

# Licensing Assessment and Decision-Making

Richard Fiene PhD

Penn State Edna Bennett Pierce Prevention Research Center

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This research abstract builds upon previous research in introducing a psychology of regulatory compliance. This abstract attempts to combine that thinking into a simple 2 x 2 matrix for licensing administrators which combines the previous theory and methods (Fiene, 2026).

## Licensing Assessment and Decision-Making Matrix

<p><b>True Positive</b> Decision: In Compliance Reality: In Compliance Medium Risk Rules/Regulations Accurate Licensing Assessor UCM: Certainty Goal: Fair Application Desirable Outcome Moderate Level of Compliance No Bias Present</p>	<p><b>False Positive</b> Decision: Out of Compliance Reality: In Compliance Lowest Risk Rules/Regulations Stringent, Strict Licensing Assessor Prospect Theory: Certainty UCM: Uncertainty Provider of Service Inconvenience Higher Level of Non-Compliance Can lead to Negative Bias</p>
<p><b>False Negative</b> Decision: In Compliance Reality: Out of Compliance Highest Risk Rules/Regulations Lenient Licensing Assessor Prospect Theory: Aversive UCM: Uncertainty Extreme Client Risk Higher Level of Compliance Can lead to Positive Bias</p>	<p><b>True Negative</b> Decision: Out of Compliance Reality: Out of Compliance Medium Risk Rules/Regulations Accurate Licensing Assessor UCM: Certainty Goal: Fair Application Desirable Outcome Moderate Level of Non-Compliance No Bias Present</p>

The **Licensing Assessment and Decision-Making Matrix** provides a framework for understanding the relationship between an assessor's compliance decisions and the actual reality of a service provider's status. This matrix categorizes outcomes into four distinct quadrants based on accuracy, risk levels, and the psychological profile of the assessor.

### The Ideal Outcomes: Accuracy and Fairness

In a balanced licensing system, the goal is a **fair application** of rules, resulting in a **desirable outcome** where the decision matches reality. This typically occurs under the guidance of an **Accurate Licensing Assessor** dealing with **Medium Risk Rules/Regulations**.

- **True Positive:** The assessor decides the provider is **In Compliance**, and in reality, they are. This is driven by a sense of certainty (UCM: Uncertainty-Certainty Matrix) and represents a fair, accurate assessment.
- **True Negative:** The assessor decides the provider is **Out of Compliance**, which reflects the actual reality. Like the True Positive, this outcome is grounded in certainty and achieves the goal of fairness.

**The Error Scenarios: Risk and Inconvenience**

When the decision and reality do not align, the matrix identifies two types of errors, each with different consequences and underlying causes.

- **False Positive (The Strict Approach-Negative Bias):** This occurs when a provider is determined to be **Out of Compliance** despite actually being **In Compliance**. This is often the result of a **Stringent or Strict Licensing Assessor** focusing on **Lowest Risk Rules/Regulations**. While the provider suffers from **service inconvenience**, the psychological driver is often a mix of certainty in the rules (Prospect Theory) and an underlying uncertainty (UCM) regarding the provider’s status.
- **False Negative (The Lenient Approach-Positive Bias):** This is the most critical failure in the matrix. An assessor decides a provider is **In Compliance** when they are actually **Out of Compliance**. Driven by a **Lenient Licensing Assessor**, this typically involves **Highest Risk Rules/Regulations**. The outcome is **Extreme Client Risk**, often fueled by an "aversive" mindset where the assessor avoids the conflict of a negative finding despite the presence of uncertainty.

**Summary Table of Regulatory Compliance & Licensing Assessment Outcomes**

Outcome Type	Decision	Reality	Risk Level	Result
True Positive	In Compliance	In Compliance	Medium	Fair Application
True Negative	Out of Compliance	Out of Compliance	Medium	Fair Application
False Positive	Out of Compliance	In Compliance	Lowest	Provider Inconvenience
False Negative	In Compliance	Out of Compliance	Highest	Extreme Client Risk

**Reference**

Fiene (2026). An integrated regulatory framework: The Psychology of Compliance, *Regulatory Compliance Quarterly, Volume I*, Research Institute for Key Indicators Data Laboratory and the National Association for Regulatory Administration, Fredericksburg, VA.

Richard Fiene PhD, Senior Research Psychology and Regulatory Scientist, Research Institute for Key Indicators Data Laboratory, Penn State Edna Bennett Pierce Prevention Research Center; and Senior Research Consultant, National Association for Regulatory Administration, [rfiene@rikinstitute.com](mailto:rfiene@rikinstitute.com) or [rfiene@naralicensing.org](mailto:rfiene@naralicensing.org).