

Will you risk it?

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The boldest measures are the surest, but look before you leap. Fools rush in where angels fear to tread, but he who hesitates is lost. Aphorisms and proverbs routinely offer contradictory advice. In these uncertain times, how should we act, and what has psychology to say about risk? We know that people are not simply logical reasoning machines weighing up probabilities. We also know that people behave differently depending on the circumstances and are cautious at times and bold at others.

Game-theory specialists have devised complex experiments to try and understand how people behave in the real world. Under different conditions, people can seek to minimise their losses (minimax) or to maximise their gains (maximin). Usually, they will minimise losses, when they feel they have something to lose, and try to maximise gains, when they feel they have little to lose. There are even attempts to link such behaviour to brain function.

Psychological thinking has shown that the social context is all important. If you have trust in the people you are working with, you will behave differently than with people you don't trust. If you are going to have repeated contact you will behave differently than where a transaction is a one off. Altruism and reciprocity, implicit notions of fairness and equity, emerge to the apparent surprise of economists.

Through reflecting on our own behaviour, we can see that we view some actions as more subjectively 'risky' than others, depending on the social context. People do create meaning - they understand their environment and try to act in the best way they are able to, given the available choices. But while some people are more risk

averse, others positively like risky behaviour and even seek thrills and excitement. This thrill-seeking behaviour can be seen in people who drive too fast, gamble too much and indulge in unsafe sexual practices. Such sensation-seekers sometimes have a feeling of invulnerability and the view that they are bound to succeed. Success is just (dangerously) taken for granted. Of course, some recent spectacular financial failures centre around individuals who similarly felt invincible and took too many risks.

However, a realistic belief in success can be a positive factor. People with an internal 'locus of control' believe that they have power and potency in the world; that they have agency and are able to influence their environment and that their action is important.

Conversely, those with an external 'locus of control' believe that the world will do things to them, that they can only react rather than initiate and that responsibility for what happens exists somewhere out there. It is often striking in interviews how these two positions become very obvious in the answers that people give to similar questions. The evidence is that interviewers prefer people who have agency and take responsibility.

So should you maximin or minimax today - should you seek to minimise losses or maximise gains? The answer, as ever, is that it depends on you.

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