

UNDERSTANDING AND MANAGING RISK ATTITUDE

David Hillson¹ & Ruth Murray-Webster²

¹ Director, Risk Doctor & Partners, david@risk-doctor.com

² Director, Lucidus Consulting, ruth@lucidusconsulting.com

Published by Gower, Aldershot, UK. Spring 2005. ISBN 0-566-08627-1

PREFACE

Risk management is recognised as an essential contributor to business and project success, since it focuses on addressing uncertainties in a proactive manner in order to minimise threats, maximise opportunities, and optimise achievement of objectives. There is wide convergence and international consensus on the necessary elements for a risk management process, and this is supported by a growing range of capable tools and techniques, an accepted body of knowledge, an academic and research base, and wide experience of practical implementation across many industries.

Despite this vision, in practice risk management often fails to meet expectations, as demonstrated by the continued history of business and project failures. Foreseeable threats materialise into problems and crises, and achievable opportunities are missed leading to lost benefits. Clearly the mere existence of accepted principles, well-defined processes, and widespread practice is not sufficient to guarantee success. Some other essential ingredient is missing.

The most significant Critical Success Factor for effective risk management is the one most often lacking : an appropriate and mature risk culture. Research and experience both indicate that the attitude of individuals and organisations has a significant influence on whether risk management delivers what it promises. Risk management is undertaken by people, acting individually and in various groups. The human element introduces an additional layer of complexity into the risk process, with a multitude of influences both explicit and covert. These lead to adoption of risk attitudes which affect every aspect of risk management. Risk attitudes exist at individual, group, corporate and national levels, and can be assessed and described with some degree of accuracy, allowing sources of bias to be diagnosed, exposing their influence on the risk process.

But diagnosis is different from cure. Where the risk attitude currently adopted by an individual or group is not conducive to effective risk management, action may be required to modify that attitude. Recent advances in the field of Emotional Intelligence and emotional literacy provide a means by which attitudinal change can be promoted and managed, for both individuals and organisations.

This book brings together leading-edge thinking on risk attitudes and emotional literacy to guide those wishing to move beyond mere implementation of a risk process and towards a people-centred approach for risk management. It offers a unique framework for understanding and managing those human elements which are essential for effective risk management. The combination generates powerful insights into how the application of emotional literacy to risk psychology can deliver significant benefits to every business seeking to manage uncertainty and its effects.

Following the thesis offered here requires no prior knowledge of emotional literacy, since this is a relatively new field, neither is understanding of risk attitudes or psychology assumed. However the reader should be familiar with the purpose and basic processes of risk management – such knowledge is readily available and there are many books already published on this subject.

Instead the main aim of this book is to provide a thought-provoking but usable reference for risk practitioners, enabling them to consider and manage the impacts of the human dimension on risk management. This will allow risk professionals to practically diagnose real situations and develop strategies for good practice, as well as minimising the impact of situations where current risk attitudes may be counter-productive.

Anyone involved with implementing risk management will benefit from this book, including risk practitioners, senior managers and directors responsible for corporate governance, project managers and their teams. It will also be of interest to HR professionals and others interested in organisational or behavioural psychology, as well as students, researchers and practitioners in the field of emotional literacy, although the approach is pragmatic rather than theoretical or research-based. Indeed anyone whose interests include both the effective management of risk and the complexity of human behaviour will find much of value here, covering each of these two fascinating topics, but more particularly dealing with their interaction. If the goal is both to understand and to manage risk attitude, this book points the way.

Dr David Hillson & Ruth Murray-Webster
December 2004