

Could understanding your attitude to risk hold the key to small business success?

In business, as in life, it's impossible not to take a multitude of risks on a daily basis. Understanding your risk attitude and behaviours could hold the key to making better business decisions and improving your performance.

By David Partridge, Senior Marketing Manager

Some people are innately risk averse. Their brains are so focused on avoiding loss at all costs to the point they miss out on some great opportunities. Others throw caution to the wind way too often and dwindle their resource to the detriment of their business.

Risk taking is not something that you learn at school or that the majority of people understand all that well.

While some risks are overt – usually because they involve spending money (e.g. investing in a new computer system or hiring extra staff members) – others are not so obvious, like forgetting to make that follow-up call and missing out on new business.



Some business risks can be eliminated or significantly mitigated with insurance. Given the significant levels of underinsurance amongst SMEs, it's important for small business owners to get professional help with their business insurance plan. An insurance broker will ensure all the business' risk bases are covered in much the same way an accountant checks the books add up.

Knowing how your brain is hardwired when it comes to risk can help you make smarter decisions in your small business dealings. For example, if you are overly risk averse hiring a business coach or enrolling in a marketing course could help to improve your business performance. On the flip side, if you are taking too many risks some strategies to moderate your behaviour could be in order.

To help small business owners and people thinking of starting a new business better understand their risk appetite and behaviours, Lumley recently launched a free new online tool called RiskSmart Profiler.

RiskSmart Profiler works on all mobile devices (including Apple and android) as well as your desktop computer. It incorporates a quiz, called the DOSPERT scale, which is hosted at The Center for Decision Sciences at Columbia Business School in the US.

Developed by a team of psychologists from several reputable North American universities and research centres, the scale looks at five key life areas: financial decisions, health/safety, recreational, ethical and social decisions.

After completing the quiz, which takes less than 10 minutes, individuals find out how they rank on the risk scale against the norm in all five key areas. The tool also provides suggestions for improving your business risk taking, including a range of insurance solutions and a handy search function for finding an insurance broker.

Organisational psychologist Kirsty Bucknell, who helped develop the tool, says people tend to approach risk differently according to the context. For example, they might be highly conservative financially but drink heavily in social situations; the key is to strike the right balance in line with your objectives and expectations.

Test your risk IQ with [RiskSmart Profiler](#) today.

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