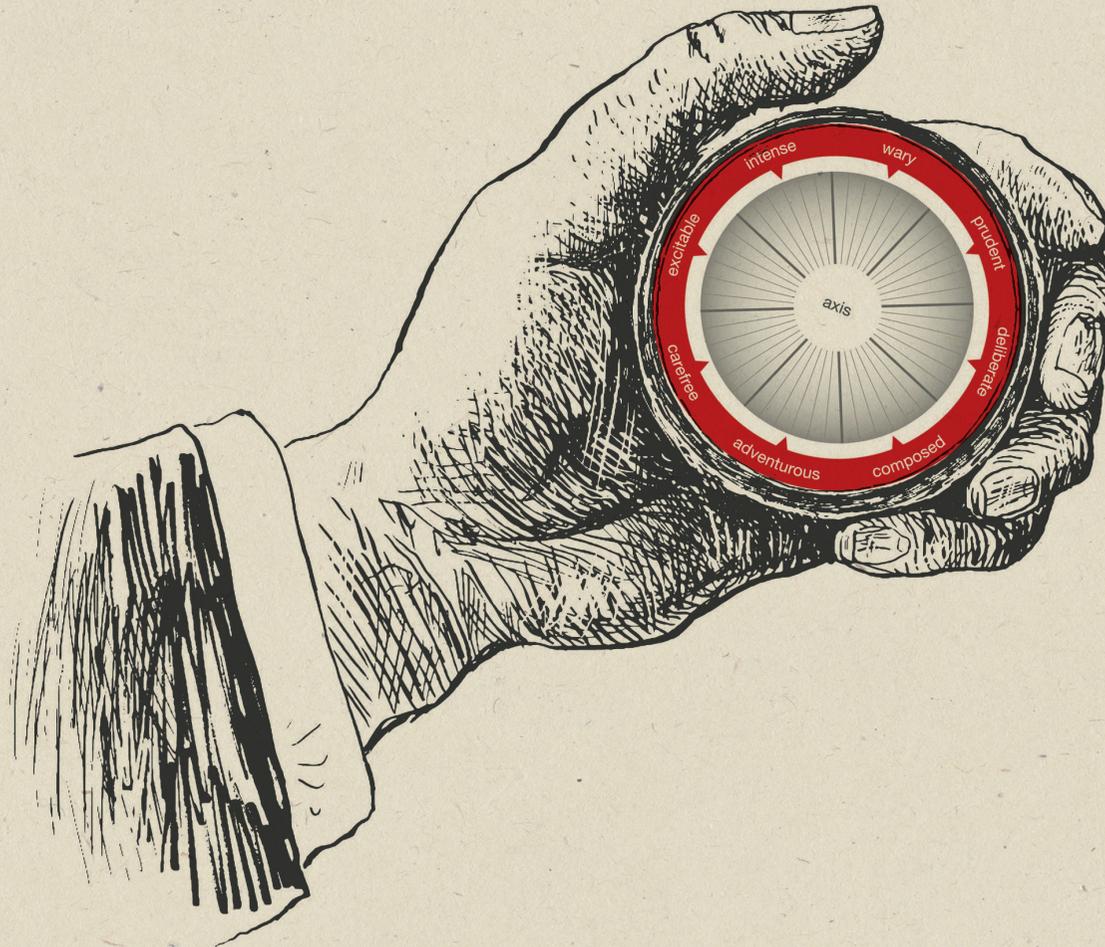


THE RISK TYPE COMPASS



AN EVOLUTION IN RISK AWARE DECISION MAKING

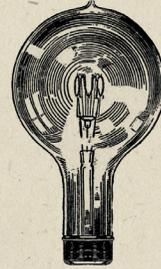
EVOLUTION



Our success as a species is due to the variety and versatility of our risk taking instincts. Emotionally, we range from the timorous and protective to the intrepid and imperturbable. Cognitively, we range from the rigidly organised and systematic to the flexible and spontaneous lovers of uncertainty.

Team Homo Sapiens is equipped with formidable risk strategy propensities and possibilities.

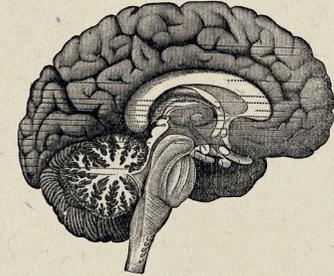
DECISION MAKING



Decisions are never risk free. In the words of Benjamin Franklin, “Nothing in life is certain except death and taxes”. Decisions are framed by our endeavours and the aspirations that we pursue, always weighing up opportunity against risks and uncertainties.

We make thousands of decisions each day and at many different levels of consciousness.

NEUROLOGY



Within the brain it is impossible to separate reason from emotion. The neurological apparatus of decision making involves both the most recent and most ancient parts of the brain. Combining logic and reasoning with instincts and emotions, it plays a big part in any decisions we make.

Decision making involves emotion as well as cognition - ‘pure reason’ is never an option.

HUMAN NATURE



Casual observation identifies a wide range of risk characteristics; considerate, careful, carefree, fearful, intrepid, enterprising, impulsive, studious – and many more. Research confirms that such characteristics are measurable and deeply rooted; a person's most consequential features.

Risk dispositions don't choreograph every move - but they are writing your biography.

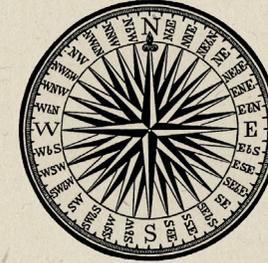
SURVIVAL



Your ancestors – over millennia – survived to keep the chain intact! Success for any form of life relies on maximising the opportunities and navigating the risks encountered on the way. Survival, for individuals, organisations or species, depends entirely on the choices they make.

Risk dispositions are a persistent and pervasive influence on all our decision-making.

RISK TYPE



Human factors are the critical element in risk management. The relationship between brain, personality, risk and behaviour is extremely complex. The Risk Type Compass uses measures of emotion and rationality to create a high utility framework for risk practitioners.

Eight distinctive Risk Types reflecting a continuous 360° spectrum of risk dispositions.

THE RISK TYPE COMPASS

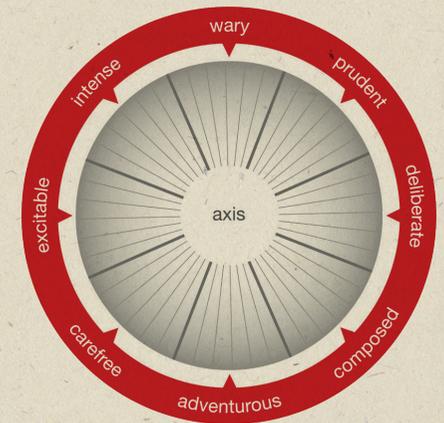
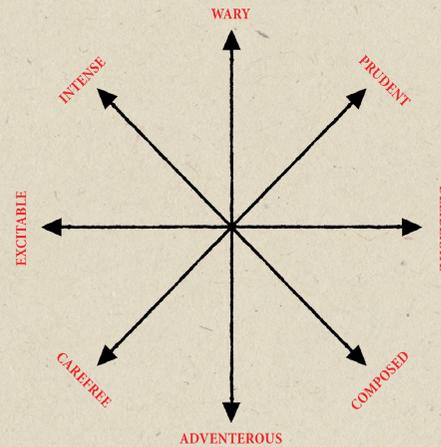
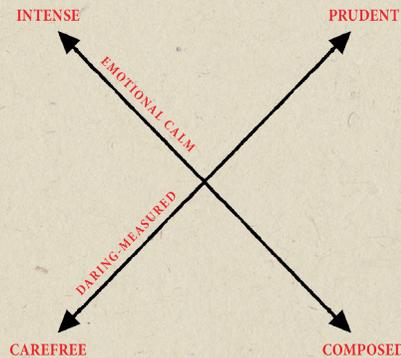
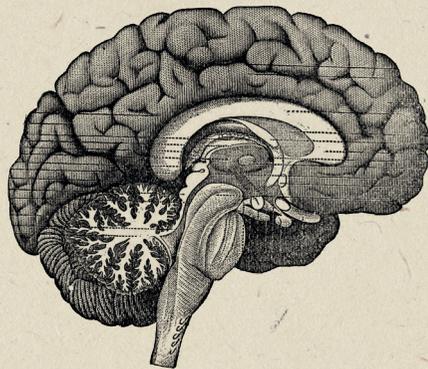
ORIGINS

Decision making has evolved from a time when decisions were all made outside of consciousness and when all behavioural responses to threat were managed by ancient 'visceral brain' structures. The more recent development of the cortex introduced reason, language and awareness but the emotional centres remain very actively involved. In a sense, we have two 'risk responses'. The oldest is emotional: fear, anxiety, apprehension and defensive hormone-

fuelled retaliation. The second is rational: the need to know, to turn chaos into coherence, to make sense of our world (Damasio, R., 2006).

Many personality dispositions are associated with risk behaviour. Traits such as impulsivity, vigilance, anxiety, optimism, patience, or carelessness will influence risk perception, reaction to risk and decision making. The Risk Type Compass

questionnaire was compiled from risk themed personality items. Factor analysis produced the four factor solution that inspired the concept of a 'Risk Compass'. Two orthogonal bi-polar scales, representing reason and emotion, created the framework for a continuously incremented 360° spectrum of risk dispositions. Intermediate axes accommodate the interactions between rational and emotional dispositions.



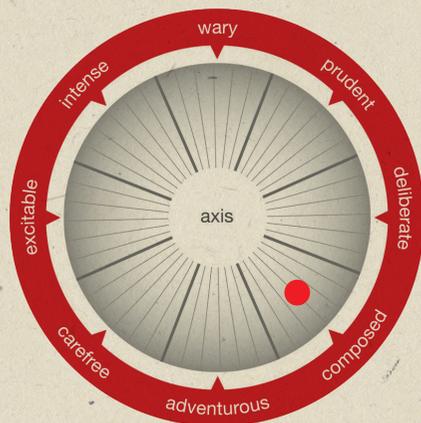
METRICS

INTERPRETATION

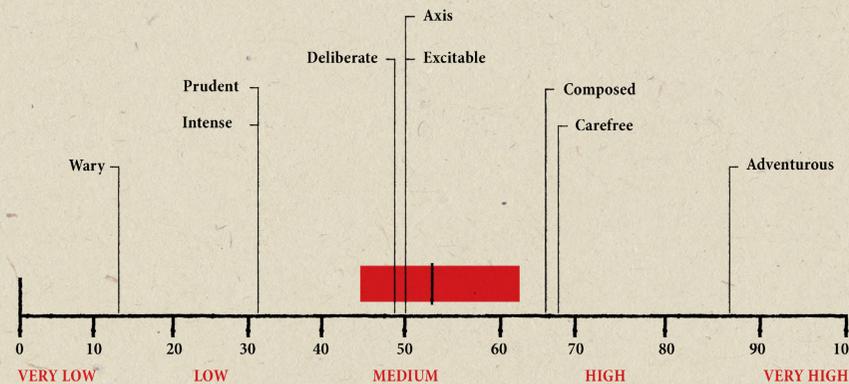
The Risk Type Compass questionnaire places each individual within the 360° spectrum of the Compass. Incrementation is continuous throughout the 360°. Segmentation into Risk Type is a device that provides a structure for interpretation and communication. Within any Risk Type segment there is variation relating to (a) proximity to a Risk Type boundary; and (b) position between the outer edge and the Axis.

Analysis of results begins with a generalised Risk Type statement, which is reviewed in the light of potential upside and downside implications, Risk Type strength, most prominent features, and analysis of the eighteen sub-themes. The Risk Tolerance Index (RTi) provides a composite overall measure of risk tolerance. Risk Attitude is a separate ipsative measure generated by Part Two of the questionnaire. This

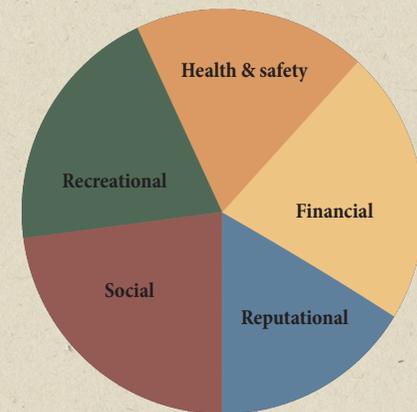
is a 'within the individual' measure of risk domain preference: *where* rather than *how much* risk is taken. This reflects the influence of exposure, experience and training on risk behaviour – familiarisation through which uncertainties are reduced and where 'comfort zone' boundaries are broadened.



RISK TYPE



RISK TOLERANCE INDEX (RTI)



RISK ATTITUDE

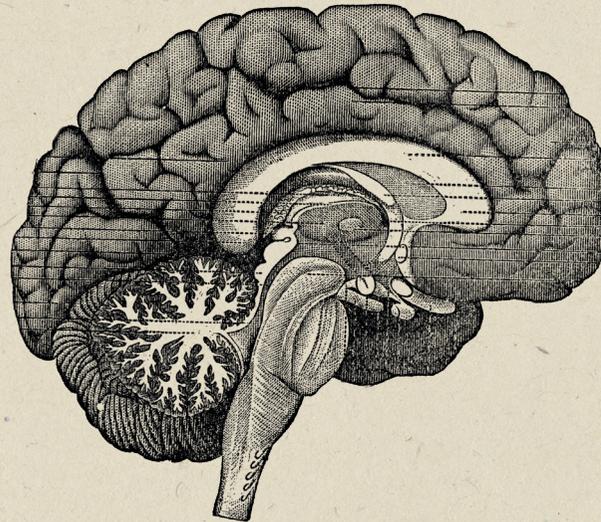
RISK TYPE CAMEOS

EXCITABLE

This Risk Type is reflective and concerned about risk, yet energized by exciting ideas and opportunities to make a difference. Their creativity and readiness to challenge the status quo can make them interesting and capable of the unexpected. Often attracted to novelty and excited by change, when their aspirations override their reservations there is a lot at stake - when things go wrong self-recrimination takes its toll.

INTENSE

The Intense Risk Type feels things strongly and is highly reactive. Alert to what is going on, they have very sensitive 'risk antennae'. They are often their own most severe critic and don't let themselves off the hook. Sensitized by past embarrassments, they work hard and prepare well to ensure success. The passion of their enthusiasm and their sensitivity about failure are reflected in their changing moods.



WARY

Anxious to keep everything under control, the Wary Type is determined and vigilant about risk. With security at the top of their agenda, they will be systematic and self-disciplined. But, however hard they work at it, they find it difficult to dispel the suspicion that things may still go wrong. A combination of fearfulness and discomfort about uncertainty incline them towards pessimism, control and risk aversion.

PRUDENT

Highly organized and self-controlled, the Prudent Risk Type is conservative and compliant and has a system for everything. Conventional in their approach, they do things 'by the book' and prefer continuity to variety. They are uncomfortable outside their well-defined sphere of competence or if working to vaguely defined criteria. Detailed in their planning, they are most comfortable sticking to what they know.

RISK TYPE CAMEOS

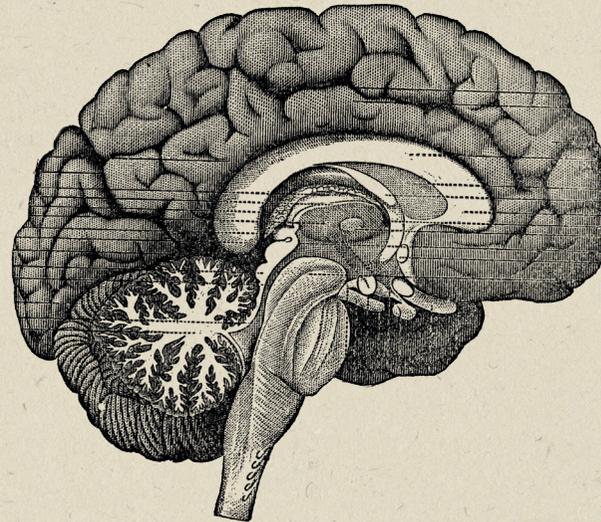
DELIBERATE

Self-contained and systematic, an extreme Deliberate Risk Type will seem unusually calm and imperturbable.

They like to know exactly what is required of them and they never walk into anything unprepared. They experience little anxiety and show little emotion, tackling risk and uncertainty in a logical, analytic and business-like way. Their task focus may make them appear formal and difficult to approach.

COMPOSED

The Composed Risk Type is cool headed, calm and optimistic but, at the extreme, may seem unaware of risk and oblivious to its effect on others. They take everything in their stride, seem quite imperturbable and manage stress well. If they do come unstuck, they pick themselves up and get on with life. They tend to show little emotion and may appear constrained in their expressive repertoire.



ADVENTUROUS

The Adventurous Risk Type can be both impulsive and fearless. Intrepid and not easily discouraged, they embrace change and are likely to seek excitement. Their energy and positivity enthuses others and establishes a momentum which, with their flexibility, opens up more chances of success. At the extreme, their deeply constitutional calmness may blind them to other people's attachment to tradition and convention.

CAREFREE

Spontaneous, unconventional and often imaginative, the Carefree Risk Type dares to do things differently. They are not great at detail or thorough preparation, but their contributions may be radical and mould-breaking. Their impatience with petty rules and their questioning and curious nature can strip things back to purposeful necessities. These qualities offer a refreshing and challenging viewpoint.

THE AXIAL GROUP

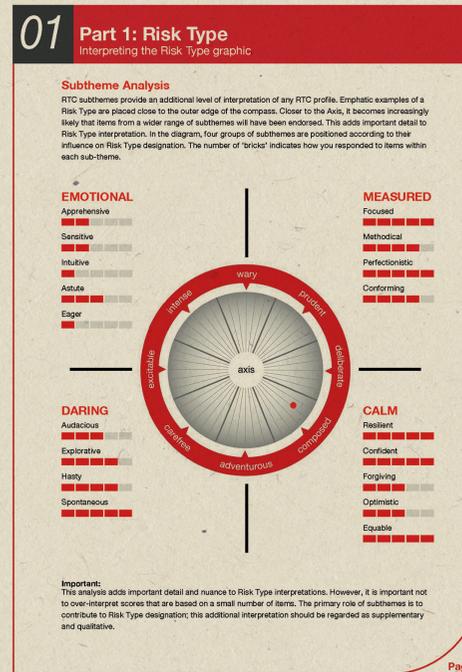
Individuals who show none of the extremes that characterise the eight Risk Types are classified as 'Axial'. Any pronounced risk-taking is likely to be due to attitudes developed from specific training or other experiences. They will be valued for their balanced viewpoint and their neutrality. Their central position on the Compass will give them the best 'across the board' appreciation of the various Risk Types.

INDIVIDUALS

KNOW THEN THYSELF (ALEXANDER POPE 1688 - 1744)

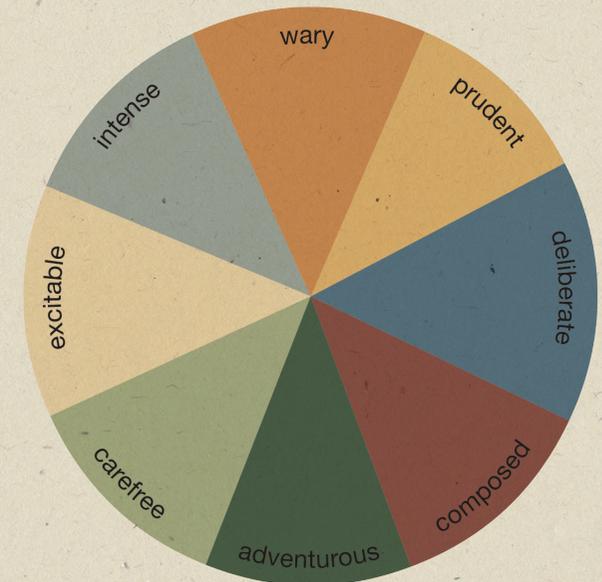
Risk Type defines the way that we view our world: firstly, from an emotional perspective - in terms of fearfulness, anxiety, optimism or trust, for example; and secondly, from a cognitive perspective - the need to make sense of perceptions and experience and to cope with ambiguity and uncertainty (Walport, M., 2014). Knowing one's natural strengths and limitations defines an agenda for personal development and, in a job context, a basis for extending personal responsibility and the development of 'habits of risk aware judgement' (Michael Mazarr, 2016).

The balanced prevalence of the eight Risk Types within the population supports the view that each Risk Type has a different contribution to make. 'Social Defence Theory' (Tsachi Ein-Dor, 2010) argues that living in cooperative groups has been the primary survival strategy for humans. Risk Types are complementary and this has important implications for working groups and teams. No single person can embody the risk dispositions of all eight Risk Types - in terms of risk decisions, teams have greater effectiveness potential than individuals.



PERSONAL RISK TYPE PROFILE

THE BALANCE OF RISK TYPES (N=13,613)



TEAM HOMO SAPIENS

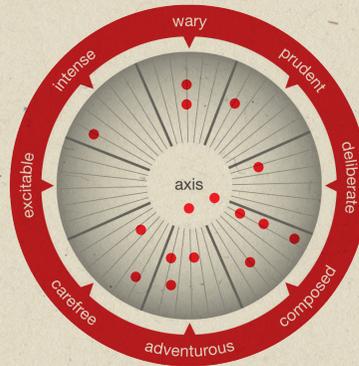
TEAMS

OPTIMISING TEAM DECISIONS

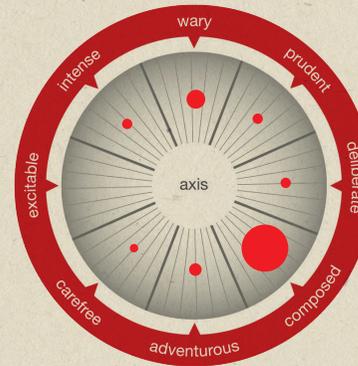
Team analysis fine-tunes decision making. The first objective is to enhance team awareness and working relationships and to maximize the human capital available. Risk Types view things very differently, make different assumptions and have different priorities. This diversity can be a recipe for interpersonal friction or it can provide a wider and stronger decision making perspective.

These metrics are used to explore team dynamics; strengths and vulnerabilities in terms of, e.g. 'group think', potential divisions and factions, risk polarisation ('risky shift') and sociometric affinities. 'Social defence' analysis is concerned with resilience, strengthening of the group and survival issues.

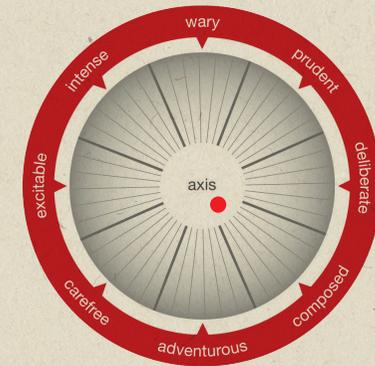
In a context of mutual respect and trust, knowing how other team members are 'risk disposed', how they read situations and how they are likely to react improves decision making, effectiveness and resilience.



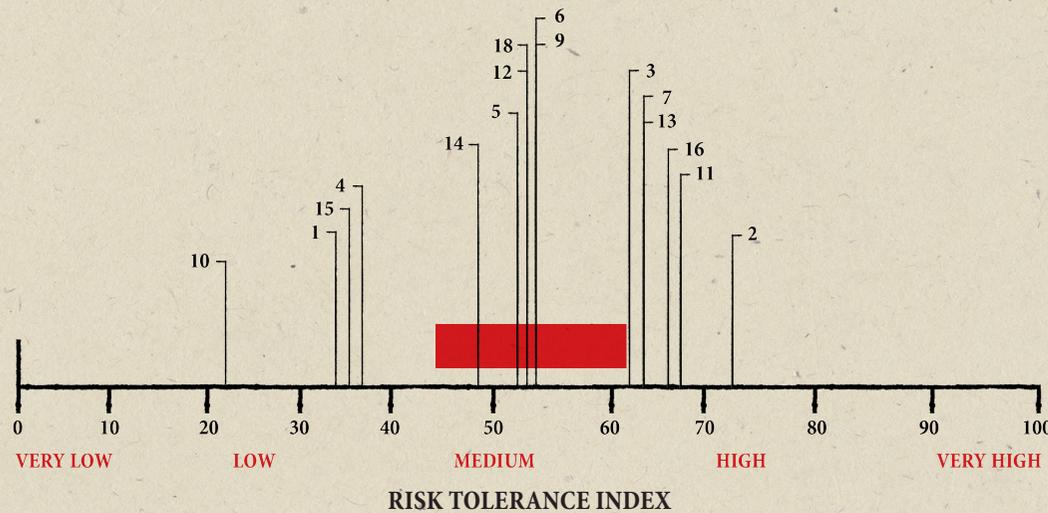
SCATTERGRAM



RISK TYPE INFLUENCE



CENTRE OF GRAVITY



ORGANISATIONS AND PROFESSIONS

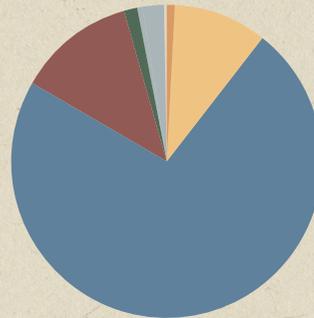
'THE PEOPLE MAKE THE PLACE'

(B. SCHNEIDER, 1987)

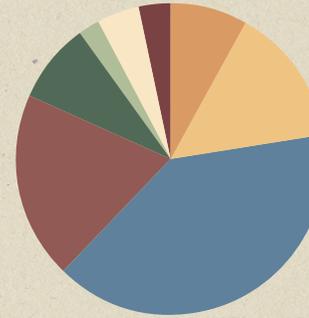
Risk Type composition of an organisation or profession creates a distinctive 'finger print' representative of their unique character. It will reflect, for example, its formality, complexity, homogeneity, creativity, flexibility, timidity or resilience.

It reveals the balance that will have been shaped by processes of attraction, selection and attrition. It indicates how the organisation is likely to be perceived by others, and how, by strategic selection, that balance might be reinforced, developed or altered beneficially.

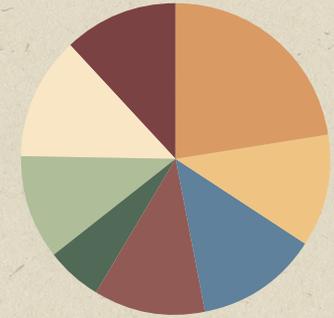
AIR TRAFFIC CONTROLLERS



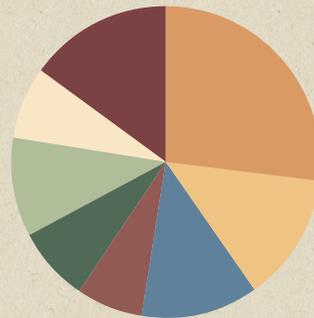
AUDITORS



POLICE



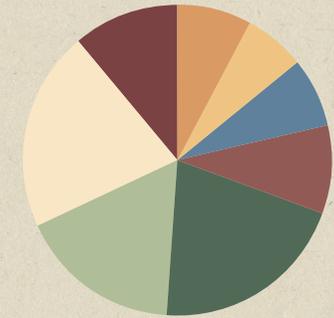
LEGAL



MAINTENANCE



RECRUITERS

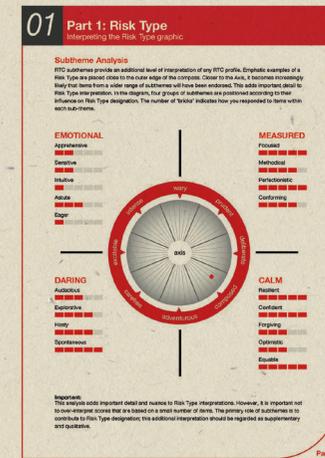
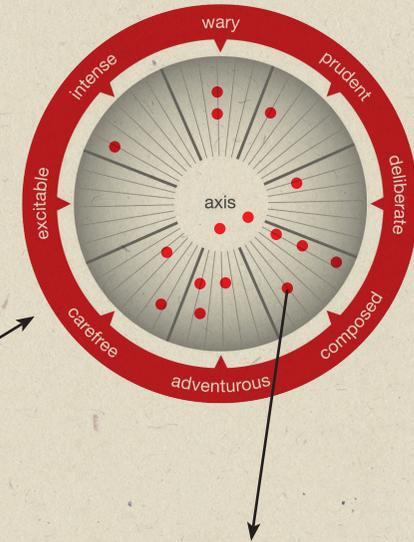
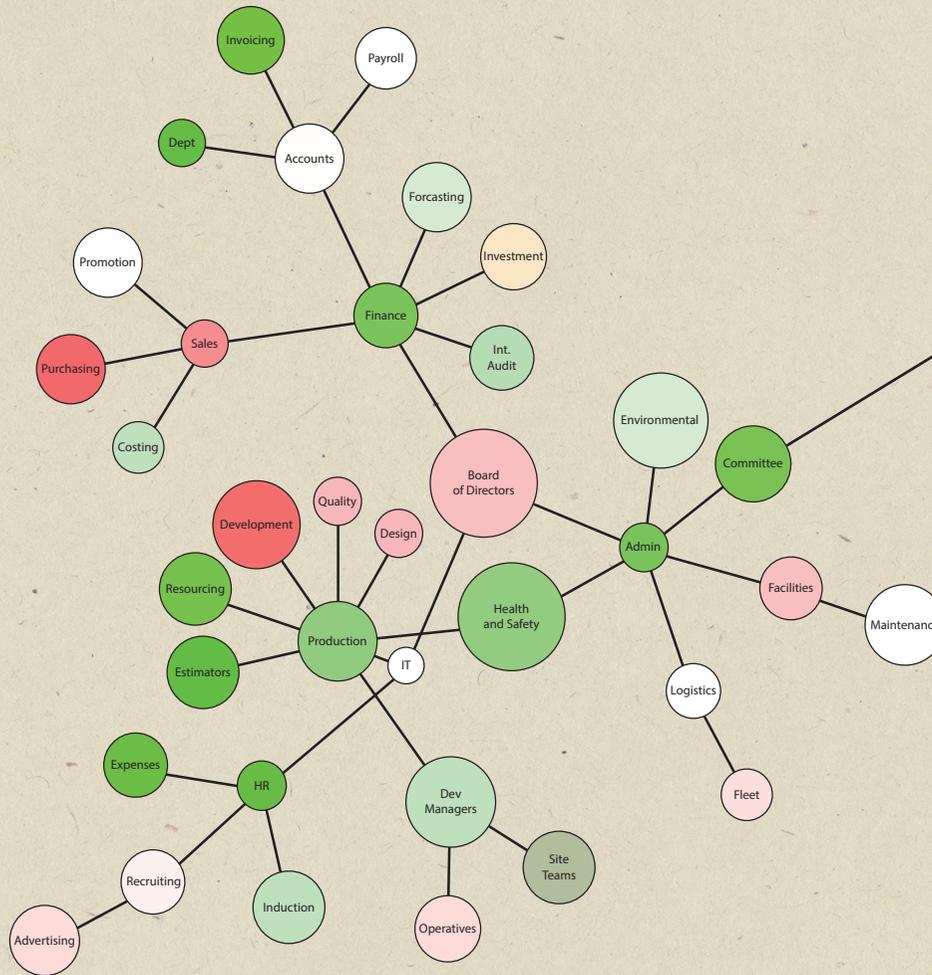


ORGANISATIONAL CULTURE

PLOTTING THE RISK LANDSCAPE

This Risk Type Compass software provides an objective graphical depiction of an organisation's risk culture and allows the organisation's Risk Type database to be interrogated in detail and manipulated to explore options. Access can be restricted, partial and password protected. Regional or departmental elements are nested and can be combined to suit organisational requirements.

Colour intensity reflects the overall risk characteristics of each team or department. Each 'node' can be expanded to display the Risk Type make-up of that team. A further individual level is configured to meet confidentiality requirements. What-if scenarios are supported: virtual teams can be built by 'drag and drop'; nodes and connections can be added and deleted.



REFERENCES

Damasio, R., (2006) "Descartes' Error: Emotion, Reason and the Human Brain", Random House.

Mazarr, M. J., (2016) "The True Character of Risk", Risk Management Magazine.

Schneider, B., (1987) "The People Make the Place", Personnel Psychology, 40(3), 437-453.

Walport, M., (2014) "Innovation: managing risk, not avoiding it", Annual Report of the Government Chief Scientific Adviser, The Government Office for Science, London.



Psychological Consultancy Limited

8 Mount Ephraim
Tunbridge Wells
TN4 8AS
United Kingdom
+44 (0)1892 559 540
Psychological-consultancy.com