
RISK INSTINCT AND DECISION MAKING

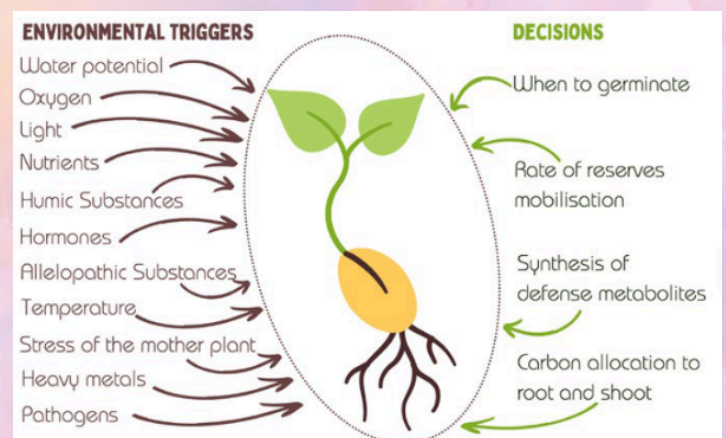
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RISK INSTINCT AND DECISION MAKING

Deciding our way through life

- 'Decide to survive' – a fundamental principle of evolution. Everything that lives must somehow make choices and decisions if it wants to prolong its existence.
- In our own 'mind space', decision making involves Cognition (thinking and reasoning) and Emotion (instinctive 'gut feelings') pitching logic and reason against passions.
- Innumerable permutations of thinking and feeling make us very diverse as decision makers, as represented by the 'circumplex' model.
- PCL research reveals the risk instincts that drive individual decision making, the dynamics of teams and the cultural landscape across entire organisations.

Decision making, the process by which choices are made, is fundamental to survival. Everything that lives, including the very simplest of life forms, somehow make decisions. Single cells sense the paucity of nutrients and react, white blood cells sense bacteria and devour them, and 'decisions' of cotton plants keep leaf temperatures optimal whether in sunlight or in shade. In nature, decisions are not made consciously. Humans may be the only creatures that do this, yet many of our decisions remain instinctive and intuitive.



'Decide to Survive' is the basic challenge of evolution

Each of us make thousands of decisions each day, most of which we are unaware of. Unconscious, reactive decision making reflects an evolutionary heritage widely shared with other creatures. The question being researched at PCL for more than a decade is:

What drives decision making in humans

The outcome has been a psychometric measure of Emotion and Cognition that supports a taxonomy of different styles of risk taking (Risk Types).

Turning point for Homo Sapiens

Although we are now capable of 'conscious thought', our pre-language ancestors were 'unconscious deciders' relying on biological systems to monitor and take care of bodily needs and immune systems, combined with emotionally driven motivations and instinctive reactions that completed the ancestral survival kit. An evolved version of all this still makes a vital contribution to the way we make decisions now.

Recently, in evolutionary time scales, a highly consequential turning point for Homo Sapiens came in the form of an unprecedented language capability, not only transforming communication but enabling a capacity for symbolic thinking and a new-found state of self-awareness. We became the conscious decision makers we now are - a hugely consequential turning point for our species.

This language-based cognitive awakening added logic, reason, objectivity, and the power of analogy and metaphor to our thought processes; an 'upgrade' in decision making power that was truly transformational. It became a basis for writing, scientific enquiry, mathematics, and dramatically enhanced capacity for communication, sharing and collaboration.

The complexities of people and individual differences have been a major theme of psychological research

Emotion vs Cognition dualism

Cognition, acquired and mediated by language, opened the door to symbolic reasoning. We are now equipped with a mind space in which both thoughts (Cognition) and feelings (Emotion) are continuously articulated.

These '**voices in the mind**' provide a constant dialogue, a debate between our wide-ranging thoughts and ancient spontaneous 'gut feelings' and ideas that symbolically embrace the physical world, making sense of it, scanning for opportunities and hazards and guiding reactions and decision making.

Dualism in one form or another has fascinated enquiring minds throughout our history; from Plato, Socrates, Descartes, other philosophers and anthropologists; through to modern research in behavioural economics, neuroscience, and applied psychology.

Dualist theorists have characterised our divided minds in many ways; as 'System 1 vs System 2' (Stanovich & West, 2000), as 'Fast vs Slow' (Kahneman, 2011), as 'Go vs Know' (Metcalf & Mischel, 1999) and as 'Experiential vs Analytic' (Slovic, 2004); each in its own way referring to the struggle we experience seeking to reconcile contributions of instinctive emotions and cognitive knowledge in our human mind space.

Complexity in people and the decisions they must make

Understanding people and their individual differences has been the major theme of psychological theory and research for over 200 years. In the context of teams and organisations, the critical nature of decision making must take centre stage.

Researchers ask: What is the relationship between the diversity of people and the decisions they make? How are decisions arrived at by teams, groups, committees or boards, given the differing risk natures of those taking part?

How, in a sprawling organisation, can we track the impact of people with risk dispositions ranging from the impulsive and reckless to the doggedly risk averse and resistant to change? Or, between those that are creative and flexible to those that are rigidly committed to the status quo?

Exploring evolutionary psychology

Individual differences in decision making styles reflect innumerable possible combinations of Emotion and Cognition. Each has its own evolutionary history, and each is managed independently within the brain by separate neural networks.

For three decades, PCL has been helping businesses to navigate this territory, maximising the potential of individuals and the performance of teams. Research has increasingly focused on decision making and developing a taxonomy of eight 'Risk Types', an approach that models the dualistic nature of decision making. The Risk Type Compass (RTC) model.

The RTC model uses reliable psychometric scales to quantify the two dominant influences in a person's mental life: Emotion (their feelings) and Cognition (their thought processes).

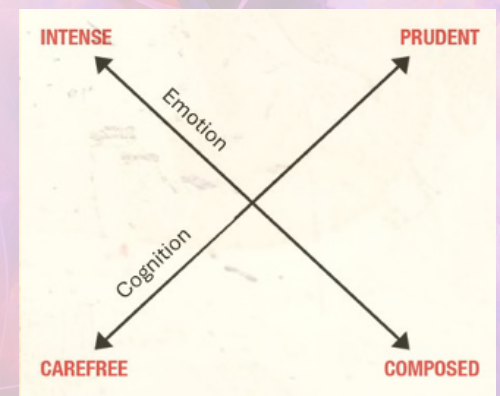


Figure 1. The Risk Type Compass (RTC) model.

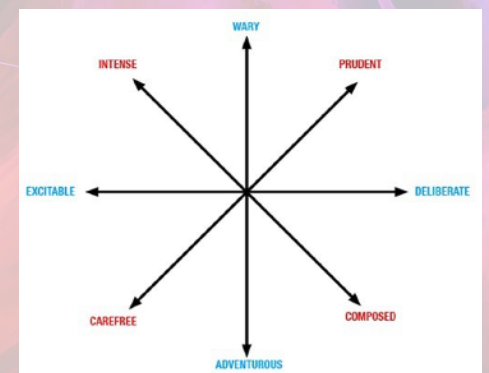


Figure 2. Risk Type Compass scales

The additional vertical and horizontal axes account for those that are high or low on two scales. Figure 2. The independence of those two scales (orthogonality 0.007) supports a circumplex model incremented through 360° of risk dispositions.

This is segmented into eight distinctive 'Risk Types' and the population as a whole is very evenly distributed between them (Figure 3). How much risk any individual is comfortable with – the boundaries between what, for them, is too reckless and what is too passive, are deeply rooted and can aptly be described as instinctive. As we stray beyond personal comfort zone boundaries, 'gut feelings' of anxiety and unsettling uncertainties push us into the decisions we take and the responses we make.

Deciding our tomorrow

Current decision making environments are increasingly complex. High-level group decision making, whether in professional bodies, government committees or public services, face unprecedented technical innovation, social change and more. The impact of decisions in this turbulent environment permeates society and influences our lives. We have every reason to ensure that the processes involved in making those decisions is rigorous and alert to unintended biases.

Group decision making is only effective when the issues under discussion are dissected, pulled apart, stress tested, and argued through a variety of different perspectives. In the past, the exceptional diversity of risk instincts within our species has been a major factor in our success and survival. Nature hedges its bets through diversity, keeping as many options as possible open. Within any enterprise or endeavour, differences in Risk Type ensure diverse viewpoints and healthy debate, challenging dogma, rigid-mindedness, and susceptibility to groupthink.

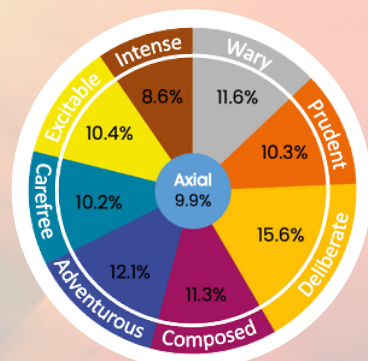


Figure 3. Risk Type proportional distributions

Business matters

In the search of success, whether on the sports fields, the committee room, on an arctic expedition or around the board room table, the 'risk instincts' of the individuals involved must influence the outcomes.

Group decision making must maximise the potential of its diverse members as well as recognising potential limitations. Welcoming a variety of input in debate offers significant benefits, as a team's capacity to de-construct viewpoints, consider radical options and identify complementarity, all hedge against complacency. To ensure longevity, an organisation must monitor trends, anticipate and take risks, adapt and accommodate to change, and stay relevant.

The RTC offers insight into the decision making dynamics at different organisational levels. The 'Risk Landscape' takes us beyond individuals and teams, to the mapping of decision making styles across divisions or sections of large organisations. Its visual display invites exploration and interrogation: **Is the organisation predominantly risk-taking or risk-averse?**

In detail, which sections, divisions, and functions are the most risk-taking and which are most risk-averse? How do these different dynamics relate to team performance and effectiveness?

Shaping Business Culture

Industrial psychologist, Benjamin Schneider (1990), pragmatically defined organisational culture as: **'The people make the place'.**

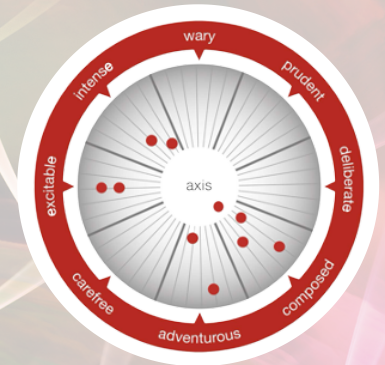
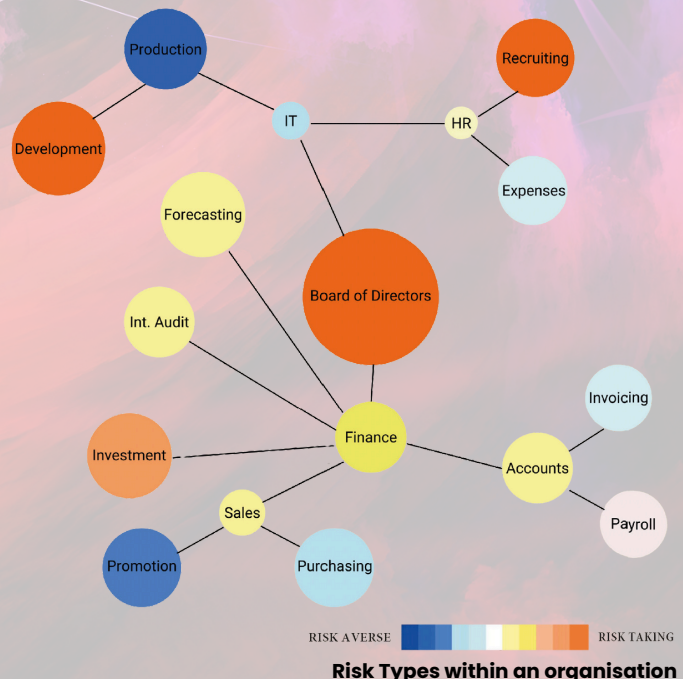


Figure 4. Decision making styles

Taking this literally, the 'Risk Landscape' graphically models sections, functions or whole organisations and provides a digital 'heat map' of risk dispositions with the ability to zoom in for more detailed examination. This 'birds-eye' scrutiny allows detailed auditing and planning for team optimisation.

Extreme imbalances, under-representations, or counter intuitive Risk Type groupings become immediately evident – such as a predominantly risk-taking finance department, or a risk-averse sales team, where a lack of diversity might increase vulnerability to 'tunnel vision' or resistance to change. These insights can highlight opportunities to improve through development, staff transfers, or reorganisation.

The insights available through the Risk Landscape, based on highly reliable measures of Emotion and Cognition, provide a solid foundation for planning and development, for building mutual respect for diverse decision making styles that will play a significant part in ensuring organisational survival.





Bio

Geoff is a Chartered Psychologist with a BSc in psychology and an MSc in educational psychology from UCL. He is a former Honorary Research Fellow at UCL, a Fellow of the Royal Society of Arts, and an Associate Fellow of the British Psychological Society. Geoff founded PCL in 1992, overseeing its growth to an established global presence.

Further reading

Risk Type Compass: navigating the dynamics of successful decision making [online]
Available at:
www.psychological-consultancy.com/risk-type-compass/ [accessed 16.09.24]

Jaynes, J, (1983) Consciousness and the voices of the mind [online] Julian Jaynes. Available at: www.julianjaynes.org/pdf/jaynes_consciousness-voices-mind.pdf [accessed 16.09.24]

Mazarr, MJ, (2016) Rethinking risk in national security. Palgrave Macmillan. Available at: doi.org/10.1007/978-1-349-91843-0 [accessed 16.09.24]



Scan to
find out
your
Risk Type

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Personal response

How can we as humans optimise our decision making abilities?

As an individual:

First: Be clear about your own 'risk instincts', their benefits and limitations.

Second: Build confidence by increments, practice and consolidate to achieve 'second nature' fluency.

Third: Be aware that 'basic instincts' may short-circuit and disrupt progress into unfamiliar territory.

Fourth: Remember instincts are intuitive, 'second nature' is language based – you 'instructing' instinct.

Within a group:

First: Understand the upper and lower boundaries of your own 'comfort zone'.

Second: Appreciate the Risk Types of other group members.

Third: Speak up openly and candidly to represent your own viewpoint, however daunting the consensus.

How do the complexities of the modern world impact how we make decisions?

Rapidity of technological and cultural change, complexity, waves of passing enthusiasms, instability.

How can the RTC model positively impact an organisation's bottom line?

Maximising effective decisions. Risk taking, innovating, maximising Risk Type diversity, support psychological safety. Ameliorating and managing resistance to change.

Is there an optimal mix of Risk Types that organisations should aim to create within teams?

Yes, but you have to find the balance. Ideally, teams need performance coaching. As in sports, learn to use available talents to best effect. Manage 'organic change' by identifying allies, modelling 'centres of influence' and investing in the necessary risk management talent.



pcl opening minds



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