

Thinking aloud

What can we learn about risk and risk taking?

This article, authored by Ali Gill and Alana Inness, was produced and presented at the Women in the City Symposium on Risk in July 2009.

The feeling of fear

The ground seems so ridiculously far away as your brain recognises the clear and present danger your heart begins to beat wildly (up to three times faster), your blood pressure increases, your mouth becomes uncomfortably dry and you have an almost irresistible urge to avoid what is about to happen.

You are experiencing the universal emotion of fear; the perception of risk has sent your system into top gear producing a massive surge of adrenaline, noradrenaline and growth hormone.

You are breathing much faster now and blood surges around your body, draining away from unimportant areas like your stomach into your muscles, giving you "butterflies". Your pupils dilate allowing you to perceive movement around you more clearly, your immune system gears up to deal with any potential injuries and emergency reserves of glucose are released in order to prepare for intense bursts of muscular activity.

In the blink of an eye your mind and body have geared up to act in response to the perceived risk. Deciding to proceed depends upon you overcoming the natural fear of what is about to happen and your ability or otherwise to control it.

You swallow hard, you focus on your breathing, breathing in, but more importantly breathing out, hard. You run through your routine once more, visualise making the manoeuvre successfully, pause, and then do what humans do best – decide what to do or not to do. In this instance you reach out your hand grasps the mouse, point it at the send button and then it's done, you're sounded the warning bell alerting your boss to the risks that your colleagues are taking.

What motivates people to override their natural protection mechanism and take risks?

The perception of risk triggers a cascade of biochemical changes that are experienced as high arousal and unpleasant anxiety. The question is what motivates people to override their natural protection mechanism and take risks at all?

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Psychoanalysts at the turn of the 20th century concluded that it was not normal to overcome these natural fears at all, and risk taking behaviour was in fact evidence of a diseased mind. They could not conceive of any reason why people would choose to risk their lives, and as a result concluded that risk takers were acting 'without reason'. They classified risky behaviours as expressive of suicidal tendencies, of having a death wish ("Thanatos") or perhaps holding repressed feelings of male inadequacy. It was therefore proposed that people such as mountaineers, gamblers and the sexually promiscuous were illogical, or even pathological. Notice that there was then a high focus on 'maleness as risk taking'.

The effect of current attitudes and paranoia on risk-taking behaviour

Now with the so called 'break down' of the financial system our belief in the need to control is becoming more self-filling. We are building regulation to protect the nation from ourselves: the recently published Walker Reportⁱ indicated that the Chief Risk Officer (CRO) should have his own committee to oversee independently the risks associated with Banks and Other Financial Institutions.

We are even building communities surrounded by CCTV, high walls and barbed wire in an effort to keep out those who might harm us. Gated communities have increased in the UK 50-fold since 9/11 despite evidence from the US that there is no difference in crime rates between gated and non-gated neighbourhoodsⁱⁱ and in a national study in the UK in 2007ⁱⁱⁱ found that when the police are called out response rates to gated communities is slower due to problems with access.

And we are again associating maleness and competitiveness with risk taking behaviour. The city called for an end to male risk-taking leadership, calling on women to take the helm and prevent risk disrupting our society.

Overestimation of risk is associated with another psychological concept, paranoia. Paranoia is an unfounded and relatively unrealistic fear that people want to harm us. The way we think and how quickly thoughts become irrational is hugely influenced by the time that we hear about an event and by the magnitude of its emotional response. Facts cut much less weight than irrational, unjustified fears. The chances of dying of heart disease are around 2400 times greater than being killed in a terrorist attack but newspapers are twice as likely to run a story on terrorism than provide coverage of heart attacks and over-reporting of danger can foster a culture of paranoia^{iv}.

This approach and our current focus on risk is not reducing risk but furthering the very terror we wish to avoid. We have become frightened and are exhibiting a fear-risk response to humanness. Unless our mental model of what we mean by risk and risk-taking is improved we are actually at risk of being paralysed by a worse fear – fear of human nature itself.

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What evidence is there that risk taking is potentially detrimental to human life?

The fact is that psychological research has shown that risk taking behaviour has many positive consequences. For example, people who participate in high risk sports report significant levels of increased self-esteem and many studies have found that people who take financial risks in the workplace generally tend to be more successful in their jobs and are more sexually attractive. These findings run contrary to the idea that risk taking is simply self-defeating.

How are researchers studying the concept of individual differences in risk taking?

Many researchers have become interested in the question of personality and risk-taking. The study of risk taking has been maligned by an overriding view that risk-takers are 'sensation seeking'. Sensation seeking is defined in psychological terms as the need for 'novel, complex, intense sensations and experiences' and 'the willingness to take financial, physical, social or legal risks'.

Other research however, identifies that there is a significant difference between those people who are risk-takers and those who willingly and knowledgeably participate in high risk activities. A key differentiator between these two types is a focus on mastery versus a focus on sensation seeking.

Learning from 'high risk' sportspeople to help solve the dilemma of managing risk more effectively

Silvia Vidal, an extraordinary 22 year female free climber, describes what others may describe as dangerous and dramatic as a focus on personal mastery. For her free soloing is an 'incontrovertible statement of absolute control, as well as surrender to a bigger realm' and she believes it requires an acute balance of extreme self-confidence and deep humility. Her methodical approach to risk is actually a carefully planned progression and this is the key to evolving our approach to risk.

Those who participate in high risk sport or sports at the highest level spend years learning to overcome the risks of potential failure. The skill that must be learnt is one of being in the flow, being centred or, in its simple form, being pressure-less. Being pressure-less requires us to know what is expected of us, know that we can do what is expected of us and to focus only on this.

The ability to assimilate risk and overcome our fear of risk is a fundamental component of what makes us human. Those who are perceived by others to be extreme risk takers typically focus on developing the skills required to avoid putting themselves in danger and learn to manage (not suppress) their emotional state. This is particularly true when we study women in high risk sports or highly competitive situations.

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An obsessive focus on risk avoidance is fundamentally damaging to our ability to evolve, it denies the opportunity to learn, creates a society fearful of risk and contrarily places us more at risk from ourselves. In fact those who are risk averse or shield themselves from risk are more likely to indulge in behaviour that carries substantial health risk such as 'following the herd' in times of crisis and not questioning those in positions of power.

Going back to the 'break down' of the financial system and subsequent Walker Report, Walker concludes that the principle risks in boards relate to patterns of behaviour and a tendency toward "groupthink". **Groupthink** is a type of thought exhibited by group members who try to minimize conflict and reach consensus without critically testing, analyzing, and evaluating ideas. Individual creativity, uniqueness, and independent thinking are lost in the pursuit of group cohesiveness, as are the advantages of reasonable balance in choice and thought that might normally be obtained by making decisions as a group. During groupthink, members of the group avoid promoting viewpoints outside the comfort zone of consensus thinking. A variety of motives for this may exist such as a desire to avoid being seen as foolish, or a desire to avoid embarrassing or angering other members of the group. Groupthink may cause groups to make hasty, irrational decisions, where individual doubts are set aside, for fear of upsetting the group's balance. The term is mostly applied pejoratively and with hindsight and there is much evidence from the literature on major institutional or market catastrophe's that 'groupthink' has been a significant contributor to irrational, inappropriate or poor decisions.

It is clear that in complex and competitive organisations such as banks and financial institutions, the Board must benefit from the diversity of its individual leaders each bringing critical and challenging thinking; the more diverse the thinking, the more the opportunity for superior strategy to evolve.

In order to develop the methodical approach to risk-taking, there is a need for boards to be schooled in the behaviours required to affect proper strategic thinking (Seeking Information, Forming Concepts and Conceptual Agility); without demonstration of all behaviours the Board's ability to appropriately manage and take appropriate risks will be limited.

By understanding more clearly the difference between the process and behaviours required to formulate good strategy versus the behaviours of decision-making the board are more likely to perform their role effectively. It will also avoid the risky 'Groupthink'^v mentality that has contributed to the recent problems within the banking industry. However, board members are unlikely to be the 'finished article' and should therefore all have personalised development plans that recognise the areas for improvement that will enable the Board to continuously progress; these may be a combination of knowledge, skills and behavioural objectives.

How to overcome negativity to perceived risk-taking behaviour

As individuals we must learn to distinguish fears from justified concerns and, in a society where freedom of speech is a value, we should regularly survey levels of paranoia as an

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indication of how well the media are doing at informing and educating versus confusing and paralysing.

On the basis of their ability to learn rather than their desire for sensation seeking, the psychology of individuals who participate in perceived 'high risk' sports and complex business should be separated from the norm. Not taking risks is associated with slow evolution and poor skill development, so on no account must individuals allow themselves to be categorised as non-risk taking and should instead seek to emulate the behaviour of successful "risk-takers".

ⁱ Walker, D. (2009) *A review of corporate governance in UK banks and other financial industry entities*, The Walker review secretariat [online]. Available from: http://www.hm-treasury.gov.uk/walker_review_information.htm [accessed 10 August 2009].

ⁱⁱ Blakely, E.J. and Snyder M.G. (1999) *Fortress America: Gated Communities in the United States*, Brookings Institution Press: Washington D.C.

ⁱⁱⁱ Blandy, S. (2007) 'Gated Communities in England as a Response to Crime and Disorder: context, effectiveness and implications', *People, Place & Policy Online* 1/2., pp. 47-54.

^{iv} Freeman, D. and Freeman, J. (2009) 'Is Paranoia Increasing', *The Psychologist*, vol. 22 (7), pp 582-585.

^v Janis, I.L. (1972) *Victims of Groupthink*, Houghton Mifflin Company: Boston.