

# Risk Attitudes of Entrepreneurs and SME Managers



A Workshop by

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# What this workshop is about

By the end, participants should be able to ...

- Explain how risk attitudes affect businesses
- List some types of Risk Attitude Profiles
- Self-evaluate personal risk-profiles
- Identify changes needed in risk-attitude



# Workshop Outline


- Introduction to 'Risk' and 'Risk Attitude'
- How Entrepreneurs /SME managers take risks
- Examples – A Few Bahraini Entrepreneurs
- "Risk Attitude' Profiles
- Questionnaire on Risk Attitudes
- The need for changes to self
- Summary of participants' risk attitudes
- Conclusion



SEPTEMBER 6, 1999 \$3.50



Why ?



**Studies show that  
People do take risks  
when they have no other choice**

I CAN'T



I WON'T



I MUST



I'LL DIE IF I TRY



I'LL DIE IF I DON'T TRY



I WILL



I DID!



WHAT DID I DO?

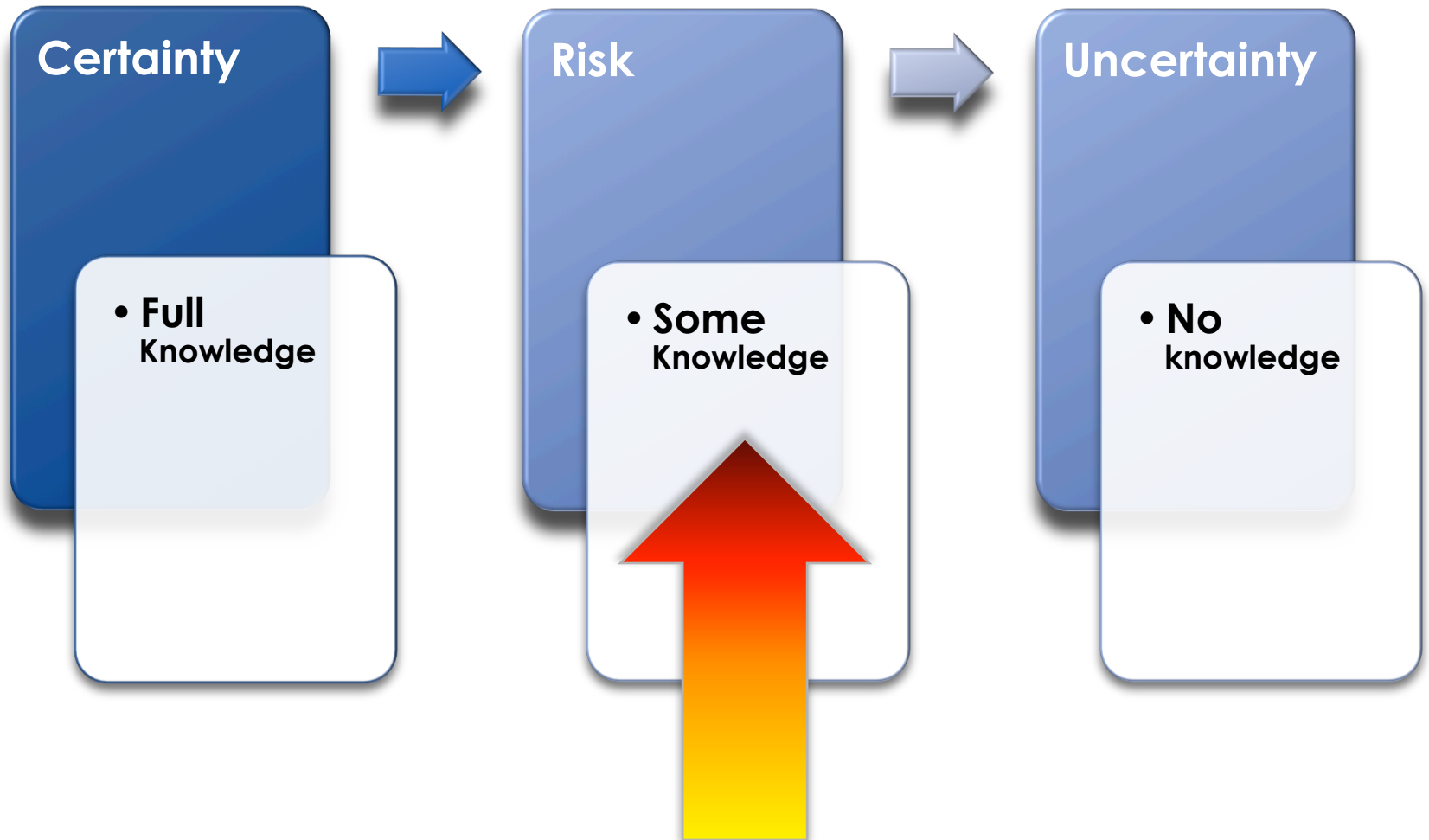




Where does Risk fall  
In the  
Certainty - Uncertainty  
Continuum ?



# Knowledge of Outcomes



# Risk

**Risk** is the potential of losing something of value, weighed against the potential to gain something of value.

**Risk** is the chance that an investment's actual return will be different than expected.



- No reward without risk
- No Profit without risk



PROFIT  
LOSS

## Risk Attitude

- The “chosen response to uncertainty that matters, driven by perception”

**Our Thinking**

Perception



**Our Decision**

Chosen Response



**Our Attitude**

Risk Attitude



Guest

HBR Blog Network

## What's Your Risk Attitude? (And How Does It Affect Your Company?)

by David Ingram and Michael Thompson | 8:15 AM June 11, 2012

Comments (1)



In the best of times or the worst of times — or even in unusually uncertain times — the prevailing opinion about how risky it is to do business is never unanimous. Opinions can be classified into four risk attitudes: **Pragmatists**, who believe that the world is uncertain and unpredictable;

# Ingram and Thomson profiles

- **Pragmatists**, who believe that the world is uncertain and unpredictable;
- **Conservators**, whose world belief is of peril and high risk;
- **Maximizers**, who see the world as low-risk and fundamentally self-correcting;
- **Managers**, whose world is moderately risky, but not too risky for firms that are guided properly.

There are other types



# Risk Doctor – Dr. David Hillson

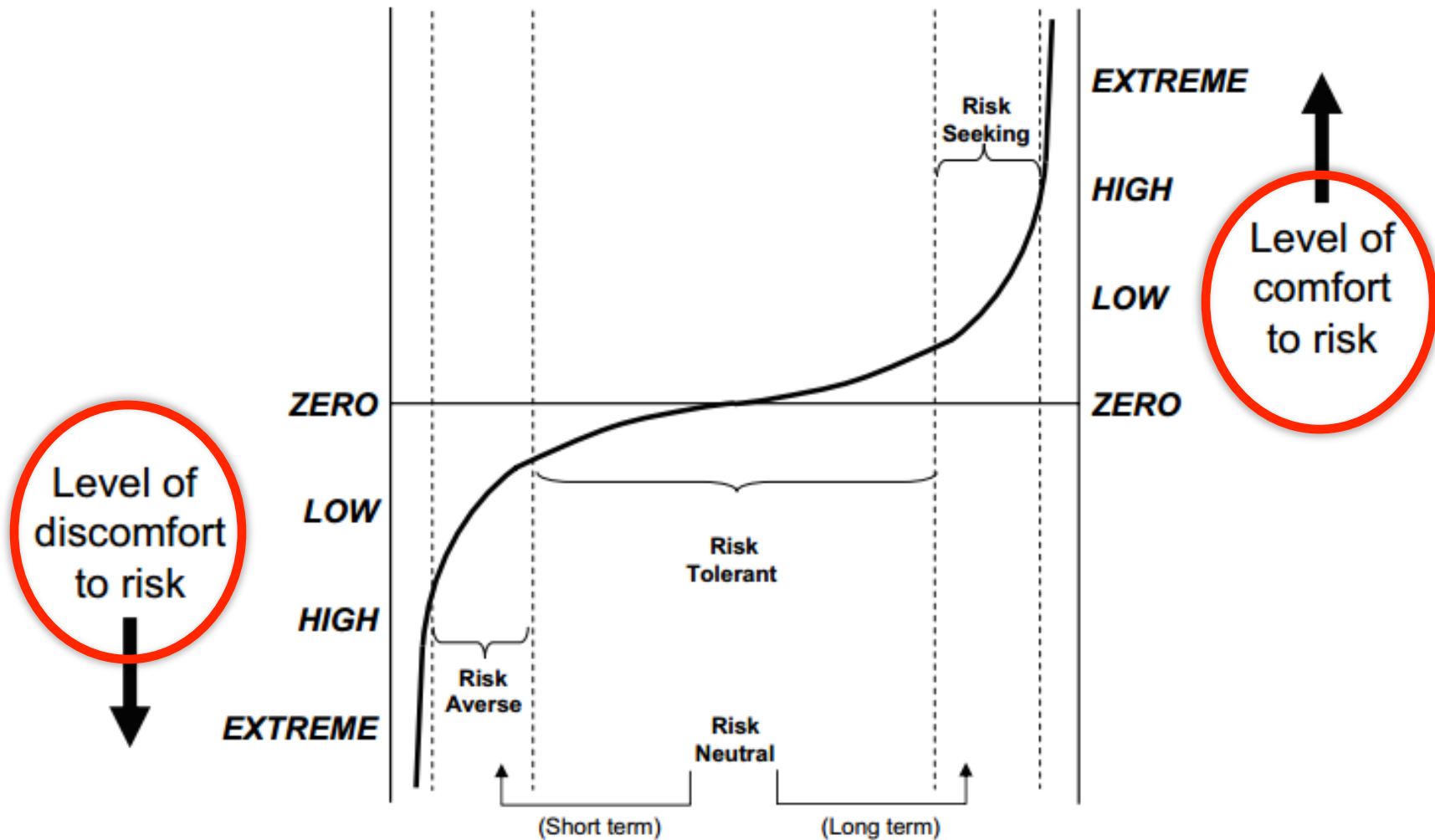


# Risk Attitude Profiles - Popular

Some are

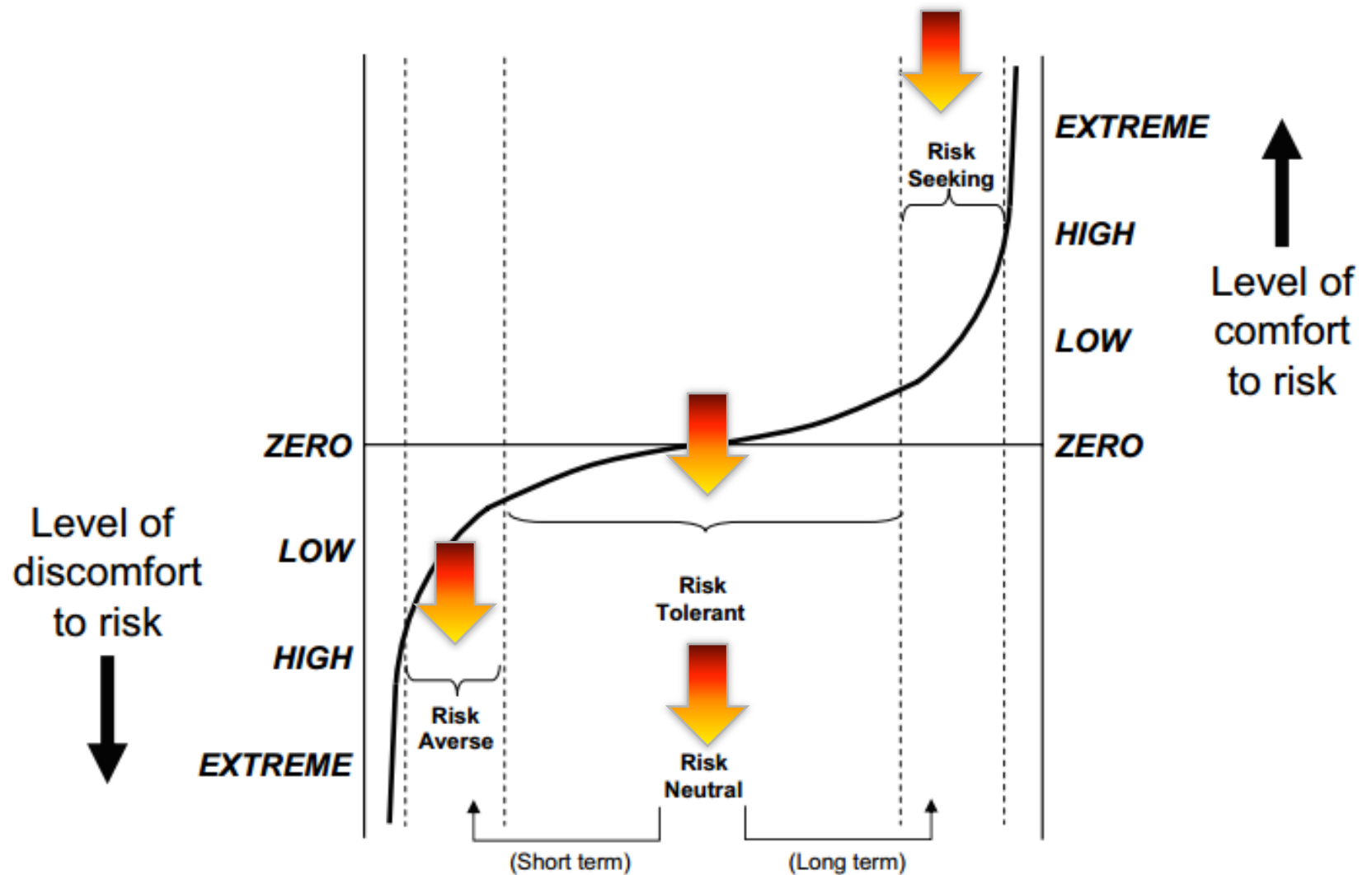
- Risk Seekers
- Risk Tolerant
- Risk Averse
  
- Risk Neutral





**Figure 1.2 Risk attitude spectrum**

*(adapted from Hillson and Murray-Webster, 2007)*



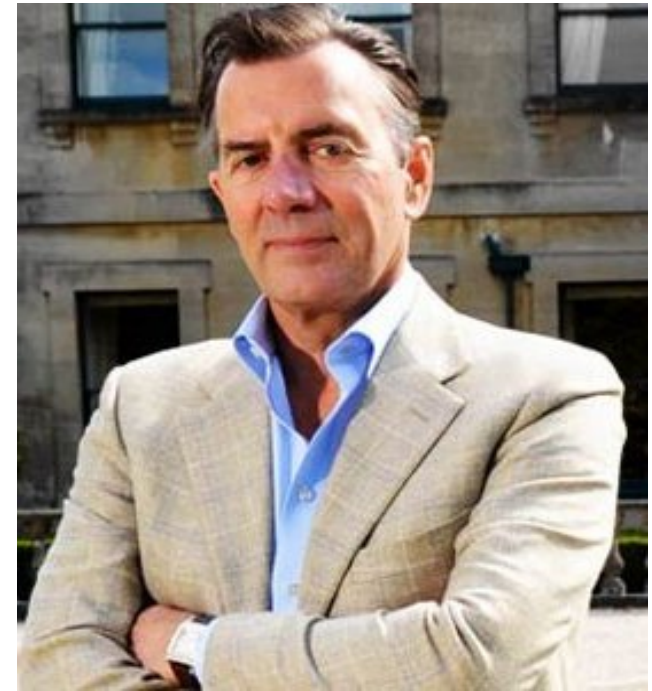
**Figure 1.2 Risk attitude spectrum**

*(adapted from Hillson and Murray-Webster, 2007)*



# Entrepreneur Duncan Bannatyne

- Born in 1949, in Scotland.
- From a “modest family”
- Joined navy, but was dishonorably discharged.
- Was in and out of prison
- At age 29 he started his first business adventure.
- He bought an ice cream truck for £450, expanded the business and sold it for £28,000.
- Opened his own chain of Nursery homes, Children's Nursery Chain, and Health Clubs ...



His wealth as of 2011 was estimated at £430 million by the Sunday Times Rich List.



**B**  
Bannatyne's Health Club  
[www.bannatyne.co.uk](http://www.bannatyne.co.uk)

# Entrepreneur Narayana Murthy

- Co-founded Infosys in 1981, in India.
- Infosys now has a global presence with 73 offices & over 160,000 employees.
- Infosys is now a multi billion dollar company.
- Murthy is known as the father of India's booming IT sector.



Fortune names  
N.R. Narayana Murthy  
among greatest entrepreneurs

Infosys®

A BUSINESS MAGAZINE FOR TODAY'S ENTREPRENEURS

# IN GULF Business

JANUARY / FEBRUARY 2014 / VOL-8 NO:01





# Bahraini Entrepreneurs and SMEs

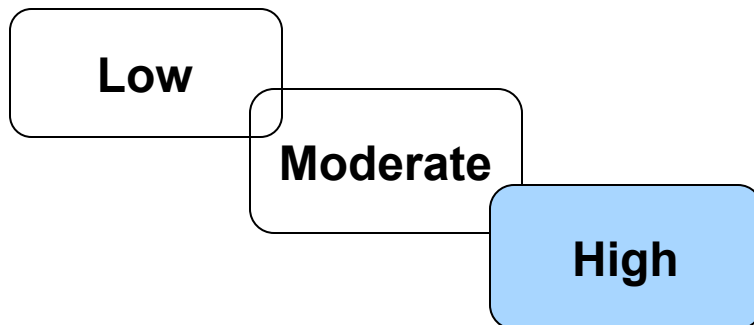
## DreamBody

- In 2007, Suhail Al Gosaibi founded Falak Enterprises, the company that owns the DreamBody Centre.



*“Desire to control my own destiny and I hate working for others.”*

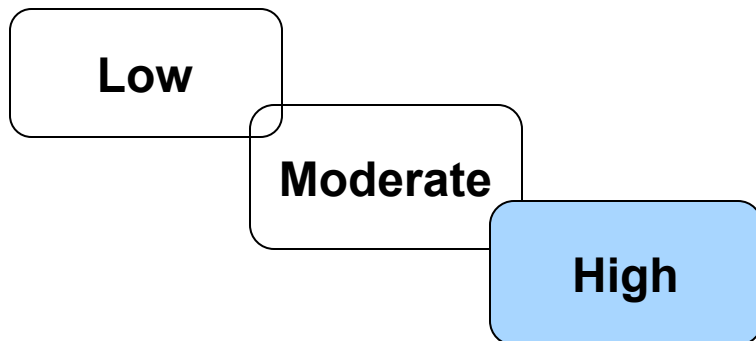
Type of risk taker



# Bahraini Entrepreneurs and SMEs

## Paparazzi Photography

- Aziza Salman founded paparazzi photography in 2008, after quitting her career in the IT sector.
- Type of risk taker



### Motivational Factors

1. "My father always encouraged and believed in me...self confidence and belief in Destiny "
2. Passion for photography

*"I believe risk is like a muscle, the more you practice it, the more flexible you become"*





Bahraini Entrepreneurs and SMEs

# Clever Cupcakes

- In 2008, Najla Al Khalifa founded Clever Cupcakes in Bahrain.
- Started with one kiosk, now has three kiosks in Bahrain, along with the first online bakery in Bahrain, which was launched in 2011.
- Currently looking into franchising the business.



# Seth Godin



Now, the question is...



What kind of a risk taker am I?

- Low?
- Moderate?
- High?

Let us check ourselves



# Exercise – Self Evaluation

## HUMANMETRICS Risk Attitudes Profiler



**Complete the questionnaire  
(tick only ONE or TWO answers for each)**

**10 – 15 minutes**

1

After finishing the  
questionnaire enter answers  
here



<http://bit.do/risk>

# When you complete, You will get a response like this

HUMANMETRICS  
Risk Attitudes Profiler™

Your Risk Group

Risk Attitude	Low	Moderate	High
Index		●	

The descriptions of risk types you'll see clicking on their names:

- [Moralist](#)
- [Toiler](#)
- [Rational](#)
- [Energetic](#)
- [Ponderous](#)
- [Adventurer](#)
- [Inspired](#)

[Home](#)      **Exact values of your Risk Attitude Index,  
types descriptions and recommendations for  
personal growth you'll get in [RAP test](#).**      [Test Description](#)

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# 2

Now, you can enter your  
Risk Attitude Profile here



<http://bit.do/risk2>

# 3

You can see summary of the full audience responses here



<http://bit.do/summary>



What does the  
summary tell us.....



.... about this audience?

# Prisoner's Dilemma



# Prisoners' Dilemma

- Two members of a criminal gang are arrested and imprisoned.
- Each prisoner is in solitary confinement and cannot speak or exchange messages with the other.
- The police admit they don't have enough evidence to convict the pair on the principal charge.
- They plan to sentence both to a year in prison on a lesser charge.
- Simultaneously, the police offer each prisoner a bargain. Each prisoner is given the opportunity to confess.

# Prisoners' Dilemma

Imagine you are one of the prisoners.

The police tell you (and also your friend separately),

- If you confess, you will be freed. But your friend will be in jail for 3 years.
- If your friend confesses, friend will be freed. But you will go to jail for 3 years
- If both remain silent (don't confess), both will get 1 year in prison
- If both confess, however, both will be in jail for 2 years.

You don't know what your friend will do.

What will you do?

# Prisoners' Dilemma

	Your friend doesn't confess	Your friend confesses
You don't confess	Each serves 1 year (1)	You get 3 years Your friend goes free (2)
You confess	You go free Your friend gets 3 years (3)	Each serves 2 years (4)





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# How should I change ?

- David Hill said “Avoid ‘Paranoia’ that makes you highly risk-averse - where you are constantly worried that you might fail”.
- Seth Godin said “Take appropriate risks. You are still in the game even if you fail”  
Take calculated risks.
- We say, evaluate whether your Risk Attitude is low, moderate or high, and push yourself a bit higher into risk seeking category.



When we  
stop taking  
**risks,**  
we stop  
**living life.**

Robin Sharma

A woman with long dark hair, wearing a light-colored, patterned dress, stands on the edge of a layered rock formation overlooking the ocean. She has her arms raised, one pointing towards the sky. The scene is bathed in the warm, golden light of a sunset or sunrise, with the sun low on the horizon behind her. The ocean waves are visible in the distance.

**“In a world that’s  
changing so  
quickly, you’re  
guaranteed to fail  
if you don’t take  
any risks.”**

-Mark Zuckerberg



# High Risk



# Calculated Risk



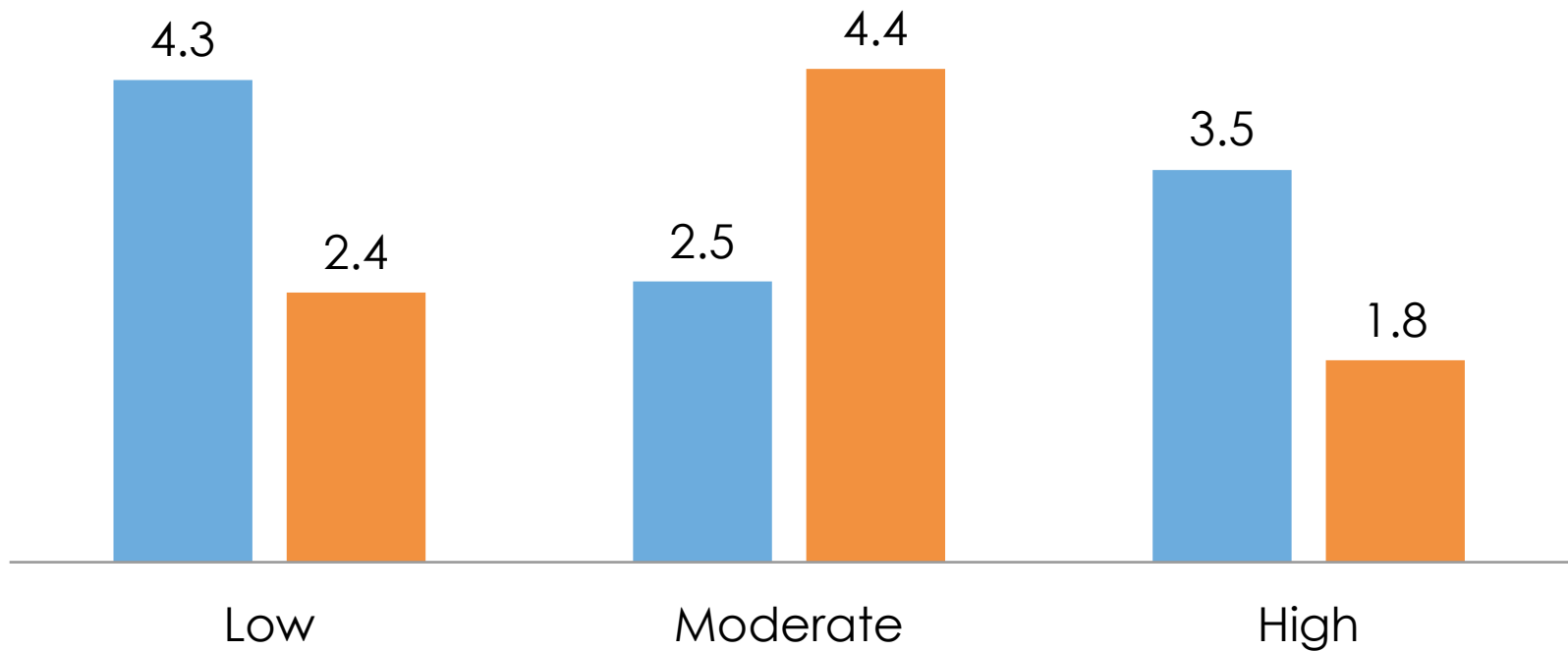


NO GUTS  
NO GLORY

A neon sign with the text "NO GUTS NO GLORY" in two lines. The sign is made of white neon tubing on a dark background. The text is arranged in two lines: "NO GUTS" on the top line and "NO GLORY" on the bottom line. The sign is illuminated, and the background is dark. On the left side of the overall image, there is a vertical bar with three colored segments: blue at the top, yellow in the middle, and green at the bottom.

## How Risk-taking are we

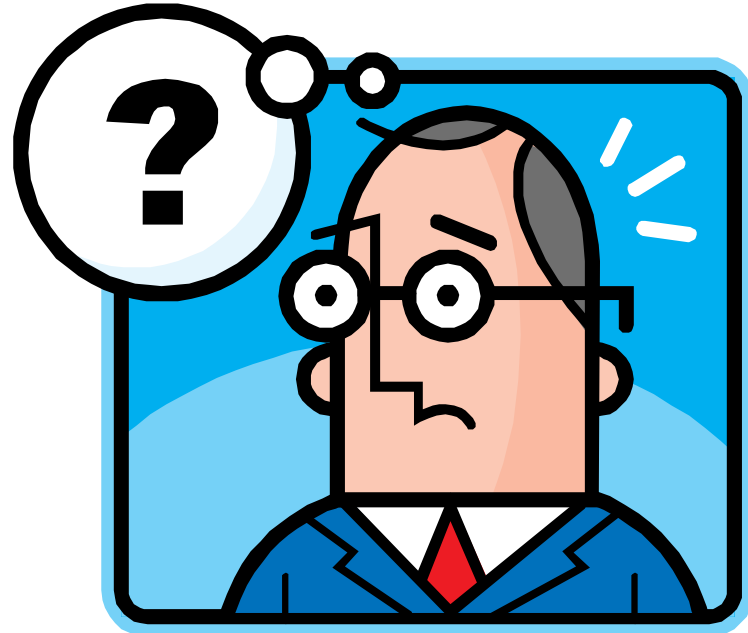
■ Men ■ Women







# Questions?



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# Thank You

