



How increasing your tolerance of risk can dramatically boost your success.

By Mary Taylor, Director at Mary Taylor & Associates

The risk advantage

Most people tend to be risk-averse, or at least averse to more than a fairly small amount of risk. This is completely understandable and evolutionarily essential; human beings would not have survived as a species for long had they had no in-built aversion to risk.

Such risk aversion naturally tends to increase as the likelihood that a risk will affect something we consider essential in our lives. Income is a prime example of this – for most of us, our quality of life, and often our very survival, is closely linked to our ability to generate money. As such, most people are extremely reticent to take risks with their livelihoods.

There is, of course, a small proportion of people who are natural gamblers – the ones who take far more risks than most, and seem to actually enjoy doing so. Most of us know at least one individual like this, whose life appears to oscillate between huge highs and complete disaster.

There are, of course, many shades of grey in between – people clearly do not simply fall into one or other of the camps of ‘very risk averse’ or ‘natural gamblers’. However, in general, it is true to say that most people, at least with something as important to them as their income, tend to be quite risk-averse.

There is something very interesting about risk-taking, though. For most of us, our decisions about which risks to take and which to avoid are predominantly made based almost entirely on our perception of the level of risk involved, rather than the reality of it.

A commonly cited example of this is how many people will be very nervous about going on a plane, yet think nothing

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about getting in a car to drive to the airport – despite the reality being that many sources estimate the odds of dying in a car crash to be approximately one in 107, while the odds of dying in a plane crash are around one in 11 million.

Many factors affect our perception of risk, such as what we are familiar with, personal experiences we have had or heard about, media exposure, cultural background and cognitive biases. There is something else very interesting about



risk-taking. Increased risk-taking is repeatedly associated with increased success in business – but with an important caveat.

Greater risk-taking in business multiplies the chances of a successful outcome many times over for several reasons. It opens the door to greater innovation and experimentation, gives a competitive advantage when you are prepared to do something most others are not, and provides a wealth of learning opportunities whenever something does not work. In short, ‘You have to be in it to win it.’

I see this all the time in my daily work. Clients who take greater risks tend to have a higher number of failures, it is true, than clients who play it safe – but they also tend to have significantly greater success. The key point is that when viewed as a whole, the successes achieved by the risk-taking clients usually far outweigh the failures endured by them, and far surpass the successes achieved by the clients who play it safe.

However, and this is the crucial part, increased risk-taking in business is only correlated with increased success where the risk-taking is calculated. ‘Hit and Hope’ or ‘Spray and

Pray’ are absolutely not reliable routes to greater achievement. Instead, what is needed is a realistic analysis of the actual level of risk, a dispassionate balancing of the risk against the potential reward, and robust risk management strategies to minimise the risks as much as possible.

So, where does all of this information get us? If you make good use of it, it can get you a significant competitive advantage. Given that most people are risk-averse and that increased calculated risk-taking is strongly associated with increased business success, being one of the few with an increased tolerance for risk can put you way out in front.

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The window of opportunity lies in the fact that most people’s risk decisions are based on perception rather than reality, with perception usually inflating the level of risk, often significantly. To increase your tolerance of risk, there is no need to put all your faith in positive thinking, start drinking heavily for ‘Dutch courage’, or spend every moment with as many fingers and toes crossed as physically possible.

The formula is simple – be one of the few who factually and methodically analyse the reality of any risk, and base your decisions upon that information alone. Ignore your personal biases and emotional reactions, and go with what a perfect logician would. Take an accurate risk assessment, balance it objectively against potential rewards, and employ evidence-based risk mitigation strategies.

Very rarely is real business success the consequence of taking little or no risks – it is usually the result of taking multiple, calculated risks.

+ ABOUT MARY TAYLOR

Mary Taylor has worked with top executives in many globally recognised brands, including Apple, Cartier, Ferrari, Dior, Pfizer, Prada and Sony, from which she has developed a unique understanding of corporate life at the top and the challenges faced there.

Mary’s extraordinary academic and professional background includes working as a leader in maximum-security prisons, as a corporate lawyer for a top international firm and being a qualified psychologist. Mary has over 20 years of experience as a coach and consultant, and draws on this wealth of knowledge to deliver hard-hitting advice and recommendations that have had major impacts on leading organisations across the world.