change plenty of consideration before taking the plunge...They tend to default to what they already know works, unless there’s a compelling reason to change. They may be wary of new, unproven processes and tools...(If someone else leaps first, all the better). In the extreme, they may miss out on opportunities for growth in favor of the status quo. (Hire Success, n.d., paras. 2 & 4)

You will be better able to cope with differences among your colleagues and peers if you know and can articulate your attitude toward risk-seeking. There are various tools that are available to help you understand yourself. Three common tools that are used to assess one’s attitude toward risk are described below.

Any one of these tools will help you understand your strengths and weaknesses and provide a picture of your risk-seeking attitude. Once you have learned about your own attitudes toward risk, classify your boss and your spouse. Once you know more about your boss and your spouse, then you will be able to use your coping skills to develop a better working or living relationship.

6.1 Myers-Briggs Type Indicator (MBTI)

The Myers-Briggs Type Indicator (MBTI) is a self-assessment instrument that yields a report on personality types.

The authors of the MBTI instrument, Katharine Cook Briggs (1875-1968) and her daughter, Isabel Briggs Myers (1897-1980), were keen and disciplined observers of human personality differences. They studied and elaborated the ideas of Swiss psychiatrist Carl G. Jung (1875-1961), and applied them to understanding people around them. (Myers, n.d., p. 5)

The assessment, which has been updated over the years, assigns a person to four categories with each category having two options: introversion or extraversion, sensing or intuition, judging or perceiving, thinking or feeling.

The result is a total of 16 different combinations of personality types, designated by four letters that are used to report a person's personality type.

Extraversion/Introversion: E or I

Sensing/Intuition: S or N

Thinking/Feeling: T or F

Judging/Perceiving: J or P

Verywellmind (n.d.) provides a good description of the eight categories:

Extraversion (E) – Introversion (I)

Extraverts (also often spelled extroverts) are "outward-turning" and tend to be action-oriented, enjoy more frequent social interaction, and feel energized after spending time with other people. Introverts are "inward- turning" and tend to be thought-oriented, enjoy deep and meaningful social interactions, and feel recharged after spending time alone.

We all exhibit extraversion and introversion to some degree, but most of us tend to have an overall preference for one or the other.

Sensing (S) – Intuition (N)

People who prefer sensing tend to pay a great deal of attention to reality, particularly to what they can learn from their own senses. They tend to focus on facts and details and enjoy getting hands-on experience. Those who prefer intuition pay more attention to things like patterns and impressions. They enjoy thinking about possibilities, imagining the future, and abstract theories.

Thinking (T) – Feeling (F)

This scale focuses on how people make decisions based on the information that they gathered from their sensing or intuition functions. People who prefer thinking place a greater emphasis on facts and objective data. They tend to be consistent, logical, and impersonal when weighing a decision. Those who prefer feeling are more likely to consider people and emotions when arriving at a conclusion.

Judging (J) – Perceiving (P)

Those who lean toward judging prefer structure and firm decisions. People who lean toward perceiving are more open, flexible, and adaptable. These two tendencies interact with the other scales.

A person can be described with four letters, with one of 16 different descriptions. The 16 designations, with their common names are (Verywellmind, n.d.):

ISTJ—Inspector

ISTP—Crafter

ISFJ—Protector

ISFP—Artist

INFJ—Advocate

INFP—Mediator

INTJ—Architect

INTP—Thinker

ESTP—Persuader

ESTJ—Director

ESFP—Performer

ESFJ—Caregiver

ENFP—Champion

ENFJ—Giver

ENTP—Debater

ENTJ—Commander

6.1.1 Risk-seeking and Myers-Briggs Type Indicator

When it comes to the various personality types outlined by the Myers-Briggs Type Indicator, some personalities are more risk-seeking and some are more risk averse.

ENFPs, ENTPs, INFPs, and INTPs

ENFPs, ENTPs, INFPs, and INTPs scored as the highest risk-takers of all the types. This comes as no surprise considering NPs enjoy exploring new, untested theories and possibilities. Unlike sensing types who like to have a groundwork of pre-established facts to rely on, NPs enjoy “jumping into possibilities” without having to spend a lot of time figuring out if something like this has been done before...They are drawn to the novel and original far more than the tested and established. (Storm, 2018, para. 4)

ESTPs, ESFPs, ISTPs, and ISFPs

ESTPs, ESFPs, ISTPs, and ISFPs have a fondness for risk-taking, especially in the immediate context. However, they do like to have a certain amount of security when it comes to their home life and the people that are important to them. They like having a “home base” whether it’s an actual home, long-term friendships, a relationship, etc., that they can return to at the end of the day (or week, or month) Extraverted sensing types scan their environment for interesting and novel experiences they can jump into right away. (Storm, 2018, para. 11)

INFJs, INTJs, ENFJs, and ENTJs

INFJs, INTJs, ENFJs, and ENTJs are more calculated at risk-taking and not as spontaneous as their NP “cousins.” They scored much lower on risk-taking on the Strong Interest Inventory. The reason for this is NJ types need to have an internal vision of where they are going before they pursue a possibility. They need time to analyze, prioritize and process information. At times they might get a vision about a future possibility quickly, and during these times they can seem quite impulsive. Other times the process will take longer and they can seem more cautious and deliberate. INJs especially like to have time to “chart-the- course” for where they are going to go. When they have a course and a clear vision they actually enjoy taking long-term risks and pursuing unconventional paths. (Storm, 2018, para. 7)

ISTJs, ISFJs, ESTJs, and ESFJs

ISTJs, ISFJs, ESTJs, and ESFJs are the personality types with the least willing to take risks. They enjoy having consistency and structure in their lives and they tend to act only after they have carefully analyzed all the details and feel totally prepared. SJ types need time to gather their memories and experiences as well as look at the information and thing in all over. (Storm, 2018, para. 14)

6.1.2 Myers-Briggs Type Indicator, Entrepreneurs, and Risk

Entrepreneurs tend to be Intuition and Perceiving personality types. As Brandon (n.d.) reported:

A new study completed this year shows that certain personality types are drawn to an entrepreneurial mindset. For the Myers-Briggs fans out there, you may already know the Intuition and Perceiving (N and P) personality types. The study found those folks have more of an entrepreneurial nature than the Sensing and Judging types. (para. 16)

The study expanded on the connection between personality type and entrepreneurial mindset.

The entrepreneurs in the group showed a significantly higher orientation for creativity, risk-taking, impulsivity, and especially autonomy than did non-entrepreneurs. Competitive ambition did not distinguish between those who were or were not entrepreneurs, but did relate to those who saw themselves as more entrepreneurial. People with a preference for extraversion, intuition, thinking, and perceiving tended to show greater levels of entrepreneurial orientation. (Brandon, n.d., para. 17)

6.2 Strengthsfinder

Strengthsfinder is another self-assessment tool that can provide insight into the risk profile of a person. Recently there has been much research on strengths – particularly in the leadership literature. More attention has been given to leaders focusing on strengths while managing their weaknesses as opposed to the age-old philosophy of trying to improve one’s weaknesses. The Gallup organization has invested years of research into researching strengths, which led to the groundbreaking book Strengthsfinder 2.0. The Strengthsfinder book, published by Gallup Press in 2007,

presents 34 themes – which represent talents that represent how people most naturally think, feel, and behave. The underlying goal of Strengthsfinder is to encourage people to focus and expand on their strengths, rather than trying to improve their weaknesses.

Further research regarding strengths led to the identification of four “Domains of Leadership” identified in the book *Strengths Based Leadership*, published by Gallup Press in 2009. This book took the 34 themes and filtered them through the lens of leadership, and placed each theme in one of four domains. Following are the 34 themes organized within their respective domain of leadership:

Strategic Thinking

Analytical, Context, Futuristic, Ideation, Input, Intellection, Learner, Strategic

Relationship Building

Adaptability, Connectedness, Developer, Empathy, Harmony, Includer, Individualization, Positivity, Relator

Influencing

Activator, Command, Communication, Competition, Maximizer, Self Assurance, Significance, Woo

Executing

Achiever, Arranger, Belief, Consistency, Deliberative, Discipline, Focus, Responsibility, Restorative

6.2.1 Strengthsfinder Themes and Risk

Several of the 34 themes provide insight into the degree of risk one is willing to take on. Individuals with the following strengths are risk seekers.

Activators

You are impatient for action. You may concede that analysis has its uses or that a debate and discussion can occasionally yield some valuable insights, but deep down, you know that only action is real. Only action can make things happen...Once a decision is made, you cannot not act...You make a decision, you take action, you look at the result, and you learn...You must take the next step. It is the only way to keep your thinking fresh and informed. (Winseman, Clifton, & Liesveld, 2008, p. 68)

Arrangers

...you are at your best in dynamic situations. Confronted with the unexpected, some complain that plans devised with such care cannot be changed, while others take refuge in the existing rules or procedures. You don't do either. Instead, you jump into the confusion, devising new options, hunting for new paths of least resistance, and figuring out new partnerships...(Winseman, Clifton, & Liesveld, 2008, p. 74)

Command

Command leads you to take charge...You need things to be clear between people and challenge them to be clear-eyed and honest. You push them to take risks...People are drawn toward those who take a stance and ask them to move in a certain direction. Therefore, people will be drawn to you. (Winseman, Clifton, & Liesveld, 2008, p. 78)

Self-Assurance

Self-Assurance is similar to self-confidence. In the deepest part of you, you have faith in your strengths. You know that you are able—able to take risks, able to meet new challenges, able to stake claims, and most important, able to deliver. (Winseman, Clifton, & Liesveld, 2008, p. 133)

Strategic

The strategic theme enables you to sort through the clutter and find the best route...It is a distinct way of thinking, a special perspective on the world at large...guided by where you see each path leading, you start to make selections...You cull and make selections until you arrive at the chosen path—your strategy. Armed with your strategy, you strike forward. (Winseman, Clifton, & Liesveld, 2008, p.137)

Individuals with the following strengths are typically risk averse.

Analytical

You see yourself as objective and dispassionate. You like data because they are value free. They have no agenda. Armed with these data, you search for patterns and connections. You want to understand how certain

patterns affect one another... You peel the layers back until, gradually, the root cause or causes are revealed. Others see you as logical and rigorous. (Winseman, Clifton, & Liesveld, 2008, p. 72)

Consistency

Balance is important to you... In direct contrast to this world of special favors, you believe that people function best in a consistent environment where the rules are clear and are applied to everyone equally. This is an environment where people know what is expected. It is predictable and evenhanded. (Winseman, Clifton, & Liesveld, 2008, p. 88)

Deliberative

You are careful. You are vigilant... You know that the world is an unpredictable place. Everything may seem in order, but beneath the surface you sense the many risks. Rather than denying these risks, you draw each one out into the open. Then each risk can be identified, assessed, and ultimately reduced... Life is something of a minefield. Others can run through it recklessly if they so choose, but you take different approach... You walk with care. (Winseman, Clifton, & Liesveld, 2008, p. 93)

Discipline

Your world needs to be predictable. It needs to be ordered and planned. So you instinctively impose structure on your world. You set up routines. You focus on timelines and deadlines... Faced with the inherent messiness of life, you want to feel in control. The routines, the timelines, the structure, all of these help create this feeling of control... (Winseman, Clifton, & Liesveld, 2008, p. 98)

6.2.2 Strengthsfinder, Entrepreneurs, and Risk

Andrea Jacques identified five strengths of entrepreneurs that tie into risk-seeking (Jacques, n.d., p. 1).

They're innovative

They aren't afraid to take a chance

They are willing to work hard

They know how to manage money and people

They are passionate about what they do

Leigh Buchanan identified ten characteristics of successful entrepreneurs (n.d.)

Risk-Taker

Business Focus

Determination

Delegator

Knowledge Seeker

Creative Thinker

Confidence

Promoter

Independence

Relationship Builder

As with the Myers-Briggs Type Indicator, several of the strengths identified by Strengthsfinder are common among entrepreneurs. As such, those same strengths are consistent with the strengths identified mostly as possessed by risk seekers.

6.3 DiSC Assessment

DiSC is another self-assessment tool that can provide insight into the risk profile of a person. DiSC is an acronym that represents four styles: Dominance, Influence, Steadiness, and Conscientiousness.

The DiSC model of behavior was first outlined by psychologist William Mouton Marston in 1928. Over the years, several assessments using Marston's theory were developed, which eventually led the creation of the current day DiSC assessment (Fallon, 2015).

Dominance includes characteristics such as direct, results-oriented, firm, strong-willed, and forceful. A person whose style is Dominance is characterized by confidence, emphasizing the bottom line and results.

People with a style of Dominance tend to be risk seekers. “Dominance styles seek expedience and are not afraid to bend the rules. They figure it is easier to beg forgiveness than to ask for permission” (Alessandra, n.d., para. 7).

Influence includes characteristics such as outgoing, enthusiastic, optimistic, high-spirited, and lively. A person whose style is Influence emphasizes relationships and collaboration. This person is normally optimistic and enthusiastic.

People with a style of Influence tend to be risk seekers as well. Those with an Influence style “are risk-takers who base many of their decision on intuition...” (Alessandra, n.d., para. 9).

Steadiness includes characteristics such as even-tempered, accommodating, patient, humble, and tactful. A person whose style is Steadiness is characterized by sincerity and dependability. This person typically has a calm demeanor about themselves.

People with a style of Steadiness are risk averse. “Steadiness Styles are risk averse. In fact, Steadiness Styles may tolerate unpleasant environments rather than risk change” (Alessandra, n.d., para. 11).

Conscientiousness includes characteristics such as analytical, reserved, precise, private, and systematic. A person whose style is Conscientiousness is characterized by competency and accuracy. This person hates to be wrong.

People with a style of Conscientiousness are also risk averse – perhaps the most risk averse of the four styles. “Cautious Styles are slow and deliberate decision-makers. They do research, make comparisons, determine risks, calculate margins of error, and then take action” (Alessandra, n.d., para. 14).

6.3.1 DiSC Assessment, Entrepreneurs, and Risk

While many entrepreneurs have a preference for risk taking, not all do. It is imperative that an entrepreneur know and understand their own predispositions to risk-seeking or risk aversion. “An excellent entrepreneur should know their own personality traits, dare to seize opportunities and take risk when facing new opportunities, but in the period of taking a risk, think considerately, and facing challenges and opportunities steadily are characters that an entrepreneur should have” (Zhang, 2018, p. 238).

7. Conclusion

The 21st century global business environment is dynamic and complex. Within all of its dynamism and complexity lies much risk. How a manager approaches risk has consequences not only for the day-to-day operations of the organization, but also for the long-term strategic direction of the organization. According to Goran, LaBerge, and Srinivasan, “When risk aversion holds sway, underinvestment in strategic opportunities and sluggish responses to quick-changing customer needs and market dynamics can be the result” (p. 1). Understanding the level of risk an organization is willing to take on is often shaped by the level of risk its leaders are willing to take on. Much of this rests on the type of risk at hand – whether passive or active.

As a leader, it is important to understand your own perceptions and approaches to risk. We know that to succeed in today’s competitive business environment, organizations must be creative and innovative. Furthermore, studies show that an organization’s ability to innovate has a “direct impact” on its competitive advantage (Varma, Bhalotia, & Gambhir, 2020, p. 389). There are several indicators that provide insight into the amount of risk one is willing to accept – the Myers-Briggs Type Indicator, Strengthsfinder, and the DiSC assessment are a few of them. Leaders are wise to take these assessments and understand their results in relation to risk.

Leaders of today’s organizations must be willing to take on some degree of risk – that just comes with the territory as a leader in this day and age. “Managerial risk taking is a critical aspect of strategic management. To improve competitive advantage and performance, managers need to take risks, often in an uncertain environment” (Hoskisson, Chirico, Zyung, & Gambeta, 2016, p. 137). Understanding one’s preferences toward risk, and surrounding oneself with others who hold different preferences toward risk, are solid first steps in recognizing just the right balance of risk a leader should take in today’s business environment.

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