

**You Are What You Risk**

# **What's in it for me? Reevaluate your relationship with risk.**

Take a look around you. Believe it or not, risk is everywhere – in fact, it defines everything you do. That shouldn't terrify you, though. If it does, you're thinking about risk all wrong! Risk doesn't just mean danger; it also means opportunity. That's right: risk can do you harm, but it can also do you good. The outcome just depends on the situation – and your own attitude toward risk. In these blinks, you'll learn a better way to think about the risks you face at work and in your day-to-day life. You'll hear about petrified skydivers, reckless war reporters, and game-changing financiers. But none of those stories should dictate how you respond to risk. Your own relationship with risk is wholly unique. In these blinks, you'll learn

how being a coward actually results in taking a bigger risk; how your risk tolerance changes when you listen to music; and why men shouldn't gamble after putting on hand cream.

## **People's relationships with risk are unique and complex.**

What does risk mean to you? And how does it make you act? Imagine three friends who have the chance to go skydiving. The first, a daredevil, says yes right away. The second isn't so sure. So she does some research and discovers there's a higher chance of being struck by lightning than of dying from a skydive. OK, then – she signs up too. The third friend? He's terrified. But he's even more scared of his two friends thinking he's a coward. So he reluctantly agrees. In the end, they all go skydiving. But they've each taken a different kind of risk. The key message here is: People's relationships with risk are unique and complex. The first skydiving friend in our example is someone with naturally low risk sensitivity. She just doesn't think skydiving is dangerous, so taking part is easy. Friend Two is sensitive enough to research the danger. But the data gives her confidence. Which friend displays the highest risk tolerance? It's actually Number Three – the scaredy-cat. He's hugely sensitive to the dangers of skydiving, but decides to do it anyway. Simply put: he takes the biggest risk. People can make surprising and even illogical decisions when it comes to taking risks. The author often thinks about her grandmother, who carefully planned for winter by freezing summer vegetables and, inexplicably, large amounts of butter. But despite being so overcautious about food, she refused to go to the doctor when she got sick. Why risk so little regarding food, and so much regarding health? Well, it mostly boils down to how bad we are at seeing rhinos – gray ones, that is. A gray rhino is a huge, obvious threat you can see coming from a mile away. For example, on a global scale, think about the precarious state of the financial system. Or the climate crisis. We all have personal gray rhinos too – like doomed relationships or slowly mounting health problems. The thing about gray rhinos is, we're surprisingly bad at acknowledging they're charging straight at us. Everyone could benefit from better acknowledging risks – including the huge, gray, rampaging ones they don't want to deal with. What we should all be aiming for is our own Goldilocks-style sweet spot, where we take risks that are neither too great nor too small. That's not to say that everyone is Goldilocks, though. Some people are Mama Bear; they like cooler

porridge. Some are Papa Bear and like it hotter. At the end of the day, people's approach to risk simply varies depending on who they are.

## **Risk is all around, but you can define it in any number of ways.**

Entrepreneur Mari me Jamme doesn't often use the word "risk." Having survived a traumatic childhood in Senegal and France, where she was trafficked, she knows how it feels when the odds are against her. She also knows just how much hard work and good fortune go into achieving success. For Mari me, taking a risk is about having something to aim for and working as hard as she can to make it happen. Nowadays, her preferred term isn't risk, but a word with more positive connotations: hope. The word "risk" hasn't always existed, after all. It goes back to around the seventh century or so. So how did people think of risk before that? Well, maybe they just called it "life." The key message here is: Risk is all around, but you can define it in any number of ways. The modern Western concept of risk seems to have developed first in the military and nautical fields before later being adapted by business. In the seventeenth century, French mathematician Blaise Pascal argued that risk depended on two things: the probability of something happening and the gravity, or seriousness, of that event. Risk has been central to the global economy for several centuries. In fact, personal accident insurance dates back to the 1840s. Plus, capitalism itself is dependent on risk. Investors risk their capital in the hope of making more money - sponsoring new business ventures in the process. Finance has a very particular definition of risk that the wider world doesn't share. To a financier, risk is precisely measurable. You can assign specific numbers to risks so you know exactly what they're worth. This is in contrast to things that are just uncertain, or unmeasurable. But how accurately can we really calculate risk? It's a problem when we become dependent on numbers that are ultimately just guesses - as the financial world found out in 2008. What's more, risks aren't necessarily bad. Only negative risks are actually dangers. There are also positive risks - better known as opportunities. The underlying concept of risk itself is neither good nor bad but value-neutral. Oh, and one more thing: risks are relative. They don't just depend on personality - people's personal openness to take a risk - but also on the situations people find themselves in. How big a risk are refugees from a volatile area taking when they flee their home? Most likely, staying would expose them to even more danger than fleeing, so they're actually taking the safer option; the negative risk is greater if they stay put.

## **Your risk fingerprint is a fundamental part of your identity.**

In 1901, 63-year-old widow Annie Edson Taylor had one dream: to ride over Niagara Falls in a barrel. She wasn't a thrill-seeker, though - she just needed cash, and the barrel stunt was a risky get-rich-quick scheme. But why was she so comfortable with risk? Lots of factors were involved. Both her husband and her father had died suddenly, which taught her that life was fleeting. She'd previously been wealthy and had lost it all, so she didn't fear the consequences of failure. And a recent stock market crash had left her with genuinely few options. To put it another way, her personal risk fingerprint meant that riding a barrel over North America's largest waterfall made perfect sense to

her. The key message here is: Your risk fingerprint is a fundamental part of your identity. A risk fingerprint isn't stable like an actual fingerprint – it changes with experience, as journalist Frank Smyth discovered. In his youth, Smyth was a fearless war reporter. He covered many combat zones, from Colombia to Rwanda to Sudan. But on a trip to Iraq in 1991, he was accused of being a spy and spent 18 days inside Abu Ghraib prison. What made it even worse was that he was working as a freelancer, so no media organization had his back. Smyth was lucky enough to get out of Abu Ghraib, and the experience made him realize that certain risks just weren't worth it. His own risk fingerprint had changed permanently, so he stepped away from conflict zones and founded an organization to educate other war reporters. Now, not all aspects of a risk fingerprint are determined by experience. Some are genetic. According to one study, there are 124 genetic markers within the human genome that affect how we think of risk. But any one of those markers accounts for just 0.02 percent of the possible variations in risk tolerance – a tiny proportion compared to other factors. The truth is, environmental factors can have just as big an impact as genes. For example, people are more likely to take risks after eating spicy food or listening to loud, fast music. Risk fingerprints are complex, changeable, and strange. But the role they play in people's lives is huge. They can lead you to quit a dangerous job, jump out of a plane because of peer pressure, or even traverse Niagara Falls in a barrel. Oh, and by the way, Annie Edson Taylor made it over Niagara Falls in the end. She did it on her sixty-fourth birthday. She didn't make a fortune, though – turns out that taking risks isn't the answer to everything.

## **Different demographics tend to have different risk attitudes.**

What type of risk-taker are you? Everyone's unique, but it can still be useful to broadly categorize people. To that end, financial advisors use risk profiles to determine how much of someone's investment should go into safer bonds versus riskier stocks. The Risk Type Compass, developed by the UK-based Psychological Consultancy, places people on a compass with eight points. Each of these points is labeled with terms like "Wary" or "Prudent"; opposite those are the words "Adventurous" and "Carefree." If people place toward the middle, their risk appetite is changeable. Loosely speaking, certain professions tend to fall into certain groups – air traffic controllers tend to be "Deliberate," for instance, while actors are "Intense" or "Excitable." But profession is far from the only factor. There's also cultural background, age, gender, and even physical appearance. The key message here is: Different demographics tend to have different risk attitudes. According to one study, tall, strong, attractive people are more willing to take bigger risks. And some cultural generalizations about risk aren't entirely inaccurate. German culture, for instance, really is risk-averse – which is one reason Germany excels at detail-oriented work like engineering. Age matters too. Younger millennials have a curious relationship with risk that's resulted from the huge uncertainty caused by the 2008 financial crisis. This generation is often criticized for its financial planning; millennials tend to focus less on pensions than older generations did and instead concentrate on rainy-day funds and debt repayment. But is that really such a bad thing? Given the genuine uncertainty they've faced – and their often enormous levels of student debt – the risks millennials are taking might actually be appropriate to the conditions in which they live. How about gender? Well, there's increasing evidence that suggests women manage risks slightly better than men. The stereotype tells you otherwise, of course – and that stereotype is so damaging that it actually impacts

women's prospects in both work and life in general. For instance, women face more ridicule than men when risks they take go wrong. Men are affected by stereotyping too. In one study, two groups of men played dice. One group held power drills, and the other group put on scented hand lotion. With their masculinity under threat, the hand lotion group took higher risks. All in all, when it comes to risk attitudes, so many factors are at play that people always remain unpredictable. People's particular life experiences play a crucial role too, which we'll look at in the next blink.

## **People's levels of acceptable risk differ widely based on their experiences and personalities.**

During the first wave of the 2020 coronavirus pandemic, New York City hospitals were especially badly hit. With personal protective equipment in short supply, emergency-room nurses were right in the danger zone. How did the nurses respond? In pretty diverse ways, it turns out. Some resigned themselves to the risks and just carried on as best they could. Some sent their children to stay with friends. Others stayed apart from their families or devised elaborate decontamination routines once they got home. Some retired, while others actually came out of retirement to offer help. You might not expect a single group of people – New York nurses – to have such different levels of risk tolerance when faced with the same threat. But they did. That's because personality and life experience plays just as big a part as demographics. The key message here is: People's levels of acceptable risk differ widely based on their experiences and personalities. There's an important difference between objective risk, which is the sort that financial analysts calculate, and subjective risk, which is what we perceive personally. Imagine you're an Australian passenger flying to Malaysia. You feel something happen to the plane, and the oxygen masks drop. The concerned-looking crew members don't speak English, so you don't know what's going on; naturally, you assume the worst. You're terrified. Luckily, the pilot calmly makes an emergency landing, and everything's fine. But how would you feel about getting on a plane again after that? It would be completely normal to perceive a subjective risk far greater than the objective one. Of course, measuring risk objectively is useful too. Risk scientist David Spiegelhalter measures danger in micromorts – units that objectively compare the risk of death. For instance, smoking 1.4 cigarettes, spending two months with a smoker, and traveling 230 miles in a car all carry a risk of 1 micromort. The risk of hang gliding is 8 micromorts. Giving birth clocks in at 170. Having a decent understanding of objective risk helps us calibrate the decisions we make and improve risk literacy. But that's only half the battle. There's also the question of how to make a good decision, based on the known risk. During the Covid crisis, for instance, US citizens overestimated the risk of death – on average, they thought there was a 22 percent chance that getting Covid would kill them; in reality it was 3 percent at most. Yet did all these people wear masks, socially distance, and avoid crowds? People overestimated the danger, but still responded inadequately. So how can we work toward making good risk decisions? We'll look at that in the next blink.

## **Having a sense of purpose and involvement heightens your awareness**



# of risk.

October 2017 was a strange time in South Korea. US president Donald Trump and North Korean leader Kim Jong-un were engaging in an incredibly high-stakes war of words – and the city of Seoul was directly in the line of fire. But South Koreans themselves were thinking about something else: South Korean president Park Geun-hye, who had recently been removed from office for corruption. The former president was especially unpopular because of continuing fallout from a ferry disaster that had happened several years before. But as the threat of a nuclear war with their neighbors loomed, why was it this issue that enthralled the general public? Simply put, it was because South Koreans didn't feel involved in the US-North Korea dispute. Yes, it was a huge risk, but it was one that was out of their hands. The key message here is: Having a sense of purpose and involvement heightens your awareness of risk. Attitudes shift when people feel involved – and that's true whether we're talking about the risk of nuclear war or the risk of defaulting on a loan. People from disadvantaged communities have traditionally struggled to get business loans because lenders consider them too much of a risk. But lately, some organizations have been looking to buck this trend. The Boston Impact Initiative Fund, for example, provides not only loans but a sense of purpose. Entrepreneur Deborah Frieze, who set up the fund, is privileged – and her risk-taking has always been rewarded. But she realized that underprivileged people who take risks tend to face skepticism or disapproval, so she created an organization that does things differently. The earlier entrepreneurs are in their business ventures, the lower the interest rates on their loans. More established businesses, on the other hand, pay at a higher rate. Similarly, the fund offers extra protections to the investors that need them most rather than to the ones that can pay the most. Frieze's method works because it recognizes something fundamental about business that often gets overlooked: everyone depends on everyone else. Her organization, along with those that borrow from and lend to it, really are all in it together. And the risk is spread out between them in a way that strengthens the system overall. It's not just that everyone feels involved in the process – it's that they're acting with purpose. That's something that's often lacking from the modern financial system. Deregulation in finance since the 1980s has contributed to a system that is highly aware of risks to shareholder value – famously championed by the economist Milton Friedman – and highly uninterested in risks to stakeholder value. But, as people are starting to realize, risks look different when people think about what's at stake to everyone involved in them.

## Every single decision you make is a risk decision.

Coss Marte was a millionaire at age 22. But he'd made his fortune selling drugs – and by 23, he was on his way to prison for seven years. There, the prison doctor told him that because of his obesity, he only had around five years to live. So he got in shape. Once he'd done that, he helped his fellow prisoners do the same. After getting out of prison, he set up a gym. And when the pandemic hit, he deftly pivoted to online training sessions, which vastly expanded his reach. You could see that as an inspiring story of how to turn a life around. Or you could see it as an example of how risk shapes every step in a person's life. The key message here is: Every single decision you make is a risk decision. Marte's decision to lose a huge amount of weight was a necessary step in lessening his risk of dying in prison. And setting up his business later on was all about

risk too: as an ex-convict, he struggled to find employment, so realized he should cut his losses and employ himself. Shifting to online was a risky decision, effectively forced on him by the COVID-19 lockdown. From a risk perspective, Marte's story is simple: every time he's faced a risk, he's made an intelligent, positive decision. Another risk is facing every young person on the planet: the climate crisis. This risk is huge, which is why so many children are taking such drastic steps to deal with it. Teenage activist Haven Coleman, for instance, has applied serious pressure to American politicians and pushed for Congress to find real solutions. Is it really less of a risk to stay home and play video games, like most 12-year-olds do? Arguably not, when Coleman's whole future is on the line. From a risk perspective, her activism is simply the pragmatic choice. As we've heard, we each have a unique risk fingerprint that's shaped by everything from our experiences to our genes to our appearance. The situations we find ourselves in impact the risks we choose to take, too. But what we can all aim to do, no matter who we are, is become more risk literate. If we better understand the risks we face – positive or negative – we'll make better decisions about how to deal with them. At times, that'll look like standing up to Congress while you're still in high school. At others, it'll look like going back to work as a nurse at the height of a pandemic. Sometimes it might even look like riding a barrel over Niagara Falls. Although, let's face it – probably not.

## Final summary

The key message in these blinks is that: Everyone has a unique risk fingerprint, which is defined by factors that range from our genes and our appearance to our experiences and the situations we find ourselves in. What seems dangerous for one person might not seem like much of a risk at all to someone else. Acknowledging the central, defining role that risk decisions play in our lives every day will help us all make better risk decisions.