

What does the future risk professional look like?

Introduction

The *Cambridge Dictionary online* defines an organisation as “a group of *people* who work together in an organised way for a shared purpose.” Organisations are complex, operating in a VUCA¹ world, making complex decisions, undertaking complex tasks, and made up of complex people. Each *person* with a complex and unique mind. There is a common theory that our minds operate in two ways, having *two cognitive systems*. Renowned economist and Nobel Prize winner Richard Thaler and Professor Cass Robert Sunstein, refer to them as the “*Automatic System*” and the “*Reflective System*” (Thaler & Sunstein, 2008, pp. 19-20), Psychologist and Nobel Prize winner Daniel Kahneman refers to them as “*System 1*” and “*System 2*” (Kahneman, 2011, pp. 20-21). The *Automatic System 1* is effortless, intuitive, fast, and uncontrolled. Whereas the *Reflective System 2* is a conscious process, effortful, analytical, slow and controlled (Thaler & Sunstein, 2008; Kahneman, 2011). In this social age with the abundance of information that requires fast instantaneous processing and with the limitations of the individual mind, organisations should adapt the *two cognitive system* approach enabling a dedicated resource to stop, think and assess decisions before they are made. When applying this theory to an organisational model, the *Automatic System 1* are the individuals or business divisions undertaking their day-to-day tasks, effortlessly and intuitively, automatically and skilfully. The *Reflective System 2* is the organisation's *Risk Professionals*, conscious, effortful thinkers, who are analytical and controlled, only activated when the *Automatic System 1* is inadequate or if significant harm is detected. The *Risk Professionals* have a deep awareness of the human mind, its psychology, and its physiology, they are skilled communicators, influencers and are risk management architects. This essay will discuss these attributes of the *Risk Professional* as the role of the *Reflective System 2*.

1. Awareness

Awareness of the psychology and physiology of the mind and their relationship to one another is a critical attribute of the *Risk Professional*. Our minds are sophisticated and powerful but prone to errors of judgement. To explain this proneness, we must first understand the brain's priorities. Our brains require much energy, approximately twenty percent of the total available energy of the body (Medina, 2014, p. 28), and as we are wired to conserve energy, we default to effortless thinking (Kahneman, 2011). This predisposition to effortless thinking is where errors of judgement and decision-making occur in the form of intuition, heuristics, and biases. Kahneman defines heuristics as “*a simple procedure that*

¹ VUCA meaning volatile, uncertain, complex and ambiguous. (Schneider D. G., 2017)

helps find adequate, though often imperfect, answers to difficult questions" (Kahneman, 2011, p. 98). Whether accurate or not, intuitive judgements play a significant role in life and business. Many business leaders admitted to using their gut feeling when making critical decisions (Gigerenzer, as cited in Mousavi & Gigerenzer, 2014). While skill-based intuition is beneficial in making decisions, total reliance on it can be error prone and fraught with danger. Awareness of the *Automatic System 1* characteristics and its intuitive strengths and weaknesses is critical for the *Risk Professional* in understanding its own role and relationship within the organisation.

The relationship between the *Automatic System 1* and the *Reflective System 2* is also influenced by physiological factors, factors that can affect cognitive performance and the ability to make decisions. Sleep, nutrition, hydration, exercise, and stress, have all been proven to play essential roles in cognitive performance and in turn, have a direct impact on the relationship between the two systems. John Medina (Medina, 2014) introduces us to 12 elements of the brain where he outlines the science and the adaptability of each element or *Rule* to work and life. Medina's (2014) *Brain Rule 3* focuses on sleep and its impact on cognitive performance. Medina also links the effect of poor sleeping habits on our ability to process foods that are vital to our brain function (Medina, 2014, p. 48). An article published in the *British Journal of Nutrition* supports the theory that nutrition and hydration play an essential role in cognitive performance and that further studies should be undertaken to understand the true extent of this relationship (Masento, Golightly, Field, Butler, & Van Reekum, 2014). Medina's *Brain Rule 2* (2014) refers to studies undertaken on the effects of exercise on aging and cognitive ability, and whilst it supports the positive effect exercise has on "*long-term memory, reasoning, attention, and problem-solving skills*" over those who had a more sedentary life, less was able to be said for short-term memory and certain types of physical and mental reactions (Medina, 2014, pp. 23-24). Stress is also a significant contributor to poor brain health and performance. *Brain Rule 4* describes the effects of long-term stress on the mind and body, how the stress hormones, adrenaline, and cortisol, harm the cardiovascular system and the brain's ability to learn and remember (Medina, 2014).

Knowledge of the psychological and physiological mind also requires knowing how to use it, having awareness is different from being self-aware (Jabr, 2012). Dr Gavriel Schneider's book "*Can I See Your Hands*" refers to two levels of awareness, "*Internal and External awareness*" (Schneider, 2017, p. 62) can be applied on two levels, *Internal awareness* is the individuals understanding of their own physical and mental, strengths and weaknesses, and how they react at times of uncertainty (Schneider, 2017). This Internal awareness can be applied to the individual or the organisation as a single entity. *External awareness* refers to understanding *others* and the *environment* (Schneider, 2017). This can also refer to *other organisations* and the *broader operating environment*. Awareness of these factors provides a

baseline of intuitive judgement and decision responses under uncertainty, and as intuitive judgement is an automatic function of *System 1*, it can be used and mastered or trained for greater effectiveness by the *System 2* (Schneider, 2017).

2. Communicator

As organisations are “a group of people who work together in an organised way for a shared purpose,” working together requires teamwork and understanding, working for a *shared purpose* requires clear and well-defined objectives. To achieve this, communication is fundamentally important, both verbally and non-verbally. Newberg and Waldman suggest that even with the various means we have to communicate we are somewhat poor at doing it, often using words without thinking about what those words mean to others and without thinking about the consequences of misinterpretation (Newberg M.D & Waldan, 2013, pp. 3-4), a common trait of the *Automatic System 1*. As an example of the flaws of communication, the authors conducted a survey on people’s definition of the term “God,” finding “90 percent of the respondents had definitions that differed significantly from everyone else. Even people who came from the same religion” (Newberg M.D & Waldan, 2013, p. 29). If single terminologies can invoke different meanings, even by people within that same organisation, then a common language should be established and recorded to facilitate clear, well-defined parameters. To be effective the common language requires a positive tone, as stated:

And the more you stay focused on negative words and thoughts, the more you can damage key structures that regulate your memory, feelings, and emotion. You may disrupt your sleep, your appetite, and the way your brain regulates happiness, longevity, and health (Newberg M.D & Waldan, 2013, p. 24).

The effect of negative words in communication has a direct link to physiological factors that can impact cognitive performance. Medina (2014) also notes the importance of non-verbal communications, such as visual, over words as there is a direct link in capturing attention and comprehension in the way the brain stores information (Medina, 2014, pp. 196-197). In an article published in the *Trends of Cognitive Sciences Journal*, the authors found that using non-verbal communication, such as gestures often reflect the thoughts not necessarily conveyed in speech, they also found that there are potential “*mismatches*” between gestures and words and that there is mounting evidence to indicate that gestures can aid learning (Goldin-Meadow & Wanger, 2005).

Newberg and Waldman (Newberg M.D & Waldan, 2013) introduced the term “*Compassionate Communication*” as a strategy designed to build more positive communication, to undo the *Automatic System 1* communication default and replace it with techniques the *Risk Professionals* can use that will build social cohesion, reduce conflict arising from misinterpretation, and construct an environment designed for teamwork, understanding and productivity (Newberg M.D & Waldan, 2013, pp. 149-162).

3. Influencer

An influencer is “a person or group that has the ability to influence the behaviour or opinions of others.” as defined by the *Cambridge Dictionary online*. There are many ways in which influence is and can be used in the organisational setting, influence can be used to mitigate personal differences and align beliefs, and it can be used to improve intuitive judgements to make better choices.

Daniel Kahneman refers to decisions based on beliefs as an operation of System 1, and that “people seek data that is likely to be compatible with the beliefs they currently hold” (Kahneman, 2011, p. 81). The data that people automatically acquire does not need to be accurate, but if it creates positive affirmations, the thought becomes a new belief. If it is data that is compatible with an already held belief then that belief becomes stronger. Kahneman also states that we automatically believe as a function of *System 1* and it takes the *System 2* process to unbelieve something (Kahneman, 2011, p. 81). A risk to the *group* or the organisation is when beliefs do not align when this risk is detected, the organisations *Reflective System 2* activates, and the *Risk Professional* intervenes assisting the *unbelieving* process and building new aligned beliefs based on facts that benefit the organisation.

If intuition, a function of the *Automatic System 1*, is “nothing more and nothing less than recognition” and “valid intuitions develop when experts have learned to recognise familiar elements in a new situation and to act in a manner that is appropriate to it” (Simon, cited Kahneman, 2011, p. 11-12), then the *Risk Professional* can influence choices and behaviours by developing peoples baseline-knowledge, their expert intuition. This baseline may include psychological and physiological awareness, effective communication strategies, or even techniques of influence.

If the *Automatic System 1* is not aligned or is reliant on limited information, the *Risk Professional* can alter behaviours, create new beliefs and increase the availability and quality of intuitive information.

4. Risk management architecture.

Risk Professionals are critical thinkers, they allocate resources where effortful thinking is required, they are rule-following and orderly (Thaler & Sunstein, 2008; Kahneman, 2011). Organisations, just like the *Risk Professionals*, require structure, so each person or division knows their role, their tasks and what the shared purpose is that brings them together, and what drives the business forward. This requires a well-designed system, a term of reference, or a framework consisting of organisational policies, and tools designed to facilitate and orchestrate organisational decision-making.

Policy outlines the organisational “*shared purpose*,” it sets expectations and provides a clear communicable governance standard. Policy should also consider the wider operating environment and thus include external factors such as the organisation's social impact. Kahneman states “*Psychology should inform the design of risk policies that combine the experts’ knowledge with the public’s emotions and intuition*” (Kahneman, 2011, p. 145). An example of where the public's emotions and intuitions had a significant consequence on an organisation is the *Alar Incident of 1989* (Kahneman, 2011, pp. 142-145). The misreporting of this incident had a social-political *cascade*² not because of the actual toxicity levels of the chemicals that were sprayed on the apple but the gross exaggeration of the risk, the emotiveness of the reporting and the total neglect of facts. Having Risk Professionals facilitate policy-making ensures those psycho-social influences are identified and accounted for. Policy should also include internal factors regarding the use of influence, which is used to alter people's decisions, rules must be set to determine how much influence is too much and to maintain an ethical standard. Communication protocols should also be established to guide how we interact with others based on the theoretically proven strategies of “*Compassionate Communication*” (Newberg M.D & Waldan, 2013). These strategies create and facilitate relationships built on trust, empathy, and teamwork and actively reduce negative thoughts and their physiological effects on the mind.

The Risk Professional will also facilitate in designing risk management tools, such as an *organisational dictionary*, “*project premortems*”, and a *risk and reward register*. The *organisational dictionary* clearly articulates business-specific and industry-wide terminology to remove ambiguous interpretation (Newberg M.D & Waldan, 2013, p. 29). *Project premortems* (Klein, 2007) are a preventative risk management tool, conducted before projects commencing. These *premortems* create an environment where organisational subject matter experts come together to identify the worst possible outcome of an event in order to review the controls and implement change before an event occurs, and before a project even starts. Another tool for framing a constructive decision-making environment is a *risk and reward register*, an active register that works as an organisational Reticular Activating System (RAS), which “*sorts through your environment for information patterns that best match your beliefs or the things that are familiar to you. Then links your thought and feelings with similar things in your environment. When it finds a match, your conscious mind is alerted*” (Pease & Barbara, 2016). These tools amongst others will help develop the organisation and facilitate *Reflective System 2* thinking.

Conclusion

² Cascade being short for “Availability cascade, a self-sustaining chain of event, which may start from media reports of relatively minor events and lead up to public panic and large-scale government action (Kahneman, 2011, p. 142)

Sunstein and Kahneman's definition of the *two cognitive systems* can be applied on an organisational level where the *Automatic System 1* is the general day-to-day skilful operations of the individual or business units, and the *Reflective System 2* are the *Risk Professionals*, consciously aware, effortful and analytical. Activated by the corporate RAS the *Risk Professionals* sit throughout the business, acting as trusted advisers, providing emotionless guidance and support, interjecting where potential harm or reward is critical to the organisation. They assist in developing governance policies to ensure the inclusion of internal and external factors, psychological influences and personal health and wellbeing. They interject at critical times and use tools to facilitate in-depth analysis and critical assessments. Their awareness of the brain sciences will enable better use of the two systems characteristics and how to improve cognitive performance. They will utilise beliefs to drive collaboration and performance and will educate people to ensure better baseline intuition.

While only a few of the key attributes have been explored in this essay, more critical analyses should be undertaken to support this hypothesis. To support the concept of the new *Risk Professional* as the organisational *System 2 Agent*, and in mapping further characteristics of the *Risk Professional* into a role description that will sit in future organisational structures.

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