

Risk Management Made Simple **Advisory**

An online publication of risk management tips for executives
from **Diana Del Bel Belluz** and *Risk Wise*

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How to avoid *The Risk Paralysis Trap*™

By Diana Del Bel Belluz, M.A.Sc., P.Eng.

This is the first article in a series on **how business leaders can avoid *The Risk Paralysis Trap*™**.

What is *The Risk Paralysis Trap*™?

Based on my experience working with hundreds of business leaders over the past 28 years, I've learned that **executives and their teams do not achieve their full potential when they see risk primarily as a problem to be eliminated.**



This distorted perception makes them overly risk averse and they become paralyzed and unable to fully utilize their people and resources. As a result, they miss out on important growth opportunities, they waste time and money, they suffer unnecessary stress and worry, and they fail to achieve their objectives. We call this *The Risk Paralysis Trap*™.

How to spot *The Risk Paralysis Trap*™.



I often use the analogy of the "amber light decision" to explain how we make a calculated risk decision. If you approach a traffic light and it is either red or green, your decision on how to proceed is a no-brainer. But, when you approach an amber light, you have a judgment to make and whether you opt to stop or proceed through

the intersection, risk cannot be avoided. You must make a calculation of whether the potential risks and opportunities of stepping on the brake outweigh the risks and opportunities of stepping on the accelerator.

Business decisions that have an element of risk are like the amber light decision. We make these decisions every day in our businesses. If a decision has these three characteristics, you need to manage risk as an opportunity rather than as a problem.

- **DISCRETION:** There are multiple decision options / potential courses of action, e.g., brake or accelerate at an amber light.
- **UNCERTAINTY:** The exact outcome(s) of each decision option cannot be known in advance, but can be estimated/forecasted. (None of us can predict the future!). For example, if we choose to brake at an amber light, will the driver behind us rear-end us? Or if we choose to accelerate, will we be broadsided by a car travelling in the perpendicular direction? We need to calculate the odds, i.e., quantify the uncertainty.
- **TRADEOFFS:** Each option has a different mix of potential upsides (gains) and downsides (losses), you need to choose the 'best' one. For example, we may opt to accelerate if we are late for an important appointment. But if we have our teenage child in the car who is learning to drive, we may opt to brake in order to give them an example of cautious driving.

How to avoid *The Risk Paralysis Trap*™.

To avoid *The Risk Paralysis Trap*™, and mobilize their people for growth, leaders need to manage risk primarily as an opportunity. This means mastering their handling of three essential elements of risk decision-making, i.e.:

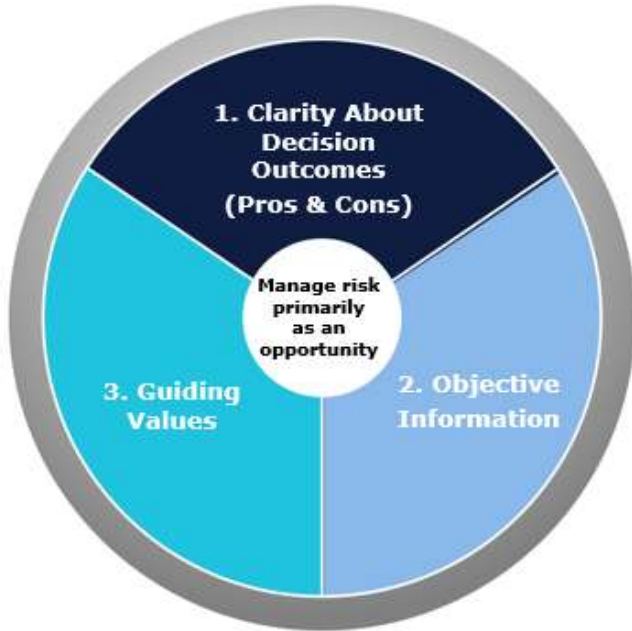
- getting **clarity about decision outcomes** and the pros and cons (i.e., opportunities and risks) associated with each decision option,
- gathering **objective information** to make a well-informed decision that minimizes bias in our assessment of the uncertainties,
- consistently applying the company's **guiding values** to decisions. This requires having an understanding of the organization's appetite for growth and tolerance for risk.

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Figure 1 shows how these essential capabilities form **The Mobilize for Growth Model™**.

Figure 1: The Mobilize for Growth Model™



When you learn to see risk primarily as an opportunity, the tendency to risk aversion is tempered and you can more fully mobilize your people and resources. As result, you will optimize your time and money. You will feel more confident and empowered. And you will be in a stronger position to achieve your objectives.

In future Advisory issues I'll share practical tips and techniques you can use to avoid *The Risk Paralysis Trap™* by enhancing your company's practices for decision-making under uncertainty.

In the meantime, check out the [Virtual Learning Lab on Risk Management and Quantification](#) (described in the "Upcoming Events" section below) offered by **NavIncerta**. It covers techniques that have evolved from applications in companies like **Shell** and **Maersk** to provide more robust **Objective Information** (element #2 in *The Mobilize for Growth Model™*) to decisions about investments to generate growth.

Pass it on!

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About Us



Diana Del Bel Belluz
President and Founder
Risk Wise Inc.

Diana Del Bel Belluz, M.A.Sc., P.Eng., is the creator of **The Mobilize For Growth Program™**. For over 28 years Diana's thought leadership has earned her an international following as a speaker and author on a wide range of business topics that support business leaders to improve their organization's performance and resilience.

At *Risk Wise*, we work with successful business leaders who have a growth mindset and want to improve their organization's performance.

Diana created **The Mobilize For Growth Program™** based on her experience working with hundreds of business leaders over the past 25+ years. The program helps business leaders to achieve their company's growth objectives by fully mobilizing their people and resources. It also helps them avoid **The Risk Paralysis Trap™**.

To learn more about Risk Wise, contact Diana Del Bel Belluz directly at: Diana.Belluz@riskwise.ca



1 Yonge Street
Suite 1801
Toronto, Ontario
Canada M5E 1W7
T 416.214.7598
www.riskwise.ca