

*Special "Human Emotions" Feature within this issue*

The Group makes no apology for the length of this month's issue, 8 pages, including 5 for the *Human Emotions* Feature - we have a lot of work to get through. But firstly, I would make a correction to the opening editorial statement in *NEWSLETTER* No 9 (September/early October) - on the second line down the reference to the thanks due to Sara Furegard should have read *we (the SIG)* and not *I*. The confusion arose with the subsequent acknowledgement to members, including Nicolle Croft, which was correctly in the first person as it was my computer that had the problems! Added to which, I spelt Nicolle's name incorrectly, so it wasn't a good day for me, but will no doubt be heartening news to one of the delegates in the recent *Risk Forum* survey, who wrote that I should be replaced in future *People Risk and Communication Workshops*!

Having got that out the way, there is one further point before we settle down to this month's features - your attention is drawn to a service on offer from the LSE (London School of Economics and Political Science):

CARR (Centre for Analysis of Regulation and Risk) is available at [www.lse.ac.uk/CARR](http://www.lse.ac.uk/CARR) and the website will tell you all about it - there is a comprehensive A to Z Site Index in support of the Home page.

Also, CARR includes a biannual magazine.

**Feature 1 of 2**

You will recall that there was the introduction of a contribution from Ruth Turner about the FSA "ARROW" Framework, which was submitted in response to *NEWSLETTER* No 6 regarding "Blame Culture", but had been held over. Before you read the second part of the article, I would like to thank our member, David Hillson, for pointing out a typing error in the first part of the opening feature:

On the fourth line down: delete "appalling" and substitute "appealing". Ruth has confirmed that David's observation is correct, but I felt that *either* word could have been correct - think about it!

Without more ado, here is the next part of Ruth's submission:

"In my last article I introduced you to the FSA's ARROW (Advanced, Risk-Responsive, Operating framework). This was introduced against the background that we face a large (arguably infinite) number of risks because of our very broad remit and the Financial Services and Markets Act (2000) gives us four statutory

objectives which we must have regard to in discharging our duties. For us to consider something a risk, it must have the potential to harm one or more of our statutory objectives. The legislation also imposes a number of principles of good regulation which, amongst other things, state that we must be efficient and economic with our resources and proportionate in our approach.

The three main components are:

- 1) The firm framework – used when assessing risks in individual firms.
- 2) The thematic framework – used when assessing cross cutting risks, i.e. those involving several firms or relating to the market as a whole; and
- 3) The internal risk framework – used when assessing the operational risk that might impact the FSA”.

Editorial Comment:

The conclusion of Ruth’s article will appear later on. To my mind, there are two issues here, firstly, “an interesting definition of downside risk” and secondly, “the basis of a Risk Framework.”

What we must remember, is that in financial services firms, the main exposure is in fact a *People* one, as we are concerned mainly with Partners/Directors and other Fee/Commission earners. This actually follows on quite nicely from the point Pauline Bird made last month about exposure caused by partners in professional firms and you will recall that I set out where we hope to go with the SIG through *emotions, training and frameworks* and then *decision making and senior management*.

### **The forward plan**

We deal with “emotions” within this NEWSLETTER, “training” in January 2007 and then “frameworks, decision making and senior management”, leading to a resume of our work to date – probably mid-2007 – it is hoped that this paper, which will carry the names of all those who have contributed, will be regarded as an authoritative work on basic *People Risk*. **So please keep on sending in those contributions.**

At that point, we will all have to decide on the best way forward for the SIG.

**Feature 2 of 2** (Complete separate pages have been used, in order that the feature may be reproduced as a stand alone paper if needed).

## Human Emotions (an *irm People Risk SIG* presentation)

A number of our members are known to have knowledge in this area - the SIG is grateful to Ruth Murray-Webster for her valued contribution.

### **Firstly, an editorial comment**

When I started my career in the insurance industry during the 1960s, I soon came across words like *Moral Hazard*, *Human Factor (or Element)* and somewhat later, *Risk and Human Behaviour*. Along the line, I recall *Emotional Risk* entering the vocabulary and that was the state of play when I took early retirement in 1998. On returning to the World of Risk in my present capacity in education and research - I came across *Emotional Literacy*, apparently another import from the US!

Well, I suppose it all boils down to the fact that you cannot take the folk out of the risk and *ther's nowt stranger than folk*.

At a practical level, I have long believed that there are two main types of emotion in the corporate and professional world:

*Personal Emotions* which stem from raw passions, can be intense and are often barely controllable.

*Professional Emotions* which are tempered by controls that stem from discipline and are intuitive and lead to the skewing of decisions from actual evidence and facts by introducing an element of "gut feeling".

Basically, the decision makers need to use the latter having taken into account that the masses may use the former.

### **Recent TV Programme**

#### **(an example of both type of emotions)**

I watched with interest a documentary about the Police shooting of the "man with the table leg". In the unlikely event that readers are not familiar with this case, a man was carrying a wrapped up table leg home from the pub one evening (for whatever reason) - a member of the public dialled 999 and said that the man was carrying a wrapped up gun - armed police were dispatched who challenged the innocent man, then gunned him down dead, apparently shot in the back!

The situation of armed Police on the streets of Britain gunning down an innocent man creates a flow of *Personal Emotions* in all of us. However, as Risk Managers, we must look at, and analyse, matters using *Professional Emotions*:

The programme reconstructed the man walking from the pub and the 999 call.

The crux of the matter was that the member of the public rang in stating categorically that it was a gun that was wrapped up. The operator on the 999 switchboard did not in any way question that *fact* and relayed the information to armed officers who consequently believed that they *were* confronting a gunman.

To my dismay, much of the programme was allocated to forensic reasoning as to why it appeared the man had been shot in the back, rather than as he was turning to “confront” officers – conveying a perception of wrongdoing on the part of the suspect in turning round (echoes of the *Wild West* and the fair draw!). In fact there was little or no comment on the associated problems of the Police approaching a suspect from behind, rather than from the front where the uniforms of the officers can clearly be observed, there being no doubt that they were genuine Police. You have to think of the suspect’s *emotions*, is it not unreasonable to suppose that he would want to turn round?

Perhaps of even greater importance, “why was he considered to be so dangerous in the first place?”

Let’s go back to the beginning – the 999 caller gave inaccurate information (for whatever reason) – I put the case that this was not “information received”, but “raw data received” (see *NEWSLETTER No 4* – incidentally, on looking at that feature again, I see that I omitted to credit that important input to Brian Rowlands - sorry, Brian).

Returning to the story, the programme quite correctly pointed out that the officers at the scene thought their lives were at risk as they were confronting an armed man. Whilst there was some comment about the switchboard girl, they did not go into her qualifications or experience to convert this “data” into “information” (I don’t think they even said if she was a police officer or a civilian!). Although there was not a lot of information for a risk assessment, I suspect that the blame here lay, not with the operator herself, but within the “risk framework” for handling 999 calls (especially those requiring an armed response) – this clearly did not allow for the *People* risk of operatives handling data within the framework.

The emotions and reactions of people when under extreme stress, is important to our SIG’s research. **I know we have some “Police people” in our membership – any comments here, please?**

### *Emotional Literacy*

For information on the role of *Emotional Literacy* or *Emotional Intelligence* in Risk Management, a useful reference is the Website of one of our members, Dr. David Hillson at [www.risk-doctor.com](http://www.risk-doctor.com) in particular to avail of the free download service for the paper relating to Madrid 2006 - the paper was written by David with Ruth Murray-Webster.

Within this paper, David and Ruth provide us with both a simple and a more complete definition of risk. Of interest to us now is the former, which is quoted a second time in the context of emotional literacy:

“Risk can be defined as *uncertainty that matters*. In a similar way, emotional literacy in the context of risk management is about understanding and managing *emotions that matter*”.

### **A practical example**

In the absence of other contributions, the Secretary/Editor will give his own illustration of how emotions can skew a decision:

“I put the case of swimmer, who whilst being very competent, has a fear of diving in off the side and hitting his head on the bottom. By watching other swimmers dive in, it is known that there is adequate depth for the operation to be completed safely (IQ or logic?). However, in reality when the swimmer reaches the edge of the pool again, he hesitates, firstly the water does not look so deep due to the *angle of refraction of light at the water's surface*. Other external factors then prevail, a group of disruptive children run by shouting and pushing - old fears return to haunt him, he walks away and enters the pool down the little ladder (Emotions /EQ?).”

Management should make reasonable allowances for people's emotions and secret fears when creating risk frameworks - decisions should be based on all relevant information and not biased by unhelpful influences. The concerns fall into two categories: those which management cannot alter (the angle of refraction) and those that they can (the noisy children). The former can be mitigated by confidence building through quality training and the latter by direct action e.g. moving the children into a different session where an instructor can re-direct their energies (when your secretary was a lad, a couple of strokes of the slipper would have been more cost effective!).

Returning to the science - during their July talk at the joint IRM/APM day in Manchester, David and Ruth related the work of Paul MacLean on the *Triune Brain* to managing risk attitude with Emotional Literacy.

“A Google search on Triune Brain will give you lots of good references (149,000! *Ed*), but for now enough to say that there are parts of the human brain relating to our Physical Quotient (PQ), our Emotional Quotient (EQ) and what is traditionally known as Intelligence Quotient (IQ). All memory is stored in the EQ (limbic system) so any memory that might influence our perception of risk needs managing using emotional intelligence rather than relying only on our rational and logical “grey matter” in the neo-cortex.”

The **Google** search (Editor)

Our members are busy people, so I thought it might be useful if we gave you an outline of this scientific data, based on my brief study of the Triune Brain from the work of Maryland, USA, neurologist Paul MacLean:

**PQ** - The Archipallium or Reptilian brain. This is at the base of the human brain as a cerebellum and extends down the spinal column as the brain stem. It is the oldest form of brain, shared with snakes and lizards (where it dominates) as well as other mammals. It controls balance; muscles and functions such as breathing and heartbeat. It is compulsive and repetitive, operating even in deep sleep and never learns from its mistakes.

**EQ** - The Paleomammalian Brain or Limbic system. This "middle" part of the human brain sits on top of the Reptilian brain, but is quite small and is shared with most mammals, including our good friends the horse and the dog. It is concerned with feeding; fighting; fleeing, sexual behaviour (or fornicate if you prefer the "four Fs" version) and, you guessed it - *emotions* and *instincts* (we will have a look at *instincts* in the future) including fear, joy, rage, pleasure and pain - these sensations can be stimulated by mild electrical currents! This brain has vast interconnections with:

**IQ** - The Neopallium brain or neocortex. This much larger (two thirds of the total mass) brain is "superior" and corresponds with primate mammals and, consequently, humans (the human version has "folds" to increase its capacity). It sits on top of and largely envelops the middle brain and at the rear, the top part of the Reptilian brain - not unlike most of a fruit around its stone - the brain stem trailing away through the gap at the bottom, down the spine.

There are two hemispheres, the famous left and right brain. The left half controls the right side of the body and is more musical and artistic. The right half controls the left side of the body and is more rational and verbal.

Further refinement of my input into *Google*, produced a research paper based on McClean's work by one Marie-Louise Oosthuysen de Gutierrez of Mexico City on Frontal Lobe stimulation. Much of this work is really for the scientific cognoscenti, but I have been able to glean some more practical information:

The neocortex does not dominate the evolutionary older lower brain systems. In fact the limbic system (middle brain), which rules emotions, can override higher mental function when it needs too, also called the "amygdalea kidnapping". This condition was thought to be constant in stone age man due to the perceived continuous threats. Incidentally, emotions have existed in mammals for 150 million years and the primate brain for 65 million years.

Both the brain's two hemispheres have front temporal lobes which are central to the highest mental functions of decision making; judgement; planning; reasoning and impulse control, as well as determining personality. This is the last part of the brain to mature.

#### **Further editorial comment**

Much of the above is paramount to the understanding of *People Risk*. Whilst we are not medics or scientists, we have to work with, and understand, these matters the same as basic law, auditing and a host of other disciplines. Back in the '80s, they used to say that the Insurance Broker was the *Jack of all Professions*. In recent times, I think that title has evolved from the world of insurance into Risk Management.

Also, the references reminded me of a quote that I feel is worthy of the SIG's attention drawn from the work of a Canadian medic, Dr. Mike Lecky of North Bay Hospital, Algonquin Bay:

"People make the mistake of thinking memory is like a video tape. It isn't. It's not a recording of what happened.

"Two sets of encoding have to go on before an event is stored in long term memory. First, it has to be processed by the brain in a way that makes it comprehensible. Then, it varies, but in about twenty minutes, half an hour, the information gets encoded into long term memory - different location in the brain, different recovery system.

"If some trauma shocks the brain before this happens, it will be as if the event itself and everything within half an hour on either side of it never happened."

This was in the context of a victim who survived a frontal gun shot wound to the head not recalling her assailant. There could well be some implications here for our work also - the first part would appear pretty obvious, if memory was like a video tape, we could recall everything and the world would be a very different place - for example, all students who had read the correct text book would get 100% in their exams!

So what makes us recall some things and not others, then how do we make it more attractive for staff and others to remember the right things? I suspect no one knows the full answer. All we can do is scratch the surface - we are merely *People* after all.

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Secretary

**irm** *People Risk* Special Interest Group (nov.06)

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Please feel free to run off copies of the 5 page supplement for any of your colleagues or associates for whom you feel it would be appropriate.

Yes, we are scratching the surface with the science of *Human Emotions*. However, there are one or two interesting further items of data ready for our *Training Supplement* scheduled for early in the New Year, **but if anyone has anything to add, please get in touch.**

### **Concluding comment**

BP have been in the news again, a Radio 4 programme covered the spill in Alaska as well as the explosion in Texas. There was a major update in the Financial Times on 31<sup>st</sup> October and 1<sup>st</sup> November regarding the Texas Refinery explosion. We have already given considerable space to this story in *NEWSLETTERS* 4 and 5, so we will confine current comment to the basic *People* problem, which appears to have been misconceptions by senior local management as to what the main risks were and an appalling culture for communication over safety issues.

We will deal with further points, including from the ongoing legal actions as they become relevant to our work on senior management issues during the New Year.

### ***Newsletter - No. 12***

Should be out during December

*ANY COMMENTS IN THE MEANTIME, you know where I am:*

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