

Unit #1 Decision Making / Lesson #10

Gathering Information: Identifying Risks

PURPOSE: The purpose of this lesson is to identify and examine the role of risk-taking in making decisions, based upon the alternatives, in a decision-making/problem solving process.

OBJECTIVE: Upon completion of this lesson, the participant will:

1. 100% of the time identify the third task in the second step of gathering information in a strategic decision-making process is examining risks.
2. 100% of the time identify that in all decision-making there is an element of risk-taking.
3. 100% of the time identify that in all decisions one of the factors that must be considered is the ratio between risk and reward.
4. 100% of the time the amount of risk someone is willing to take is subjective.
5. 100% of the time identify the major risks of a negative outcome for the alternatives identified in the decision-making process to solve the fundamental problem and all related and ancillary problems.

PROCEDURE:

1. Read and consider the following:

In this third task of the second step in a decision-making/problem-solving process is where you you have to decide:

- What are the risk factors of a negative outcome exists?
- What are the chances the risk may not give you the results desired?
- What is the risk vs. reward ratio?
- How much control over the risks you have?
- How can you control the risks, and
- How much risk are you willing to take?

There are many sources you can use online to determine what type of a risk-taker (gambler) you are and what are your risk tolerances.

However, here what we want to do is just to be able to identify the risk factors and determine if there is a way to mitigate or at least reduce the risks of an unfavorable outcome.

By identifying the risk factors, when you move on to the next step in the decision-making process, “Make a Plan” you can then add elements to your plan to reduce those risks, or at least reduce the adverse impact on your decision.

In identifying the risks, you will then have a way of determining your course of action and what alternatives you can use.

In some decision where you are dependent on the decision of another, as in selling something, the result are usually binary. The answer is either yes or no. Here you wish to avoid the no and reduce the risks for the decision-making process for all parties to terminate.

As you identify the risk factors, you will then need to have a plan and alternative in place to overcome or reduce these risks, or you may also find it necessary to consider one of the other alternatives in your list of alternatives, where you predicted the potential outcome.

However, as you are mindful of risks, you cannot give these so much focus that you do not see opportunities as they arise. This is a common problem which causes many to end up with a bad outcome, even though they made a good decision.

As human beings we are so prone to worry about failure and rejection, we are not prepared to handle success, when the opportunities arise. Therefore this is why in determining risk vs. reward, one should never lose site of the potentials for the reward and the success to come more easily than had been foreseen.

2. Complete the following exercises:

A. Think of the five (5) major decisions you listed in lesson #5 and identify the risk factors for a negative outcome for the following:

1) Decision #1: _____

a. **Negative Outcome #1** _____
Risk Factors: _____

b. **Negative Outcome #2** _____
Risk Factors: _____

c. **Negative Outcome #3** _____
Risk Factors: _____

2) Decision #2: _____

a. **Negative Outcome #1** _____
Risk Factors: _____

b. **Negative Outcome #2** _____
Risk Factors: _____

c. **Negative Outcome #3** _____
Risk Factors: _____

3) Decision #3: _____

a. **Negative Outcome #1** _____
Risk Factors: _____

b. **Negative Outcome #2** _____
Risk Factors: _____

c. **Negative Outcome #3** _____
Risk Factors: _____

4) Decision #4: _____

a. **Negative Outcome #1** _____
Risk Factors: _____

b. **Negative Outcome #2** _____
Risk Factors: _____

c. **Negative Outcome #3** _____
Risk Factors: _____

5) Decision #5: _____

a. **Negative Outcome #1** _____
Risk Factors: _____

b. **Negative Outcome #2** _____
Risk Factors: _____

c. **Negative Outcome #3** _____
Risk Factors: _____