

The Riskiness of Interpersonal Communication

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Executives who lead their organization's enterprise-wide risk management efforts frequently engage in conversations with other leaders in the organization about the importance of identifying and managing the most critical risks on the horizon. Sometimes those conversations lead to questions about the value of engaging in ERM processes or it reveals differences in views about the significance of risks on the horizon that need to be reconciled. Sometimes ERM leaders leave those interactions wondering whether they have adequately convinced others within the organization about the strategic importance of engaging in robust, enterprise-wide risk thinking and conversation.

The last thing an ERM leader wants to be is a road block to effective dialogue about risks on the horizon. Let's take a quick look at a few tips that may help reduce the risks of our interpersonal communications. Jeff Pollack, Associate Professor of Entrepreneurship in the Poole College of Management at North Carolina State University, offers a few tips from his experiences of coaching entrepreneurs on communicating effectively to others the "why" behind their business ideas.

The Bad News

To fully understand the ramifications of these kinds of interpersonal communication settings, we must first grasp the bad news as well as the good news. Let's start with the bad news: People lie to one another.¹ In fact, the ability to lie (and to tell when a lie is being told) is core skill that we acquire over time—estimates as to the percentage of conversations that include lies range from 25 to 60%...and, the consensus is clear: the truth is that people do lie to one another in a variety of contexts. In particular, people tell lies quite often in high-stakes contexts such as work and dating. The number of job candidates who lie range from 28 to 75%. In romantic relationships, data show that almost all individuals (92%) admit having lied... especially when trying to get a first date.

¹For more information, as well as the data and context of this topic, please see Pollack, J. M., & Bosse, D. A. (2014). When do investors forgive entrepreneurs for lying? *Journal of Business Venturing*, 29(6), 741-754.

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The temptation to tell a lie is rooted in a motivation to appear to conform to another person's expectations. In short, we all attempt to positively influence the perceptions of other people, especially those people who can support and/or advance our ideas or goals. Given this fact, it is common for interpersonal communication to have a rocky start considering that it is hard to know whether someone is being genuine or trying to manage the impression they make. So, what can we do to make it more likely that, in interpersonal interactions, people will be willing to hear our thoughts and consider them objectively? The answer? *Align goals and build trust.*

The Good News

The good news regarding interpersonal communication is that being good at it is a skill that can be learned and improved with time, effort, and energy. In particular, there are two primary things that someone can do to improve the quality of an interpersonal interaction.

1. Align Goals

First, when approaching another individual (or group) to attempt to influence and/or inform, it is important that goals be aligned. One example of a situation in which goals are not aligned can illustrate this point. Imagine that an entrepreneur is pitching to an investor for funding for a new business venture. The goal of the entrepreneur is to get money from the investor. The goal of the investor is to make a good decision that will maximize return on investment and limit downside risk. In this situation, there is severe information asymmetry—the entrepreneur knows everything about the new business, but the investor knows almost nothing (except what the entrepreneur shares or is discovered if the investor conducts

due diligence). This risk, or moral hazard (i.e., the entrepreneur may not share the whole truth), is an instance where goals as well as incentives are misaligned. This sets the stage for a non-optimal interpersonal communication experience—thus, goal alignment is critical. In ERM, goal alignment may be as simple as helping the others see that ERM's objective is to provide a tool to help the odds that management will navigate the risk landscape effectively, leading to the achievement of the strategic objectives for the organization.

2. Build Trust

The second thing that someone can do to improve the quality of an interpersonal interaction is to build trust. There are three components of trust.² The first component, *ability*, refers to the knowledge, skills, and competencies within a domain that allow a party to have influence in that domain. Domain specificity is important in establishing trust in ability. Put another way, trust in ability in one domain (e.g., technical expertise) does not transfer to trust in other domains (e.g., sales calls). The second component of trust, *benevolence*, describes whether the trustor perceives the trustee will want to do good/create value for the trustor. Unlike ability, this characteristic is not domain specific, rather it is an overall perception across a range of interactions—thus, from the moment an interpersonal interaction is initiated (first contact), your behaviors convey information to the other party. The third component of trust, *integrity*, refers to the trustor's perception that the trustee's behavior is guided by principles that the trustor finds acceptable. Similar to benevolence, this perceived trust is general across a range of domains. But, integrity is the most difficult component to show. It has to be observed by the other party, and in contrast to ability and benevolence cannot be easily demonstrated. Sometimes ERM leaders may need to build trust by explicitly telling others that the objective of ERM isn't to "tattle on" others about risks in their area of responsibility. Instead, ERM is there to assist in the success of those business leaders by guiding them through proactive robust risk thinking in areas under the leader's authority and responsibility. So, ERM is there to make that other person be more successful.

Know Your Audience

Overall, what we can learn from the riskiness of interpersonal communication is that knowing the audience is critical. In order to align goals, it is crucial to know your audience well enough to create a "customer" or "stakeholder" persona—put differently, in each interpersonal interaction, each party will enter the situation with a particular frame of reference and a set of desires. And, to the degree that you are someone who can accurately identify another person's frame of reference and their desires, you'll be in a position to align your goals. And, furthermore, you'll be in a better position to build trust—ability, benevolence, and integrity—because you can draw on your knowledge of the other party to show how your abilities can enable their desires to be met, thereby fostering benevolence as well as integrity by clearly showing you've considered the other party's point of view.

Recommended Viewing

Simon Sinek TED Talk - [Why good leaders make you feel safe.](#)

Recommend Reading

Pink, D. H. (2011). *Drive: The surprising truth about what motivates us*. New York: Penguin Press.

Pollack, J. M., Barr, S., & Hanson, S. (2017). New venture creation as establishing stakeholder relationships: A trust-based perspective. *Journal of Business Venturing Insights*, 7, 15-20.

Pollack, J. M., & Bosse, D. A. (2014). When do investors forgive entrepreneurs for lying?. *Journal of Business Venturing*, 29(6), 741-754.

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