



# Risk

Get clarity on why you make the  
business decisions you do

Report prepared for:

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## Risk Indicator Report

This Indicator is designed to support business owners and managers in determining their Risk profile, i.e. their appetite toward undertaking business risks. It is therefore held in an entrepreneurial space and should not be used in conjunction with any other topics. For example it will not provide you with:

- your personal Risk profile in relation to making personal investments; nor
- your business's Risk profile unless you combine the results of this test with your other partners, managers and/or shareholders, and choose an overall **business Risk profile**.

The Risk Indicator has 34 multi-choice questions geared towards providing an indication of your **acceptability toward risk** in the current environment in which you find yourself working within the business.

The Risk Indicator provides you with an indication of your current Risk profile. This means that as time passes and your circumstances change then it is highly likely that your Risk profile will change, resulting in different business decisions being made. The purpose of the Risk Indicator is to give you an accurate indication of your Risk profile currently, and therefore how this is impacting current performance in your business. We would highly encourage you to redo the Risk Indicator when personal and/or business circumstances change.

Thank you for completing the questionnaire.

## Your Risk indicator score is 5.8

To put this into Context we describe Risk indicator scores as follows:

| Score        | Explanation                                                                                                                                                                                             |
|--------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 0 - 2        | Very Low Risk in business, careful, will be more confident if research is undertaken on projects before investing, would prefer to hold cash for a rainy day.                                           |
| 2 - 4        | Low Risk in business, but has an active view in wanting to grow the business. Willing to take calculated risks in business.                                                                             |
| <b>4 - 6</b> | <b>Balanced</b> in business, keen on achieving growth and returns and willing to take some risks to achieve this.  |
| 6 - 8        | High Risk taker in business, is willing to take risks without all the data, tends to trust instinct rather than research. Willing to make mistakes and loose capital along the way.                     |
| 8 - 10       | Very High Risk taker in business. Is willing to loose the farm to achieve end results.                                                                                                                  |

Outlined on the subsequent pages are overviews of the key components of the Risk indicator which provide insights into how best to use your results.

## Key Components of Your Risk Profile

### 1. Business Risk

Your business also has a Risk profile which will be different to your own personal Risk profile. Business Risk is a combination of the Risk profiles of all the key shareholders, business partners and managers in a company. The easiest way to calculate the business Risk profile of a business is to obtain the average score of the Risk profiles of the number of people involved.

The average enables you to determine where and what issues may be showing up in your business:

- Example 1: Imagine there are four Directors in a business with Risk profiles of 8, 8, 7 and 4. It will always be the person with a Risk profile of 4 who wants to slow down decisions within the business and this can in turn create arguments in a boardroom or with a management team.
- Example 2: The CEO of a business may have a Risk profile of 7 while the rest of the management team each have a score of 5. The difference in these scores would create disharmony. Alternately it could be that the Board has an average Risk profile of 7 while the CEO has a Risk profile of 5; in this case the Board would become very frustrated with the slower, more conservative approach adopted by the CEO.

### 2. Project risk

Every project that a manager undertakes within a business can be allocated an arbitrary project Risk profile, i.e. the manager can determine how risky the project is in relationship to the business. If the project Risk is low and the business Risk is high (or visa versa) then conflicts occur with regards to the project itself.

Creating a process for calculating and reporting on project Risk is therefore business critical.

### 3. In-depth analysis of results

To highlight your personal findings we have extracted some of the questions which you answered within the Risk Indicator questionnaire. These can be found in the following pages.

## Risk Indicator Results

The results below provide you with some analysis to assist your business decision-making processes.

The first area we look at is your overall view of Risk in business.

We then provide a more detailed analysis to support you in assessing your business processes.

Overall  
Risk View

Factors that  
affect your  
Risk Profile:

Current  
Financial  
Position

Vision / Plans  
/ Goals

Current  
Economic  
Environment

Investment  
Risk

Returns  
Risk

Volatility  
Risk

Management  
Risk

## Section Scores

In this section we provide you with your individual scores for each section of the Risk Indicator. This allows analysis of where you have higher or lower Risk assessments against other parts of the business Risk processes.

Overview of your scores:

Overall  
Risk View

5.8

Factors that  
affect your  
Risk Profile:

Current  
Financial  
Position

2.0

Vision / Plans  
/ Goals

4.0

Current  
Economic  
Environment

8.0

Investment  
Risk

6.5

Returns  
Risk

5.3

Volatility  
Risk

6.7

Management  
Risk

5.5

## Overall Risk View - Your Score is 5.8

We use the overall Risk profile view as the benchmark against all other scores.



If your overall business Risk score differs by less than 2 points from your view of your Risk profile this would suggest that you have a good awareness of how you typically operate with regard to Risk. If however your scores differ by more than 2 points this may suggest there is some **tension** present between how you behave and your perception. Look closely at your results and try to identify areas where you have big **relative** differences in scores. These variations often reveal stress points that may be showing up for you in a professional and/or personal context.

On the next page we will now look at how your Overall Risk View compares to your appetite for risk in different aspects of your business.

# Overall Risk View - Your Score is 5.8

We use the overall Risk profile view as the benchmark against all other scores.



## Factors that Affect Your Risk

We start the detailed analysis of your Risk profile by looking at the three main factors affecting personal and business Risk profiles.

**Current Financial Position**  
**2.0**

→ This describes how leveraged you are currently. The higher your degree of leverage the higher your risk. Your view of your **current financial position** can be best described by the following statement -

**Vision / Plans / Goals**  
**4.0**

→ This describes your view of your future financial position. This is where you want to be in terms of leverage, where you feel comfortable. The disparity between this and your current financial position can indicate tension you may be experiencing. Your view of the **future financial position** that you would like to be in can be best described by the following statement -

**Current Economic Environment**  
**8.0**

→ This rates your outlook of the current economic environment. If you feel the environment is safe for investment the rational reaction would be to increase your exposure to risk. So your perception of the risk climate can limit or exaggerate your current behaviour. Your view of the **current economic position** that you feel we are in can be best described by the following statement -

## Investment Risk - Your Score is 6.5

Once you have an **overall view** of the things that affect your Risk profile you can become more aware of how to manage Risk.

The next piece of the puzzle is to start managing the process of investing in business - we refer to this as **Investment Risk**.

Specifically this part of the equation occurs **before** any investment has taken place and looks as much at the process of investing as at the outcomes sought from that investment. It takes into consideration things that ultimately affect your **choices of investment**. The three key variables are Capital Risk, Timing Risk and Research Risk.

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|                                                |   |                                                                                                                                                                                                                                                                                                                          |
|------------------------------------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Your Capital Risk Score is</p> <p>6.0</p>   | → | <p><b>Capital Risk</b> - considers your willingness to Risk your capital, i.e. how much are you willing to lose of your own money to create growth.</p> <p><b>High:</b> Willing to Risk a lot of your own capital</p> <p><b>Low:</b> Not willing to Risk much of your own money</p>                                      |
| <hr/>                                          |   |                                                                                                                                                                                                                                                                                                                          |
| <p>Your Timing Risk Score is</p> <p>6.0</p>    | → | <p><b>Timing Risk</b> - considers your timetable for investment and provides insight as to how timing is impacting your Risk profile.</p> <p><b>High:</b> You have a long time horizon for investment</p> <p><b>Low:</b> You are looking to get in and get out quickly</p>                                               |
| <hr/>                                          |   |                                                                                                                                                                                                                                                                                                                          |
| <p>Your Research Risk Score is</p> <p>10.0</p> | → | <p><b>Research Risk</b> - considers your appetite for undertaking due diligence/research before investing - how meticulous you are in preparing for investments.</p> <p><b>High:</b> You are willing to risk doing very little due diligence</p> <p><b>Low:</b> You need to get all the information before investing</p> |

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## Returns Risk - Your Score is 5.3

Your Returns Risk result illustrates how your appetite for risk changes as the expected returns of an investment increase. It specifically focuses on how much attention you pay to the return/output/end result of the investment as opposed to the risks of the investment itself.

Individuals with high Returns Risk will be inclined to increase their exposure to an investment when the expected returns of that investment increase. This is the case even if the underlying Risk profile of the investment has remained the same.

If symmetric information and efficient pricing are present in a market the Risk and Returns profile of investments will increase proportionally. Therefore in reality as the Returns of a given investment increases the Risk will also increase, so individuals with inherently higher Returns Risk have a tendency towards developing more risky portfolios and operating businesses in high risk sectors. Their enduring search for big payouts means that these are the types of investments that attract them. However due to the unavoidable nature of playing high stakes games the unavoidable consequence is that as well as enjoying big wins this behaviour can often result in the individual in question suffering big losses.

In this questionnaire your Returns Risk is assessed as follows:

At 4 x the Return on Investment your Risk profile was 4.0

At 10 x the Return on Investment your Risk profile was 4.0

At 100 x the Return on Investment your Risk profile was 8.0

From this analysis you can see that:

**there is no change to your risk profile no matter how much the returns change**

## Volatility Risk - Your Score is 6.7

Volatility Risk measures your willingness to accept ups and downs in the performance of your investments. It specifically looks at how much focus you have on the volatility of the investment once the investment is in play.

An individual with high Volatility Risk would be quite comfortable with their stock going down 10 points in a day, content with their presumption that it will eventually bounce back.

In a business context this individual would also be more relaxed than someone with a lower Volatility Risk about a staff member who was a superstar employee one day and then lost them a client the next. Conversely the individual with the lower Volatility Risk would be unwilling to tolerate such extreme and inconsistent behaviour.

Your average score for volatility highlighted that the spread of volatility in your acceptable range was:

**High end of volatility range. 80% movement acceptable**

## Management Risk - Your Score is 5.5

Management Risk indicates how you behave once you have made an investment.

Your level of Management Risk relates to the amount of Risk you are willing to take with regard to monitoring your investment.

Individuals with low Management Risk require a great deal of feedback as to how their investments are performing. If the investments are in public stock they will be checking the share prices in the financial papers or online on a regular basis to see how their investments are performing.

In a business context these people would be described as classic “Micro-Managers” needing constant reassurance that tasks are being completed and resources are working efficiently. Management Risk fundamentally is about control.

Your average score in this area highlights that you are at the:

**You are in the middle of the management risk range - this means that you like to keep track of your investments and how they are performing**

## What Now?

This report is designed to give you an initial insight into your current behavioural choices – to help you to make better business decisions and be more effective.

By understanding where you are now, you can use the tools to help inform the choices you make to navigate your future path.

We recommend re-taking the indicator once per year or whenever your business circumstances change. This could mean a new role, a change of business direction, a new team etc.

But this report is just the start!

Here's how you can get much more value from your indicator result -

### **For More Insights:**

- The Compass platform has a suite of videos and articles all designed to help you use your indicator result in different areas of your business and personal life.
- To watch the videos click here: <https://goo.gl/S8eLCw> to visit the Compass YouTube Channel

### **For Support:**

- We have coaches all over the world helping business people grow, fund and exit their businesses. If you would like to speak to a Shirlaws Coach to get more depth on the concepts and thinking behind each indicator and support you in improving your business and personal performance, please drop us a line at: [compass@shirlawsgroup.com](mailto:compass@shirlawsgroup.com)

### **For Using with Colleagues:**

- If you would like to explore how you can bring Compass into your business to improve team performance, talk to us about our workshop programme. We run a wide range of training and coaching programmes, starting with an individual workshop and going all the way through to global business roll-outs. Contact us at: [compass@shirlawsgroup.com](mailto:compass@shirlawsgroup.com)

### **For Discussing, Learning and Sharing:**

- Share your stories with us and see how others are using Compass indicators by joining the discussion in our LinkedIn group: <https://www.linkedin.com/grp/home?gid=8319169>