

Risk mastery: Reframing risk culture

T

he words 'risk culture' can be heard echoing through the corridors of most organisations today, as boards and executives feel pressure from regulators and investors to ensure that their companies are free from the risks that have blighted so many industries and companies in recent years.

And somehow, as is often the case when regulators become involved, the process has become burdened with compliance requirements. As a result, the motives for implementing a risk culture have taken on an air of obligation, rather than a deeper sense of excitement or opportunity. In the process, I fear that the very essence of risk, and of the behaviours and mind-sets that underpin it, is obscured.

If you were in a meeting with 10 people, would you be able to recognise the person whose behaviours were going to best support a risk culture?

Who are the men and women among us who could call themselves 'risk masters'? Those for whom risk is a friend, a secret weapon they apply better than most, and for the benefit of all: shareholders, customers and themselves.

I first became interested in what I came to call 'risk mastery' when I studied the work of David McClelland on achievement.

In researching what he termed the achievement motivation, McClelland identified the ability to anticipate, mitigate and use risk effectively as one of the defining characteristics of people and societies/cultures who personified characteristics of people and societies/cultures who personified achievement and were most likely to consistently meet their goals.

So how can each one of us build this attractive relationship with risk?

Think of risks as all the things that could go wrong if you pursue a course of action. Risk mastery is the ability to see those possibilities in advance, and then plan to either avoid them, or be ready to take corrective action if they occur. The breadth of vision in this task distinguishes the experts from the novices.

Imagine I set a goal

At the simplest level, this could be to arrive at a particular meeting on time. At the broadest level, it might be

to meet specific sales targets in a year. What are all the things that could cause me not to meet this goal? What can I do to mitigate against these potential hurdles? Novices file a lot of their lives under 'luck, chance, hope and magic'. They will use an excuse that the traffic was bad to justify not meeting their on-time goals over and over again. A risk master will recalculate departure time, change modes of transport, or even move house if the problem is one they care enough about. Now imagine you are an airline. How do those same principles apply to on-time arrival? Risk mitigation becomes a full-time occupation for the best airlines.

Excuses and justifications, the full-time chatter of the worst. Risk mastery is a way of thinking that constantly anticipates the factors others would call 'bad luck'.

So how does this apply to leaders who are trying to build a risk culture?

A leader who is a risk master knows where the pressure points are in their business. The areas that, when put under pressure to perform, could result in patterns of behaviour which are non-compliant. They have considered these risks ahead of time and worked out mitigation strategies for each. They have set their own standards and anticipated that certain practices, even if hidden now, could one day become public and be unacceptable to customers and the media. It's exactly the same mindset which enables one person to master time management and the other to continually blame the traffic. Only applied on a bigger scale.

Recent regulatory pressure has turned risk into something to be feared. And, in my experience, when people operate from a place of high anxiety, they become less effective and often lose sight of the bigger picture. I like McClelland's understanding of risk mastery and its link to high achievement, because it turns risk into a thrill, a challenge with high rewards.

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Those who master risk accept far fewer justifications

<p>The competition lowered their prices</p>	<p>I have been keeping an eye on competitors and already have a strategy on how to match their prices, if necessary.</p>
<p>Our product development is late</p>	<p>I have built good relationships with our product people, so I had a heads up that this might happen months ago. As a result, my sales tactics made assumptions that numbers would have to be made up from our existing products.</p>
<p>My key sales person resigned</p>	<p>Have a strong pool of external alternatives, built up over many years, and my internal succession planning is also good.</p>

So let's take risk out of the box marked 'obligation' and start using it as a great tool to help us achieve our goals. Let's cultivate the art of risk mastery.

7 questions that reveal the mindset of a risk master

Watch for them in a meeting to discover who amongst you is most likely to thrive. Or use them yourself and see how they improve your planning and goal achievement.

1. What could go wrong here?
2. How can we reduce the risk of these things happening?
3. What's our plan B if these things do happen?
4. What factors outside our control could impact this, and how can we mitigate against these occurring?
5. If we play this decision out 3 years, what unforeseen consequences could occur?
6. Who here has had experience of doing something similar before and what insights can you give us about what you learnt?
7. If this appeared on the front page of a newspaper, how would we feel?

This article originally appeared in March 2016 on Culture University, a workplace culture educational site where the top workplace culture experts in the world share their insights.