

# Y” some people take more risk than others

{ AKA – the “Y” Diagram }

## Risk tolerance.

Risk aversion.

Risk acceptance.

Risk seeking.

There’s plenty more gradients that we could talk about – but this will suffice to get the discussion rolling! So, someone I know and trust was talking with me about my response to risk. That conversation led to a lengthy discussion that included something called a “Y diagram”. We’ll get into that soon enough. About me and risk, though: I’ve been on a kind of journey of late to sort out some things that I’ve taken offline from my brain’s central database and effectively boxed up and thrown into the basement to forget about. The problem is that the material in the boxes is what you might call volatile, and doesn’t store well in confined places indefinitely.

## Lots of metaphoricals up there to get lost in!

Look, the point is this: when you’re fortunate enough to live a few decades, you encounter a ton of risks (big and small) and you make LOTS of choices and get all kinds of results. Some success – some failure... some stuff in between. These experiences might be pleasant – or might be downright demoralizing. You’ll add these to the rest of what life deals you. For the agreeable and joyous experiences – you’ll accrue an archive of happy memories. For most everything else, you’ll develop coping skills to handle the mental and emotional trauma life tends to inflict. Actually, “skills” might be inaccurate terminology. Let’s call them coping mechanisms to start.

Regardless – we all develop coping mechanisms (to some extent) for the things we experience that aren’t exactly positive or pleasant. If we have solidly developed mental and emotional health regimens – either naturally or through some guidance... the coping mechanisms tend to be healthy and do indeed become a valuable skillset.

On the other hand, if the mechanisms are essentially poorly cobbled together crutches that don’t really promote healthy internalization and release, we’re setting ourselves up to overload one or more aspects of our life down the road somewhere. If that occurs across multiple life-aspects simultaneously, it may even culminate in a breakdown. I got about as close to that line, I think, at one point without crossing it as you can. And **NO** – that’s not a life-goal!!! Seriously – seek advice, counsel, and help wayyyy before you actually think you need it. Your friends will thank you. Your family will thank you. You will thank you!

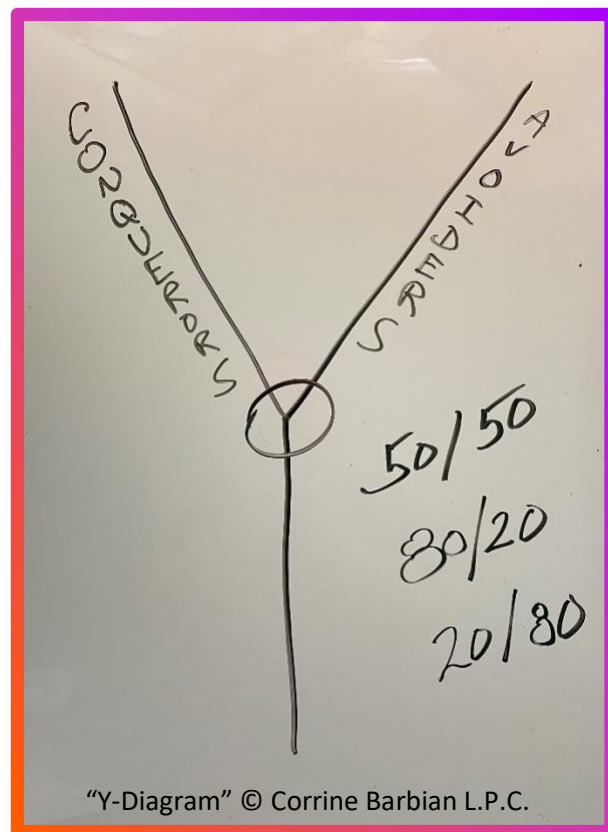
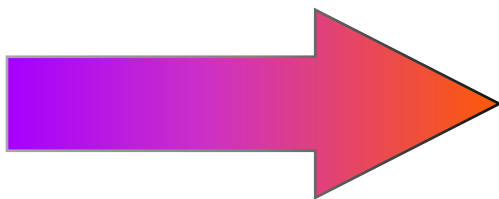
When you finally DO decide to seek some advice and/or help – you may encounter discussions about how you approach decisions – especially challenging decisions – the ones that involve risk. It’s a common enough situation to encounter a choice (be it on the playground in 3<sup>rd</sup> grade, or in the 3<sup>rd</sup> decade of your career journey) and the choice will frequently have some inherent risk involved. Did you know, that how you interact with these choices, the decisions we make and their outcomes, combined with our nature

and personality... even the ones we encounter as kids... maybe *especially the ones we encounter as kids...* have a big impact on shaping who we are as mature adults? Understanding our risk tolerance is a crucial aspect of understanding ourselves – especially if we want to change/improve ourselves. And that is what brings us to the “Y-Diagram”. (It also makes sense to call it a “why-diagram,” because when you grasp the fundamental concept, it does indeed help you understand why you make the choices that you do when a discernable amount of risk is involved!)

**So – with all that in mind... what’s this mythological “Y” diagram?**

**Like – what IS it???**

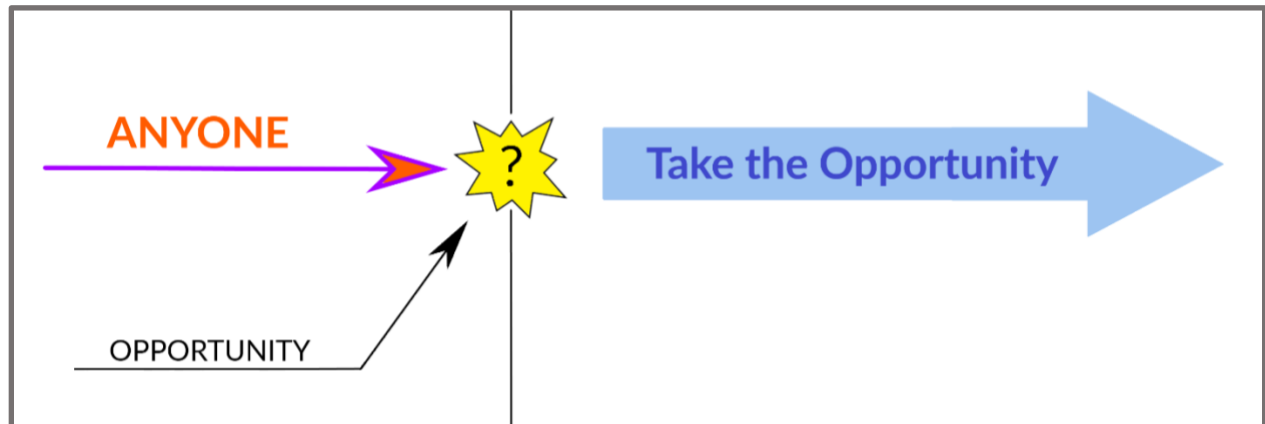
Well – here’s the picture version...  
To be more accurate, this rare image capture of the Y-diagram is in its natural habitat, resting on a white board as you might see it in a discussion with someone about... well... about the “Y-Diagram”!



OK – yeah – I get it. It’s pretty Spartan. What’s so life-altering about this simple diagram? Well, it really does help you to get a better understanding of how you’re wired to make decisions, which gives you the ability to shift from reaction-based decision-making to strategy-based. So, stay with me. But first – I’m literally going to turn it on its side – you’ll see why shortly.

## First let's just start with a blank canvas.

That canvas represents a place in your life. It's a point in time and space where you are about to cross paths with an opportunity. It doesn't matter what the opportunity is. Doesn't matter what point in your life you happen to be at. The diagram works for most if not all such situations. Below is a very simply diagram representing someone who's just encountered an opportunity, but has not yet decided if they will take the opportunity.



It really is pretty straightforward. Say you're rolling along as a kid. You're outside at the swings, and a friend says – “Hey! Get going on the swing, and right when you're moving forward, juuuust before you slow down and go backwards... JUMP!!! IT'S SOOOOOO FUN!!!!”

If that's not relatable – insert a situation you can remember where someone presented an opportunity, that also included a risk, and maybe an element of “the unknown”. The very first time that an opportunity like this happens, we have only our inherent nature and personality with (usually) not a lot of additional experience or knowledge to guide us. Generalizing just a bit... MOST of us will tend to make a quick assessment of whether we have a chance of being successful with this opportunity, and, very generally, most of us will go for it if we believe we've got about a 50/50 chance of success. SO – let's say that you try it... and fail, and scuff yourself up a bit, too. Now – when your friend says “Come on! Try again!” ... you have some additional information and feedback. You're going to re-evaluate and make a new decision. Again... if you still think that you have a 50/50 chance to get it right... and maybe you just need to make a few adjustments... you'll probably give it another go.

This example tends to be true for the majority of people for most of their lives. They make decisions to pursue opportunities based on the belief that they've got a middle-of-the-road chance at success – roughly about 50/50 odds. Seriously. On average, this is the most common path in life for the majority of people. It isn't a predictor or driver for success or failure; just a basic concept of how you're likely to respond when a career opportunity comes along, when you have a chance to make a new relationship, or even when you consider a new sport or hobby. Your risk tolerance level is right in the middle of the chart – you're at “risk acceptance”. You know that you might not always succeed, but whenever the odds seem even – you can tolerate taking a chance.

In addition to the 50/50 “risk acceptance” personality type, let's consider two other risk tolerance “types”. These two “types” of individuals, given the aforementioned scenario, will respond and react very

differently. They represent a smaller portion of the population, and their early experiences with opportunity, risk, and success or failure tend to shape them into starkly contrasting personalities when it comes to their approach to challenges in the game of life.

### Let's revisit the scenario for each of the two "types".

Also, let's start right after trying and failing the swing-jump, with the same result – you come out of it a little bit scuffed up, but mostly ok. We'll call the two variations "Type A" and "Type C".

"Type A": you get up, dust yourself off and the friend says "Come on! Try again!" But this time – you stop to consider and you really don't like getting scuffed up. In fact – you can see right away that if you had been swinging a bit higher – and maybe dismounted the swing just a bit more awkwardly – you might have really hurt yourself. You immediately decide this is not for you, and you move on to playground activities that you feel much higher confidence in being successful at. If you follow this kind of decision-making path as you move through life, you get to adulthood and find yourself drawn primarily to opportunities that you can easily master and be successful at doing. Typically, unless you believe that your chances of success are 80% or higher, you don't even consider taking the opportunity (or the risk). This kind of response... this risk tolerance "type" is risk averse. Again – not by itself a good or bad thing, and not necessarily a predictor for success or failure.

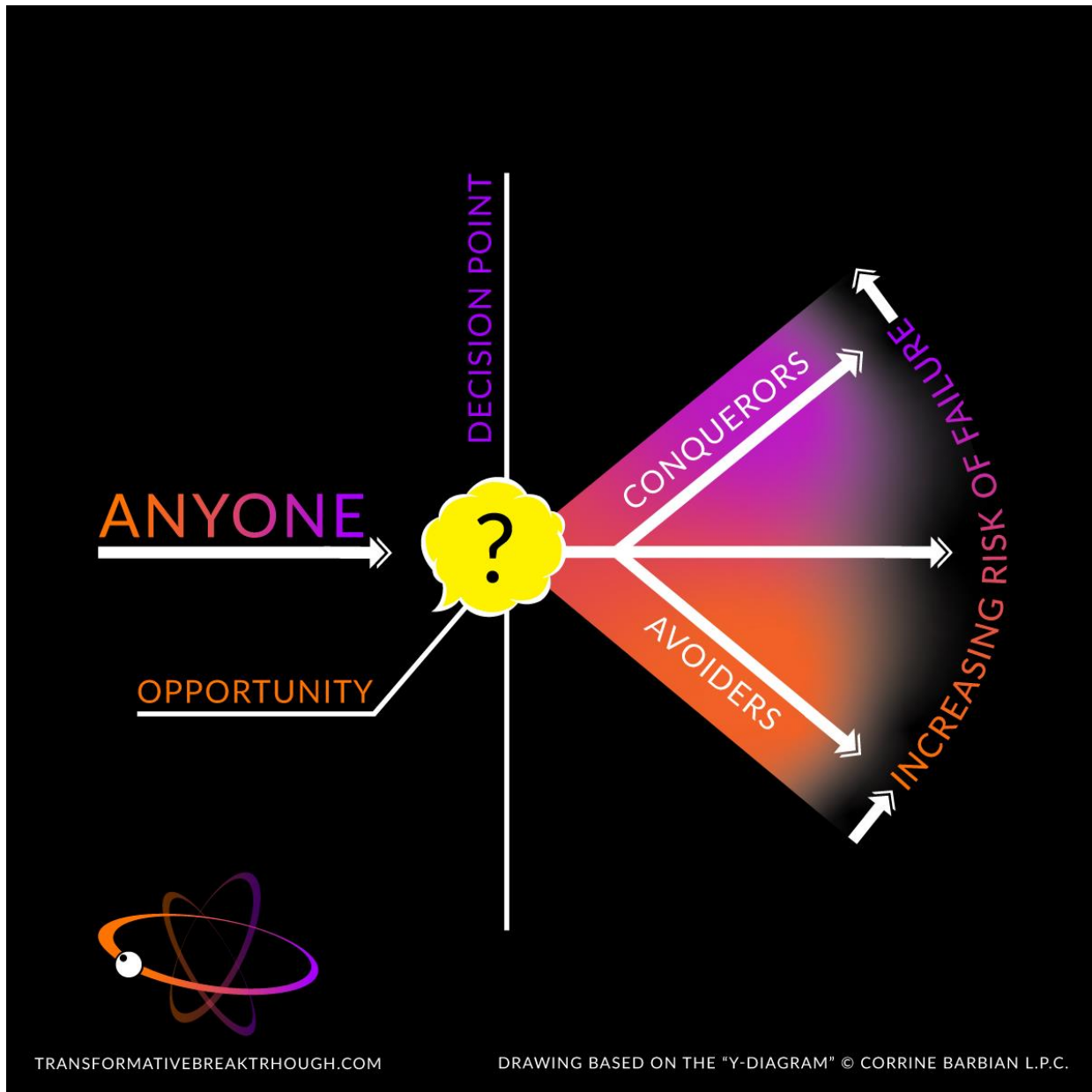
### Now that you have that picture, let's go back to the swing again!

"Type C": you get up, and don't even wait for your friend to say "Come on! Try again!". You're already back on the swing, pumping your legs as hard as you can... by golly you're going to show this thing who the BOSS is!!! Pretty soon – you're launching yourself higher, faster, and farther than everyone else on the playground! It's AWESOME! ...until you miscalculate a jump and land just a tiny bit off balance, trip, fall, knock the wind out of yourself and come up with a half dozen scrapes, several nice bruises and a fat lip. And you march right back to the swing to get in one last jump, just to prove you're not afraid... and you outdo yourself one more time. If you continue moving through life with this decision-making process, you develop an internal compass that steers you directly toward challenges. You fail frequently. You get right back up and try again. As an adult – your tendency to accept difficult, even risky opportunities places you in a category of risk tolerance "type" called risk seeking. You aren't really excited by an opportunity that has higher than a 20% chance of success... it would simply not be fun or challenging enough. And once more... this is, by itself, neither good or bad. It's simply how you're wired.

What's the difference in "Type A" and "Type C" – and how does the "Y" diagram help understand all of this? Moreover, what does any of this **mean** for us when we have to make a decision?

Well – let's take a look at the whole diagram with a few extra notations... and consider the possible paths through it. And also, let's replace the "A" & "C" with "Avoider" and "Conqueror".

Next, I've got the reconstructed "Y diagram" – with the full spectrum of risk of failure and the paths that different risk tolerances will choose when deciding to accept the opportunity and the associated risk.



People in the middle as well as on both extremes of the risk tolerance spectrum have been massively successful, and have also failed spectacularly. The point isn't to say one "type" is better than another. The point is to recognize your inherent nature and to know when it has "kicked in". If you can understand this, you can use it to take your decision making to the next level – move it from "reactionary" to "strategic", and in so doing, you can often make better choices and decisions by understanding what exactly attracts or repels you from a specific type of choice.

In all three scenarios (50/50 : 80/20 : 20/80) people keep going forward when the risk is acceptable. They continue to encounter the opportunity/decision scenario and keep making choices. Each type will have a very different barometer for moving ahead and taking the opportunity/risk. That “barometer” is your ***risk tolerance***. Again – the majority of the population of the planet operate at the “risk acceptance” or 50/50 level of risk tolerance. They know there’s some risk, and that it’s a fact of life. They neither actively try to avoid it, nor do they seek it out.

The “Avoiders” – so-labeled because of the tendency to avoid risk, are often found in management positions within organizations. The fact is that they are frequently seen as exceptional in this role. Why? Well – for starters, they often seem to be incapable of failing. It’s not that they have some superhuman ability to overcome the odds and smash failure into oblivion... it’s that they’ve made a life-study of how to carefully choose the path of greatest success. They bet almost exclusively on “the sure thing” – the business venture or opportunity that has far fewer roadblocks and the highest possible chances of success. They like playing cards with a stacked deck. They don’t like failure so they avoid it.

### When does their risk averse behavior become problematic?

One possibility is if they’ve reached a point in their career where they no longer have control over whether or not to pursue a “safe” opportunity. Maybe they are leading a team or a division whose VP or CEO has chosen to spearhead a very risky (but also potentially very profitable) business endeavor. They might see this as a dead-end, or doomed to failure. It can be the kind of thing that rapidly overwhelms their ability to cope with stress and anxiety. And it can cause all sorts of problems. In this situation, an avoider who ***knows*** that they are an avoider can seek help from a conqueror or even one of the many “risk acceptors” around them. Honestly, if an avoider is on the cusp of recognizing who and what they are, but they don’t know exactly what is happening, this may very well be the kind of circumstances when coaching would be a significant benefit. In any case, knowing and understanding these tendencies is just one of many steps to better communication and better leadership.

The “Conquerors” are perceived as such because even though they have usually had far more failures than successes, they’re rarely going to be associated with the failures, because they quickly distance themselves from failures to pursue additional challenges. What people ***see*** is someone who is almost always fighting some seemingly insurmountable uphill struggle. When the big break or breakthrough happens – they’re perceived as someone who can take a near certain failure and turn it into a fighting chance for success. In the business world, you’ll typically find these people at the helms of their own companies, or in related entrepreneurial pursuits.

Conquerors’ problems often start to be visible when they have extended themselves beyond their abilities or perhaps have attained some reasonable success, and now have found themselves at odds with their basic nature... they have a successful company, and in order to continue to function as a business they need to pull back from risk seeking decision making for the benefit of the organization, but they don’t inherently or instinctively have that skillset. Maybe they even bring their organization close to failure as a result, and become overwhelmed by the stress and responsibility. In many cases the conqueror is going to need to make adjustments and course corrections over their life/career in order to maintain balance and ultimately to really succeed in their goals and/or dreams. At a minimum, conquerors need some people (or at least one person) that they trust and can confide in, who will give them a “voice of reason” without being outright negative or discouraging. It is often not a bad idea to read about personality types,

and in particular, about other individuals with “conqueror” personalities. If nothing else, you can read about the kinds of struggles they had and perhaps navigate the same struggles more effectively.

*You want me to “Star Trek” this for you? Avoiders are Scotty, Conquerors are Kirk. That’s it in a sci-fi/fantasy nutshell.*

Risk tolerance is a continuous spectrum. Yes, there are some generalized groupings that have been observed more than others. Yes, the most visible examples within that spectrum tend to be larger-than-life personas. NO – the fact that there’s a spectrum and you almost certainly have a distinct personal level of risk tolerance does not predestine you to success, failure, or a particular job-type or career path. It just means that you have a certain way that you respond when facing a choice or opportunity with a perceivable level of risk. Here’s the interesting thing. It’s not a singularly inflexible thing. It’s not like the “dark side” – where you start down that one path and it forever dominates your destiny. (Well – at least it doesn’t have to be!)

If you take a little time to understand your placement within that risk tolerance spectrum, you can have the advantage of adding some strategy to your inherent instinctive decision-making process. Adding that strategy can be the difference between a career spent at high stress and anxiety that burns you out before your time vs. a career that is full, rewarding, and allows you to achieve all of your goals and then some. Knowing how you respond to risk can actually increase your rate of success, by blending your natural tendencies with sound thinking – allowing you to be less reactionary and more strategic.

One more thing – this is a personal note. I spent years in the “CONQUEROR” mode of operation. Until I almost stepped over that “line” that I talked about earlier... where I had very nearly stretched the fibers of almost every aspect of my life to the breaking point. A part of my reaction – in self-preservation – was to swing abruptly to the “AVOIDER” mode of operation. It was inherently critical to protecting my mental and emotional health – at the time. What’s most important, is that I learned and understood that my base-nature is that of a risk-taker. And as I rebuilt and allowed healing (we’re talking about a lengthy journey – think marathon, not sprint)... I was able to shift back into “risk taking” mode – without the full compliment of unhealthy coping mechanisms and mental/emotional baggage holding me back.

Am I where I want to be? Heck no. There’s a lot more that I need to do... more internal course corrections and adjustments to make. What I have now that I didn’t before is the awareness of what it looks like when I’m reactive instead of strategic. When I’m emotional instead of logical. When I need to seek some help or guidance instead of going solo. All of this didn’t start with the “Y” diagram. It didn’t because I didn’t have access to it until the last couple of years. For me, the diagram stitched together some very critical concepts and allowed me to gain better understanding of how I operate and WHY I operate that way!

Knowing and understanding first, yourself, and second, your drivers and motivators... then third your current alignment within this “Y” diagram can give solid insights into why you do things the way you do, both personally and professionally. In short – it has the potential to create a kind of awareness of self that not only leads to more success, but more satisfaction and enjoyment in life.

**What do you think?**