

## Part One: Risk Tolerance Mindset Self-Assessment

Each of us have our own personal risk appetite, so when left to our own devices, some of us will take less risk and others more risk.

This assessment is designed to determine how the Risky Business: Take Risks, Make Decisions session can help you. Take a moment and reflect about how you think and act regarding risk taking - both at work and in life.

Answer the questions quickly, not spending more than a second or two on each.

Rate yourself honestly on a 1-10 scale. It doesn't matter where you are on the scale. The goal is to provide you with increased self-awareness about your risk-taking tolerance, so that you can increase your options. All approaches can be successful. Complete and determine your approach.

Discuss your results within your peer team groups. We will discuss at the Risky Business session.

Reflection	Scale	Your Score
1. What do you tend to put more emphasis on - analyzing risk in advance or after the fact?	(1) All risks, such as buying a hair dryer to changing careers involve minimal to extensive analyses of data → (10) You jump into both small and larger risks because you are stimulated by challenges	
2. How do you approach attaining your goals?	(1) You prefer to go step by step, beginning with easy steps to more difficult to ensure success → (10) You prefer to experiment and try things out as opportunities avail themselves.	
3. Assuming you are investing in a stock, which one do you choose?	(1) 'Blue chip' stocks that pay reliable dividends → (10) Companies that <u>may</u> make significant technological advances, that are still selling at their low initial offering price	
4. When considering a new opportunity, which are you more drawn toward?	(1) You tend to seek out roles where you know that you can be successful, and job security is a key factor you consider → (10) You tend to seek out roles that are ambiguous, new, or otherwise challenging. And, job security is never something that weighs in your decisions	
5. When driving to a place you've been often (and time is not a factor), what energizes you?	(1) You really enjoy being able to stop at your favorite spots and stick to the "known" route. → (10) You rarely take the same route twice. Part of the fun is exploring new, off-beaten paths.	
6. You have just reached the \$10,000 plateau on a TV game show. Which do you choose?	(1) Quit now: -- you take the \$10,000 and run (and celebrate! → (10) You bet it all for a 20 percent chance of winning \$75,000. After all, nothing ventured, nothing gained.	
7. In your career, you look for roles where you can do the following:	(1) Manage / improve an established process or system. You are drawn to established areas where you can continue to hone your skills. → (10) Solve a complex issue where there is no precedent or clear path forward - or create a new organization or issue from scratch. (And once it's established, you're ready to move on.)	
<b>Total:</b>		

## Scoring for Self-Assessment

### Numerical Scores

- 7 - 28:** **Lower Risk Tolerance.** You tend to feel most comfortable analyzing risk in advance, setting goals that are attainable, and focusing on incremental improvements. You go step by step to ensure success and seek out roles and opportunities where you can be successful.
- 29 - 49:** **Your risk tolerance is situationally dependent.** You can be bold and/or careful, depending on the situation. You can stretch when needed but can also prepare thoughtfully to minimize potential hazards.
- 50 - 70:** **Higher Risk Tolerance.** You tend to analyze risk after the fact, seek elevated goals and enjoy innovation and experimentation. Where others may be intimidated by the unfamiliar, you are intrigued by what is new or ambiguous, and are unafraid of “failing”. You enjoy the challenge of jumping into new opportunities.

## Part Two: Assessing Your ORGANIZATION'S Risk Tolerance

Risk tolerance is the amount of uncertainty an organization is prepared to accept in total or more narrowly within a certain business unit, a particular risk category or for a specific initiative. Risk appetite and tolerance are generally set by the board and/or executive management and are linked with the company's strategy. They capture the organizational philosophy for managing and taking risks, help frame and define the organization's expected risk culture and guide overall resource allocation. **(source: RIMS Executive Report, The Risk Perspective)** Knowing your organization's risk tolerance is a key element in determining how to best gain support and funding for a new venture or project. [Review the information below and determine if your organization has a high or low risk tolerance.](#)

### High

Companies with higher risk appetite generally are more focused on the potential for a significant increase in value and earnings. As a result, these companies may be willing to accept higher risk in return. Early-stage, high-potential, high-risk, growth startup companies have a high appetite for risk and are usually willing to accept greater volatility and uncertainty.

Most likely your organization is not in a regulated area (ie., healthcare, government, telecom, etc.) OR your organization is in a "creative" area of a larger, more traditional organization. Your culture may include:

- Celebration of innovation, experimentation, or "failing fast,"
- Sponsor and promotion of "innovation challenges" where new ideas are pitched competitively,
- Compliance requirements may exist, but don't drive decision making for projects or products,
- Innovation and revenue generation comes before security, so more risk is accepted.

### Low

Companies with lower risk appetite generally focus on stable growth and earnings. They may be more sensitive to market fluctuations and greatly influenced by legal and regulatory requirements.

Your organization may operate within the either more regulated industries (finance, healthcare, telecom), or simply has an approach that encourages "incremental improvement" over "moon shots" (i.e, the "big" ideas that have only a small chance of success).

Your culture may include:

- Layers of approvals and buy-in to depart from the typical methodology,
- Judgment or impatience with experiments that don't yield initial success,
- Focus on incremental improvement,
- Systems that reward maintaining the current status and are cautious of risks that jeopardize it,
- Information security is highly visible to senior management and public investors.