

PROBLEM SOLVING

Why it pays to have a Nervous Nelly on your staff

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Oswald Gruebel, who recently resigned as chief executive of Swiss banking giant UBS, was the latest casualty in a string of outrageous trading scandals at European banks. "I am responsible for everything that happens at the bank, but if you ask me whether I feel guilty, I would say no," Mr. Gruebel said after it was discovered that a 31-year-old UBS employee allegedly cost the bank \$2.3-billion (U.S.) in rogue trades over the past three years. This follows on the tail of French trader Jérôme Kerviel, who must repay the \$6.8-billion he stole from Société Générale in 2008; and earlier rogue traders, Nick Leeson and John Rusnak, who racked up losses to U.K. banks in the hundreds of millions. These young bucks were slapped with prison terms, as the UBS trader may well be. But the question remains: How do bogus trades of this magnitude remain undetected for so long?

The answer has as much to do with senior banker's personalities as it does with any regulatory gaps, a new study suggests. The more secure a person feels, the less likely he or she is to detect wrongdoing, according to Tsachi Ein-Dor, a professor of social psychology at the Interdisciplinary Center in Herzliya, Israel. "Secure people see the world as a safe place, a world in which nothing bad is going to happen. This mindset gives them a sense of well-being, along with lower levels of distress, which may allow them to miss important cues," he wrote in an e-mail. "Anxious people, being more vigilant, might blow the whistle sooner."

Most hiring search committees look for self-confident, independent candidates, not Nervous Nellies. Yet, according to this study, the more anxious and neurotic a person is (especially vis-à-vis attachments to other people), the more valuable they are as sentinels – the people most likely to signal grave danger to an organization.

Whether these dangers are as concrete as poor air quality in the office, or as abstract as a company's vulnerability to fraud, Prof. Ein-Dor's hypothesis is that some people experience such threats more acutely. And when they do, they're quicker to sound the alarm. "Attachment anxiety is an important feature for sentinel people because it not only makes them more vigilant to threats in their environment, it drives them to alert others to that threat," he explained.

Prof. Ein-Dor and his colleagues came up with an ingenious way to test this idea. They recruited 138 young adults (89 women, 49 men) whose personalities and attitudes to interpersonal attachment were assessed on standardized tests. After rating themselves on dozens of questions such as "I prefer not to show other people how I feel deep down" and "I get frustrated if other people are not available when I need them," the subjects were invited to a second session, three at a time, ostensibly to complete another questionnaire. That's when a computer in the room appeared to catch fire (it was really a smoke machine disguised as a desktop). Hidden cameras recorded their reactions: how long it took them to detect the smoke, and what they did in response.

The results revealed an interesting pattern. The groups that included people whose tests indicated high levels of attachment anxiety – how insecure they feel when things go wrong – were much quicker to detect the smoke. On a seven-point scale, "on which for every additional point there was an average increase of 11.5 seconds in detection time," this added up to more than a minute of delay in reacting to the crisis, Prof. Ein-Dor wrote. "In the case of a simple task like this, that's a lot."

The implications seem clear for business organizations and their staffing. Along with the commonly sought-after calm, cool, collected types, some qualified Nervous Nellies should be included in the mix. They would not only do their jobs, but would also act as guard dogs, quickly sniffing out smoke where there might be a fire.

When I asked him, Prof. Ein-Dor agreed that a one-size-fits-all approach to the hiring of financial wiz kids and executives alike might have contributed to Europe's banking woes. Along with his own work, he cited an unpublished study which found that teams comprised only of securely attached decision makers performed more poorly than ones with as much as a 50-50 split – half the members being cocky, self-possessed types, the other half more anxious and vigilant. Although it might be easier to work with the self-possessed types, he noted, "in business, effectiveness and survival beats out well-being."

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