

Assessment

Risk Taking

Revised Edition

The objectives of this book are:

- To enable decision makers to choose which risks to pursue, and which to abandon or modify
- To explain strategies for successful risk taking that support constructive change
- To show how to assess risk-taking situations to improve gains, minimize losses and reduce uncertainty
- To guide readers in understanding their own risk-taking tendencies, patterns of risk preference, avoidance or neutrality



Assessment Questions for *Risk Taking, Revised Edition*

Select the best response.

1. An outcome that is less favorable than it might have been is:
 - A. A possible loss
 - B. A real loss
 - C. An opportunity loss
2. The starting point for risk-taking is:
 - A. Determining the outcome of your decision
 - B. Clarifying your goals
 - C. Letting go of what feels secure
 - D. Eliminating the riskiest options
3. In the Expected Value Evaluation technique, the expected value:
 - A. Requires calculating the expected value of each alternative
 - B. Is a measure of gain or loss from a risk-taking decision
 - C. Shows only positive results
 - D. A and B
4. A Multiple Attribute Matrix technique is helpful because it:
 - A. Offers structure to bring the most appropriate course of action into focus
 - B. Has monetary values attached to each outcome
5. In a Multiple Attribute Matrix, for your highest score to be definitive it must:
 - A. Be at least 15 percent higher than the closest alternative
 - B. Feel right at a “gut level”
 - C. Both of the above

6. People with a risk-preference pattern tend to choose:
 - A. More radical short-term alternatives
 - B. Alternatives with higher potential gain and higher potential losses
 - C. Alternatives with high potential gains and low potential losses
 - D. A and B
 - E. A and C

7. People with a risk-avoidance pattern tend to:
 - A. Prefer security and comfort
 - B. Be overly optimistic
 - C. Postpone making decisions
 - D. A and B
 - E. A and C

8. Incremental change differs from transformational change in that incremental change:
 - A. Is based on precedence
 - B. Accepts conservative change
 - C. Aims at doing more of the same, only better
 - D. A and B
 - E. All of the above

9. If incremental change no longer yields acceptable progress, you should consider a transformational-change strategy.
 - A. True
 - B. False

10. To solve traffic problems, funding a mass transit system where there is none would be:
 - A. An incremental change
 - B. A transformational change

11. If stakeholders' concerns are a barrier to making a decision, a leader should:
 - A. Simply overlook them and move on
 - B. Use humor to downplay concerns
 - C. Encourage people to express views, even if they are unpopular

12. When two parties arrive at a decision through a series of offers and counter offers, they are using the decision-making process called:
- A. Unilateral
 - B. Collaboration
 - C. Bargaining
 - D. Decision rule
13. A jury verdict is an example of the decision-making process called:
- A. Unilateral
 - B. Collaboration
 - C. Bargaining
 - D. Decision rule
14. A decision using the collaboration process must be unanimous.
- A. True
 - B. False
15. Arbitration is an example of the decision-making process called:
- A. Unilateral
 - B. Collaboration
 - C. Bargaining
 - D. Decision rules
16. To increase the favorable odds for risk, you could try:
- A. Bargaining
 - B. Unilateral decision making
 - C. Risk sharing
 - D. None of the above
17. In decision making, considering alternatives can be short-circuited by:
- A. Self-managed teams
 - B. Close-knit groups
 - C. “groupthink”
 - D. A and B
 - E. B and C

18. If outcomes don't satisfy your expectations and it is feasible to go back and correct things:
- A. An incremental change may be the answer
 - B. A transformational change may be the answer
 - C. You should ask yourself what you might do differently
 - D. All of the above
19. When overcoming barriers to appropriate risk taking, internal pressure can be more pervasive than outside forces.
- A. True
 - B. False
20. Reframing the situation to reduce pressure means:
- A. Allowing a new interpretation of the same facts to emerge
 - B. Presenting new alternatives
 - C. Starting from scratch to build a new model
21. A transformational policy often requires a series of new incremental changes.
- A. True
 - B. False
22. To increase reward/risk ratios you will need to disregard whether decision-makers have "risk preference" and "risk avoidance" orientation patterns.
- A. True
 - B. False
23. Judging consequences of a potential outcome requires subjective valuing by people who have a stake in the outcome.
- A. True
 - B. False
24. When "groupthink" occurs, a common pitfall is that:
- A. The group dwells on potential losses
 - B. Negative possibilities are downplayed to maintain the illusion of group unity

25. If values are a key factor in evaluating a risky situation, stakeholders should:
- A. Avoid bringing up personal values
 - B. Discuss if a course of action fits personal and organizational values
 - C. Drop the risk without opening discussion

Answer Key for *Risk Taking, Revised Edition*

Recommended response (Corresponding workbook page)

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|-----------|------------|------------|------------|------------|
| 1. C (6) | 6. D (25) | 11. C (71) | 16. C (51) | 21. A (33) |
| 2. B (6) | 7. E (27) | 12. C (36) | 17. E (63) | 22. B (45) |
| 3. D (12) | 8. E (31) | 13. B (36) | 18. D (78) | 23. A (64) |
| 4. A (15) | 9. A (31) | 14. B (36) | 19. A (68) | 24. B (64) |
| 5. C (18) | 10. B (33) | 15. D (36) | 20. A (70) | 25. B (67) |