



## Do gamblers make good leaders?

**A professor of corporate strategy at Tsinghua University explores the link between risk-taking in the casino and in the board room.**

Decision-making, by its very nature, involves risk-taking or gambling. This is true for any decision in life and is no less true for decisions taken by business managers who are constantly required to evaluate a wide range of alternatives. Good managers have learnt the art of calculating risk but they sometimes still need to make quick decisions based on their gut feelings or intuition.

I was a consultant once for a company which was in the process of an investment decision. There were two options, one for engaging in a fair gamble by making a one-time big investment; the other was for a few small investments to ensure some certain gain. As a consultant from academia, I supported the second school of conservative action. However, the boss of the company did not take my advice; he decided to take the risk in an effort to seize the opportunities. And he succeeded.

### **The ‘critical moment’ of gambling**

From that experience, I realised that what I had been lacking was the courage to take risks. Having been a professor focusing on teaching and research, I wasn’t used to using my own money to manage a business. Therefore, I hadn’t ever been able to see things from the point of view of an entrepreneur who is ultimately responsible for his own money. I hadn’t been able to truly understand the “critical moment”

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of decision-making; the responsibility they take and the consequences that they have to face.

It was with such a mindset that I discovered the “beauty” of the casino. Every year subsequently, I would put aside some time to go to the casino with a set amount of money and a set “goal”. It took many years before I found myself being able to understand the mentality of entrepreneurs or managers when making a critical decision. You must use your own money and understand “accountability”. You must face all the consequences. You must know your desired result, which equates to something like “vision” in the company context. You must also be able to get out in time. Getting out in itself is an act of effective decision-making.

### **Setting your goal**

Take the Baccarat game as an example. My view is that when you have the desired result clear in your mind, you have to be 100 percent confident. You have to be decisive, clear and focused in your actions. Many Baccarat players will buy-in, then sit and wait while the game is being dealt, looking for trends, then follow the crowd to pick a spot. The problem that occurs sometimes during this decision-making process is that there may be some confusion over the best desired outcome. You must be very

clear of your goal, and be able to get in and out at the right time.

One thing that I am very clear of is that, in a casino, there is no way that the players will work together to win a game. Most of the time, there aren't streaks to ride on or trends to follow either. What do you do then? I once had an interesting experience in the casino where I noticed a gambler who had lost a few games and became desperate. He had been walking around the casino looking for any possible opportunity to put down his bet. Unfortunately, he kept losing. I followed him, studied his mannerisms and betting patterns and bet against him. I won. The lesson I learned: sometimes looking for a reference is more important than having direct competition.

### **The knowledgeable risk manager**

Another important element in the casino is that you must carefully weigh the amount of capital you want to put "in play". Especially when your hand is good, you know that your probability of winning is higher. Is it better to double or triple the capital or just maintain it discretely? I believe this decision-making in essence is similar to making a strategic decision about expanding the company's market coverage. I always chose the conservative strategy, which resulted in losing many great opportunities.

There was only one exception when I was playing Blackjack in Melbourne, I got excited and felt powerful on the wins and decided to go all-in. As a result, I was busted and only left with the taxi money to go back to the hotel. That experience led me to understand the fundamental difference between the decision-maker and the gambler: Decision-making might involve the nature of gambling, however, decision-makers are knowledgeable risk managers and rarely are they impulsive gamblers. *The author is a professor of corporate strategy and policy at the School of Economics and Management, Tsinghua University.*

*This article was translated from Chinese by Aileen Huang*

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