

Powerful people take more risks

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Powerful people view life through rose-colored glasses, with their more optimistic outlook ultimately leading them to engage in riskier behavior.

So says Cameron Anderson, an associate professor at the Haas School of Business. Anderson and his co-author, Adam Galinsky of Northwestern University, in an article published in the July/August issue of the *European Journal of Social Psychology* demonstrate how a sense of power leads individuals to risk-seeking behavior.

The article, "Power, Optimism, and Risk-Taking," is based on five separate studies the researchers conducted. Although the studies involved students, Anderson and Galinsky's findings apply more broadly to a range of powerful individuals, from heads of state to CEOs to prominent community leaders.

In the business world, the authors note, risky behavior can be beneficial, helping individuals maintain or even increase their power. By engaging in risky behavior, the powerful may take advantage of high-upside opportunities that others avoid, the authors write.

But the business world also is littered with examples of powerful executives taking risks that ultimately hurt them, whether it's the latest scandal over backdating stock options or an unsuccessful merger or acquisition.

Anderson notes, for instance, that when he and Galinsky began their research, former President Clinton was embroiled in the Monica

Lewinsky scandal. "It's a good example of someone who was feeling so powerful that he was totally blind to the possibility that he was going to get caught," says Anderson.

A member of the Haas Organizational Behavior and Industrial Relations Group, Anderson advises that business leaders should be aware of this bias toward riskier behavior and protect against it by more carefully weighing the risks and benefits of their actions and decisions.

Experts have speculated that one's prior success or sense of power can lead to disastrous mistakes, but until now there's been little research that establishes such a link, Anderson notes.

In fact, some psychologists have argued the opposite, suggesting that low-power people, with less to lose by risky behavior, are willing to do anything to get out of their disadvantaged situation. Conversely, those in power might act more conservatively because they have more to lose, some have argued.

However, Anderson and Galinsky's cumulative results from five experiments contradicted that theory and instead found a link between power and risky behavior:

Study 1 asked participants to estimate the likelihood that positive and negative events would happen in their own life. Individuals with a higher sense of power were more optimistic regarding personally relevant future events, such as enjoying their post-graduation job and avoiding gum disease, and even events outside their control, such as avoiding airplane turbulence.

Study 2 tested whether powerful individuals view the outside world as less dangerous and threatening. Participants with a high-power mindset gave more optimistic estimates of dangers in the world, such as floods,

fires, and heart disease, than those with a low-power mindset.

Study 3 extended the previous two studies by testing whether power influences individuals' actual preference for risk (versus just testing their perceptions of risk). Participants' sense of power was subconsciously primed and then participants were asked to choose from various solutions for a large car manufacturer that must close plants and lay off employees. High-power participants were more likely to choose a riskier option than neutral and low-power individuals.

Study 4 created a vignette more relevant to student participants. Participants were manipulated to feel a sense of power and then asked about the likelihood they would engage in sexual intercourse without a condom. Individuals in a high-power mindset saw less danger in engaging in unprotected sex and were more willing to engage in this risky behavior.

Study 5 tested the link between power and risk-taking in actual face-to-face interactions, with one student playing a job candidate and the other a job recruiter in a negotiation exercise. The more powerful participants perceived themselves to be in the negotiation, the more risks they were willing to take by divulging information.

Study 5 demonstrated the applicability of this research to negotiations. "It cuts both ways," Anderson says. "Feeling less powerful can actually be detrimental because you're less likely to divulge some of your information that you need to in order to create a win-win situation. At the same time, people who go into the negotiation with a huge advantage over their opponent might throw everything onto the table, feel like there's no harm in doing so, and get taken to the cleaners."

Source: UC Berkeley

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