

Effective Leadership: The Benefits of Risk Type Transparency



The issue

A small to medium sized organisation specialising in transport services had recently taken on a new External Investor. The External Investor's vision of the business was showing disparities to that of the established team, which in turn was causing conflict and indecisiveness about the future direction of the company. Theories of Entrepreneurial activity (Kreiser et al., 2013) suggest that for start up companies to succeed, they need to show low risk behaviour. Only once a solid organisational foundation has been established, should they be more risk taking in order to ensure continued success in the long-term.

Keen to take some risks and grow the business, the Investor had the potential to provide the 'push' required. However, such risky behaviour contrasted with that of the team's overall culture and had the potential to cause friction.

The solution

The Employees, Managers and External Investor each completed The Risk Type Compass® and the outcome of the assessment was presented to the group. The results revealed the Employee Team Profile to be generally risk averse. In contrast, the first Manager fell within the Adventurous group, with a score that edged close to the Axial group boundary, giving him an average risk tolerance overall. The second Manager was classified as a Wary Risk Type with a low risk tolerance level. On the other hand, the new External Investor was classified as a Carefree risk type, placing him in the very high risk tolerance boundary. Individuals with this profile tend to be open-minded and ready to embrace new ideas, they will enjoy the risk of jumping in at the deep end and will actively challenge the status quo. Furthermore, with a preference for innovation, they tend to welcome change and will adopt a more dynamic approach.

Given that the organisation has ambitious growth plans, it was important to raise the self awareness of the group so that each could consider others points of view with regards to their risk taking preferences in order to allow the business to be successfully driven forward in unison. With Kreiser's model of Entrepreneurial activity in mind, it was also necessary to consider the increased need for innovation within the organisation for continued business success.

The results

Overall, the process encouraged the high risk and low risk sub-groups to consider each others' positioning and role within the group, thereby removing any personal antagonism. It also highlighted, and thus prevented, the very real risk of 'group think' within the Employee group; a phenomenon whereby individuals with a similar Risk Type can make collectively poor or ineffective decisions due to the unconscious desire to conform with those similar to oneself.

The intervention proved successful in increasing awareness of risk type and work is continuing with the organisation to support dialogue around the topic of company risk appetite and maintaining their competitive advantage in the future.