



# Understanding and Managing Risk Attitudes


Dr David Hillson – The Risk Doctor



## Understanding & Managing Risk Attitudes



Presented by  
**Dr David Hillson**



**The Risk Doctor**  
david@risk-doctor.com

**Risk Doctor & Partners**  
www.risk-doctor.com

© 2003-10 David Hillson/Risk Doctor Limited, Slide 1



## Acknowledgement

These ideas and concepts were developed jointly with  
**Ruth Murray-Webster** of  
*Lucidus Consulting*





See [www.risk-attitude.com](http://www.risk-attitude.com)

© 2003-10 David Hillson/Risk Doctor Limited, Slide 2



# Understanding and Managing Risk Attitudes

Dr David Hillson – The Risk Doctor



## People & the risk process

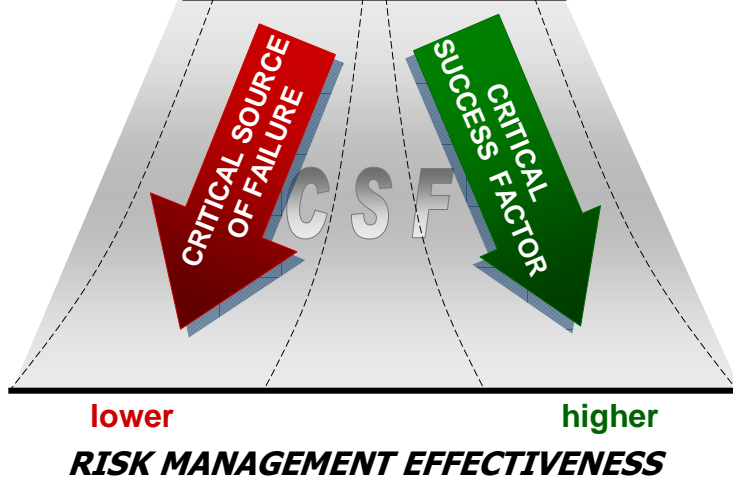
- ▶ **The** critical success factor!
- ▶ People are responsible for :
  - ▶ setting risk acceptability thresholds
  - ▶ identifying risks (threats & opportunities)
  - ▶ assessing probability & impacts
  - ▶ proposing appropriate responses
  - ▶ implementing agreed actions
- ▶ All affected by **risk attitude**

© 2003-10 David Hillson/Risk Doctor Limited, Slide 3



## **RISK ATTITUDE**

**ignored & unmanaged**    **understood & managed**



© 2003-10 David Hillson/Risk Doctor Limited, Slide 4



# Understanding and Managing Risk Attitudes

Dr David Hillson – The Risk Doctor



## Understanding "risk attitude"

© 2003-10 David Hillson/Risk Doctor Limited, Slide 5



## What is "risk"?



- ▶ **"Uncertainty that matters"**
  - ▶ "Any **uncertain** event or set of circumstances which, if it occurs, will have a positive or negative effect on achievement of one or more **objectives**"
- ▶ Only defined in relation to **something specific**
  - ▶ "What is **at risk**?" (objectives)
- ▶ Affected by **perception**
  - ▶ "How uncertain? How much does it matter?"

© 2003-10 David Hillson/Risk Doctor Limited, Slide 6



# Understanding and Managing Risk Attitudes

Dr David Hillson – The Risk Doctor



## What is "attitude"?

- ▶ "Chosen response to given situation"
- ▶ Only defined in relation to **something specific**
  - ▶ "Attitude *towards what?*"
- ▶ Affected by **perception** of situation
  - ▶ "What is situation? What should I choose?"



*[Does this sound familiar ???]*

© 2003-10 David Hillson/Risk Doctor Limited, Slide 7



## What is "risk attitude"?

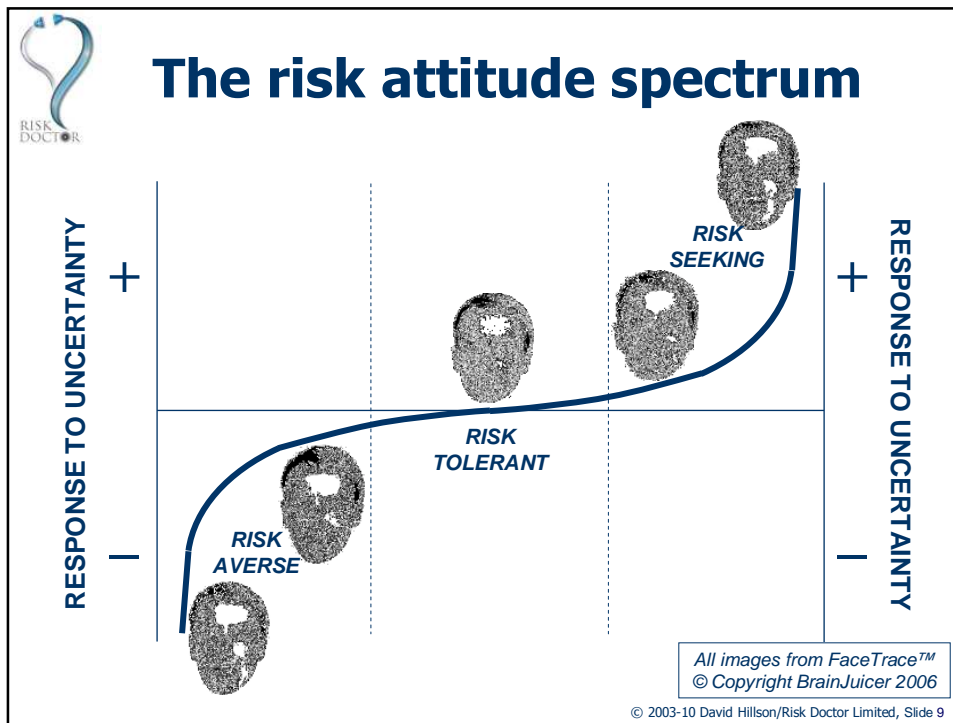
- ▶ Risk Attitude = **Risk** + **Attitude**
  - ▶ *Chosen response to uncertainty that matters, influenced by perception*
- ▶ Risk attitude operates at **many levels**:
  - ▶ individual, groups, society, nations ...
- ▶ Risk attitude exists on a **spectrum**

© 2003-10 David Hillson/Risk Doctor Limited, Slide 8



# Understanding and Managing Risk Attitudes

Dr David Hillson – The Risk Doctor



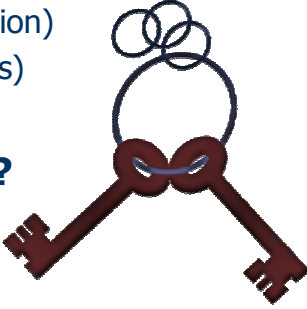
**Two key questions**

**Where are you on the risk attitude spectrum?**

- ▶ **"It depends"**
- ▶ On ...
  - ▶ external environment (situation)
  - ▶ internal environment (me/us)

**And where should you be?**

- ▶ **"It depends"**
- ▶ On objectives




© 2003-10 David Hillson/Risk Doctor Limited, Slide 10




# Understanding and Managing Risk Attitudes

Dr David Hillson – The Risk Doctor




## Three key characteristics

- ▶ Risk attitude is **variable**
- ▶ Risk attitude is **chosen**
- ▶ Risk attitude can be **managed**



© 2003-10 David Hillson/Risk Doctor Limited, Slide 11



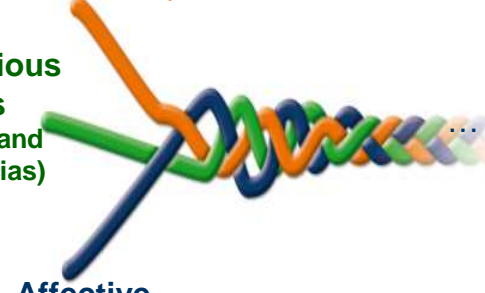
## What influences risk attitude? "Triple strand"

**Conscious factors**  
(situational assessments)

**Subconscious factors**  
(heuristics and cognitive bias)

**Affective factors**  
(feelings and emotions)

... together influence risk attitude



© 2007-8 David Hillson & Ruth Murray-Webster  
© 2003-10 David Hillson/Risk Doctor Limited, Slide 12



# Understanding and Managing Risk Attitudes

Dr David Hillson – The Risk Doctor



## Conscious factors

- ▶ Make your mind up
- ▶ Rational decision-making
- ▶ Measurable criteria
- ▶ Situational aspects



© 2003-10 David Hillson/Risk Doctor Limited, Slide 13



## Subconscious factors


- ▶ **Heuristics** = "Rule of thumb" / "Gut feel"
  - ▶ **Individual:** *availability, anchoring, confirmation trap...*
  - ▶ **Group:** *groupthink, risky shift, cultural conformity...*
- ▶ **Cognitive bias**
  - ▶ *Familiarity:* Level of relevant skill/knowledge/expertise
  - ▶ *Manageability:* Possibility of control or choice
  - ▶ *Proximity:* Closeness of risk in time or space
  - ▶ *Propinquity:* Potential for direct consequences

© 2003-10 David Hillson/Risk Doctor Limited, Slide 14






# Understanding and Managing Risk Attitudes

Dr David Hillson – The Risk Doctor

 **Affective factors**

- ▶ Feelings, emotions, instincts & intuition
- ▶ How do I feel?



© 2003-10 David Hillson/Risk Doctor Limited, Slide 15

 **Why does this matter?**



**Risk Attitudes** ⇒ **Risk Behaviour** ⇒ **Risk Culture**

© 2003-10 David Hillson/Risk Doctor Limited, Slide 16



# Understanding and Managing Risk Attitudes

Dr David Hillson – The Risk Doctor



**So much for understanding,  
what about managing?**

© 2003-10 David Hillson/Risk Doctor Limited, Slide 17



## ***The Four A's***

### **Use Emotional Literacy?**

1. Recognise emotions → **Awareness**
  - ▶ ...and acknowledge them as entirely natural
2. Understand emotions → **Appreciation**
  - ▶ Why do I/we feel them, do they help or hinder?
3. Appropriately express emotions → **Assertion**
  - ▶ ...in a way that supports my/our objective
4. Deal with emotions → **Action**
  - ▶ Don't have to be a victim

© 2003-10 David Hillson/Risk Doctor Limited, Slide 18



# Understanding and Managing Risk Attitudes

Dr David Hillson – The Risk Doctor



## A good start, but...

- ▶ **The Four As** can apply to managing risk attitude
  - ▶ ... but are not the whole story
- ▶ Need to be **aware** of behaviours & influences
- ▶ ... and **appreciate** why they are happening
- ▶ ... then **assert** the need for change
- ▶ ... and take appropriate **action** to achieve it

***REALLY ? ALWAYS ???***

© 2003-10 David Hillson/Risk Doctor Limited, Slide 19



## From Four As to Six As

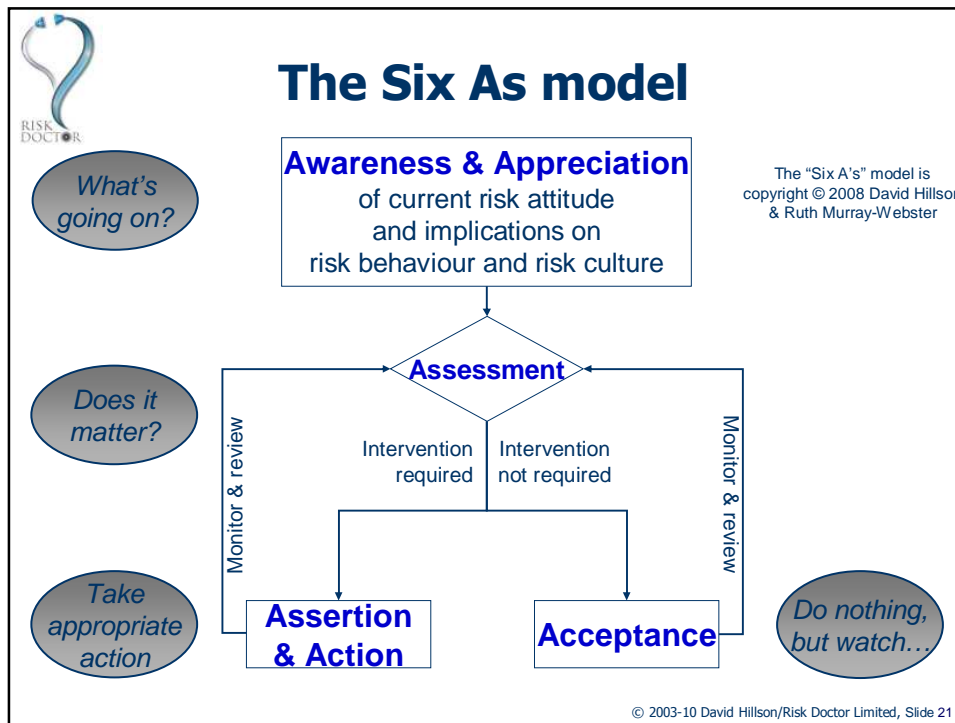
- ▶ **Assertion** and **Action** not always required
- ▶ Sometimes unmanaged situation is fine
- ▶ Need to **assess** whether change is needed
- ▶ If not, can **accept** status quo (and monitor)

© 2003-10 David Hillson/Risk Doctor Limited, Slide 20



# Understanding and Managing Risk Attitudes

Dr David Hillson – The Risk Doctor



## First steps – 1

- ▶ Seek **awareness** of:
  - ▶ Self and others
  - ▶ Situational aspects, including “triple strand”
- ▶ **Facilitation** can promote awareness and uncover bias in a non-threatening way

© 2003-10 David Hillson/Risk Doctor Limited, Slide 22



# Understanding and Managing Risk Attitudes

Dr David Hillson – The Risk Doctor



## First steps – 2



- ▶ Develop skills of **appreciation**
  - ▶ Confidence in your own perspective
  - ▶ Empathy for others' point of view
  - ▶ Understanding of context
  - ▶ Knowledge of organisational culture
  
- ▶ **Mentoring/coaching** & honest **feedback** can help

© 2003-10 David Hillson/Risk Doctor Limited, Slide 23



## And finally...



- ▶ Risk is not managed by robots but **people**
  - ▶ Human psychology is major influence
  - ▶ **Risk attitudes** are key

Awareness ⇔ understanding ⇔ management

**Where are you ?**

© 2003-10 David Hillson/Risk Doctor Limited, Slide 24



# Understanding and Managing Risk Attitudes

Dr David Hillson – The Risk Doctor

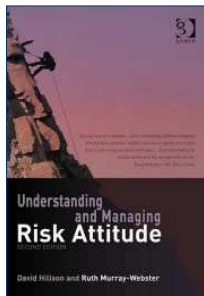


# Thank you

For further information:

**Dr David Hillson**

*Risk Doctor & Partners*



Tel +44(0)7717.665222  
david@risk-doctor.com

[www.risk-doctor.com](http://www.risk-doctor.com)

[www.risk-attitude.com](http://www.risk-attitude.com)



© 2003-10 David Hillson/Risk Doctor Limited, Slide 25





## EXPLOITING FUTURE UNCERTAINTY

### RISK DOCTOR & PARTNERS

[www.risk-doctor.com](http://www.risk-doctor.com)

tel. +44(0)7717.665222



**RISK DOCTOR & PARTNERS** provides *specialist risk management consultancy and training* from **Dr David Hillson** and selected associates, who offer a high-quality professional service to clients across the globe. David Hillson is recognised internationally as a thought-leader and expert practitioner in risk management, and he is an award-winning conference speaker and regular author.

**RISK DOCTOR & PARTNERS** embodies David's unique ethos, blending *leading-edge thinking* with *practical application*, and providing access to the latest developments in *risk management best practice*. Full details of the business are at [www.risk-doctor.com](http://www.risk-doctor.com). The website also offers many of David's papers for download, and allows you to raise specific problems for rapid diagnosis.

#### COMPANY SERVICES

The range of professional services offered by **RISK DOCTOR & PARTNERS** include :

- **Coaching and mentoring**, providing personal input and support to key individuals or small teams, aiming to share and transfer expertise
- **Organisational benchmarking**, using proven maturity models to understand current risk management capability in terms of risk culture, processes, experience and application, then defining realistic and achievable improvement targets and action plans to enhance capability
- **Process review**, comparing your risk management approach against best practice and recommending practical improvements to meet the specific challenges faced by your business
- **Risk review**, assessing the risk exposure of your project, programme or business, identifying and prioritising threats and opportunities, and developing effective responses to optimise performance and achievement of objectives
- **Risk training**, offering a range of learning experiences designed to raise awareness, create understanding and develop skills, targeting senior management, programme/project managers, project teams and risk practitioners

#### DR DAVID HILLSON FRSA FAPM FIRM FCM I

David Hillson is **The Risk Doctor**. He is an international risk management consultant, and Director of **RISK DOCTOR & PARTNERS**. Many senior managers have benefited from his insights through personal coaching and mentoring, and he has assisted a wide range of organisations to develop effective in-house risk processes and successfully manage their risk.

David has developed a number of innovations in risk management, which have been widely adopted. He is best known for championing the inclusion of opportunity in the risk process, and has developed a practical approach to understanding and managing risk attitudes (see [www.risk-attitude.com](http://www.risk-attitude.com)).

David is an active member of the global Project Management Institute (**PMI**) and was a founder member of its Risk Management Specific Interest Group (SIG). He received the **PMI Distinguished Contribution Award** for his work in developing risk management over many years.

He is an **Honorary Fellow** of the Association for Project Management (**APM**) and past Chairman of its Risk SIG. David is also a Fellow of the Institute of Risk Management (**IRM**), the Royal Society for the encouragement of Arts, Manufactures & Commerce (**RSA**), & the Chartered Management Institute (**CMI**).

#### RISK DOCTOR NETWORK

**RISK DOCTOR & PARTNERS** maintains a global network of people who want to keep in touch with latest risk management thinking and practice. Network members receive regular email briefings from David Hillson on current risk management issues. To join the **RISK DOCTOR NETWORK**, email to [newssubscriber@risk-doctor.com](mailto:newssubscriber@risk-doctor.com) and give your name, position and email address.

#### CONTACT US TODAY

Risk is everywhere and presents a range of threats and opportunities which need to be managed proactively if we are to minimise problems and maximise benefits. **RISK DOCTOR & PARTNERS** offers a high-value solution for effective risk management – contact us today at [info@risk-doctor.com](mailto:info@risk-doctor.com) to find out how you can benefit, or visit [www.risk-doctor.com](http://www.risk-doctor.com) for full details.

