

SIGMA

Leadership Series



**Great Leaders
Take Risks**



GREAT LEADERS TAKE RISKS

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Do one thing every day that scares you.

– Eleanor Roosevelt

Business changes quickly, and leaders are often called upon to make decisions and find effective and innovative solutions to problems. Great leaders recognize that in order to be innovative, they will need to be able to take risks. In fact, risk taking is such a critical skill, research shows that leaders who take risks are more likely to be positively perceived by their employees, regardless of whether they succeed¹. Further, they can inspire their employees to be more creative^{2,3} and to endorse organizational change⁴. Although risk-taking is an individual action, it can enhance the broader functioning of the team and organization.

Leaders often encounter risks at work, even if they may not recognize them as such. For example, they take risks by prioritizing one project over another, adopting new technology to replace old systems, or delegating tasks to others. Due to the large number of potentially risky situations leaders come across, it is important to hone risk-taking skills to maximize benefits and prevent costly mistakes. Leaders skilled in this competency have the willingness to take sound, calculated risks based on good judgment in situations where the outcome is uncertain.

In assessing your ability to take risks, ask yourself the following questions:

- Do the risks I take serve a greater purpose?
- Do I anticipate and prepare for some of the risks I take to fail?
- Am I aware of my own strengths and limitations?
- Are the risks I typically take small or large in size?
- Do I take risks that benefit others?
- Do I rely on the expertise of others to inform which risks I take?

Improve Your Risk-Taking Skills

Define clear goals: A major difference between foolish and sound risks is whether they serve a purpose. Before weighing the pros and cons of taking a risk, first identify your overarching goals and vision. What are you hoping to accomplish? You can consider whether the risk is aligned with your team’s goals, your company mission or vision, or with any issues that need to be solved. Smart risks serve your broader goals and vision. Clarifying your goals will improve your judgment of whether a risk is worthwhile.

Plan for failure: The common advice on risk-taking is that you should not fear failure because it happens frequently. While this advice may be reasonable, it is challenging to suppress the fear of failure completely. Instead, you can reduce the impact of losses associated with failure by creating a proactive, realistic plan. For example, you can decide in advance how much money or time you are willing to spend on a particular risk before deciding not to pursue it any further.

Understand your own strengths and limitations: All leaders have areas of expertise as well as areas of ongoing development. You can be more confident that risks will pay off in areas related to your strengths (e.g., functional areas, cultures, or systems you are familiar with), but should be more cautious when taking risks in areas where you have less knowledge. If you are faced with a risk in an area that you do not know much about, then seek out the advice of others with complementary strengths.

Start Doing These 3 Things Now to Take Risks More Effectively

The following steps can help you become better at risk-taking:

1. **Get comfortable taking small risks.** Build up your risk-taking tolerance by taking lots of small risks (i.e., risks that are easy to take and have small potential negative outcomes). It can be as simple as changing the flavor of the teas in the break room at work. You can even practice taking risks in places other than work. For example, if you are afraid of confronting others about their mistakes, practice by asking store employees to rectify a mistake if you see one on your receipt. The important thing is to look for opportunities to experience the discomfort and consequences of risk-taking. Once you become more comfortable with taking small risks in situations where the outcome is uncertain, you can progress towards taking larger risks with potentially larger consequences.
2. **Calculate how a risk can benefit others.** When deciding whether you should take a risk, try to look beyond personal outcomes and focus instead on potential outcomes for your colleagues and/or organization. People tend to make slightly riskier decisions on behalf of others⁵ – good news for those who struggle to take risks. To get better at calculating how advisable a risk would be, you can start by making a list of the potential benefits and costs of a risk to yourself, your colleagues, and your organization. Think about how the risk will impact each of these parties if it succeeds or fails. Then, use that information to make a decision that will have an overall positive benefit for your team and organization.
3. **Ask lots of questions to experts.** Before taking a risk, you can reduce the amount of uncertainty you have by gathering as much information about potential outcomes as realistically possible. Consider who has expertise about the topic and schedule meetings to ask for their input. However, keep in mind that research has shown that groups of people tend to make much riskier decisions than single individuals⁶. You should consult with experts but ultimately make the final decision on whether to take the risk on your own.

Resources



[The Little Risks You Can Take to Increase Your Luck](#)



[5 Things the Smartest Leaders Know about Risk-Taking](#)



Develop your risk-taking ability by taking advantage of SIGMA's coaching services.

Contact SIGMA for coaching on developing your skills as a leader.

SIGMA Assessment Systems, Inc.

Email: support@SigmaHR.com

Call: 800-265-1285

References

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