How groups make risky decisions
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What’s the problem?

- Everyone has to make decisions
  - Personal, private, professional ...

- All decision-making is risky and important
  - Decision process/outcomes are uncertain
  - Decision process/outcomes matter
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Sounds familiar?

- Risk can be defined as “uncertainty that matters”
- Can risk management help decision-making?
- Human element is essential in both RM and DM
  - All risk is managed by people
  - All decisions are made by people
  - Groups are more complex than individuals
  - Multiple influences on group decision-making

Link risk management & decision-making through risk attitude

Two-part solution

- Understand so we can manage

- Need to understand & manage:
  1. Risk attitudes
  2. How decision-making groups operate
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Understanding “risk attitude”

“Risk Attitude” = “Risk” + “Attitude”

- **Attitude**: “*Chosen response to given situation*”
- **Risk**: “*Uncertainty that matters*”

Both are affected by **perception**
- “What is the situation?”
- “How uncertain is it? How much does it matter?”

**Risk attitude**: “*Chosen response to uncertainty that matters, influenced by perception*”
- Many levels: individual, group, society, nations...
- Exists on a continuous spectrum
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The risk attitude spectrum

RISK SEEKING
RISK TOLERANT
RISK AVERSE

RESPONSE TO UNCERTAINTY

What influences perception?
"Triple strand"

Conscious factors
(situational assessments)

Subconscious factors
(heuristics and cognitive bias)

Affective factors
(feelings and emotions)

Together influence perception & risk attitude

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Conscious factors

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

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
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Affective factors

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

Understanding how groups operate
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Possible influences on decision-making groups

- Individuals in group with various levels of power
- Group dynamics
- Decision context
- Organisational culture
- Wider environment
  - Societal norms
  - National culture

Are these factors all equal?

“Ripples in pond” hypothesis:

- Influence directly proportional to **propinquity**
- “How much does it matter to me/us?” (closeness)
- Closer to decision = stronger influence

Two-phase research to test

1. Rich interpretative analysis of real decisions (x 8)
2. Web-based survey (x 281)

[Ref: “Managing Group Risk Attitude” by Ruth Murray-Webster & David Hillson, pub. Gower 2008]
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Research results

Two distinct groups: Primary (a-e), Secondary (f-h)

Primary factors
- a Individuals with high power
- b Individuals with high propinquity
- c Organisational culture
- d Decision context
- e Group dynamics

Secondary factors
- f Individuals with low power
- g Societal norms
- h National culture
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Primary factors

- Closer analysis:
  - Two co-equal “lead influences”
  - Linked by group dynamics
  - Secondary factors less influential

Stakeholders

- with highest power and propinquity

Group Dynamics (the bridge)

Situation

- Decision context underpinned by organisational culture

“Bow wave” not “Ripples”

- Lead influences (primary) first ...
- ... followed by supporting influences (secondary)
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“Bow wave” not “Ripples”

1. Lead influence:
   Either (a) stakeholder factors
   Or (b) situational factors

2. Supporting influence:
   Either (a) situational factors
   Or (b) stakeholder factors

3. Group dynamics

Primary factors

Lower power individuals
Societal norms
National culture

Direction of travel

Secondary factors

Implications

- Group behaviour is mainly influenced by:
  - Either a strong leader, who can supersede situational factors (context & culture), with group dynamics following the leader;
  - Or strong situational factors, with influential individuals adapting to fit, with group dynamics following the context & culture
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Bringing it all together

How groups make risky decisions

- Wide range of influences on DM groups
  - Stakeholders, Situation, Group dynamics
- Risk attitudes affect individuals & group
  - Influenced by “triple strand”
- **Complex! Difficult!! Important!!!**
- Addressing risk attitudes can help, leading to optimal decision-making
So much for understanding, what about managing?

Managing risk attitudes

- Key: Risk attitudes are **chosen**
  - Can be **modified** if necessary

- Yes, but how?
  - Use techniques from **emotional literacy**
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Emotional Intelligence

<table>
<thead>
<tr>
<th>START HERE</th>
<th>SELF-AWARE</th>
<th>OTHERS-AWARE</th>
</tr>
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<tbody>
<tr>
<td>PERSONAL</td>
<td>SELF CHANGE</td>
<td>SOCIAL SKILLS</td>
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<tr>
<td>SOCIAL</td>
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The Four As

Basic 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
A good start, but...

- **The Four As** can apply to group decision-making
  - ... but they are not the whole story

- Need to be **aware** of group behaviours and influences (especially primary factors)
- ... and **appreciate** why they are happening
- ... then **assert** the need for change
- ... and take appropriate **action** to achieve it

*REALLY ? ALWAYS ???*

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)
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The Six As Model

- Awareness & Appreciation of:
  - Stakeholder factors
  - Group Dynamics
  - Situational factors

- Assessment
  - Intervention required
  - Intervention not required

- Monitor & review

- Assertion & Action
- Acceptance

Practical steps – 1

- Seek **awareness** of:
  - Self and others in decision-making group (levels of power and propinquity)
  - Situational aspects (organisational culture, decision context)
  - Group dynamics, including “triple strand” influences

- **Facilitation** can promote awareness and uncover bias in a non-threatening way
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Practical steps – 2

- Develop **appreciation** of stakeholders & situation
  - Empathy for others’ point of view
  - Confidence in your own perspective
  - Understanding of decision context
  - Knowledge of organisational culture
- Practice makes perfect
- **Mentoring/coaching** & honest feedback can help

And finally ...

- Risk is not managed by robots but **people**
- Decisions are not made by robots but **people**
  - Human psychology is major influence in both
  - **Risk attitudes** are key
And finally …

- Group decision-making is risky & important
- Complex web of influences
- Research indicates set of primary factors
  - Stakeholders, situation, group dynamics
- Managed risk attitudes are vital
- Modified emotional literacy offers framework
  - The Six As Model

Thank you

For further information:

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- 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

About David Hillson

Dr David Hillson is The Risk Doctor. He is an international risk consultant, and Director of Risk Doctor & Partners. Many executives have benefited from his insights through personal coaching, and he has helped a wide range of organisations to manage their risk successfully at both strategic and tactical levels.

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. He has also developed a scalable project risk methodology (see www.ATOM-risk.com) and a practical approach to managing risk attitudes (www.risk-attitude.com).

David is active in the Project Management Institute (PMI) and received both the PMI Fellow Award and the PMI Distinguished Contribution Award for his work in developing the risk field over many years.

He is also an Honorary Fellow of the Association for Project Management (APM) and a Fellow of the Institute of Risk Management (IRM). He was elected a Fellow of the Royal Society of Arts (RSA) to contribute to its Risk Commission, and he is a Chartered Manager and Fellow with the Chartered Management Institute (CMI).

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