



Encyclopedic Dictionary of Public Administration

The reference for understanding government action

RISK MANAGEMENT

Marie-Christine Therrien, Professor
École nationale d'administration publique
marie-christine.therrien@enap.ca
With the collaboration of Julie-Maude Normandin

Risk is a notion used to describe a situation and deal with it appropriately. It is defined as the “product of the likelihood of some event and the impact, value, or utility of its outcome” (Taylor-Gooby and Zinn, 2006, pp. 22-26). Risk thus differs from uncertainty in that to assess it quantitatively or qualitatively there must be sufficient knowledge to establish both the odds of an event’s occurrence and determine its potential repercussions. Although beneficial effects are in principle included in the concept, risk is often considered only in terms of harmful effects on human life, the environment, or organizations. A number of schools of thought have also criticized this positivistic approach.

The origins of the word *risk* remain controversial (Taylor-Gooby and Zinn, 2006, pp. 3-4). According to Wharton (1992), the word comes from the Arabic *risq*, meaning “something from which you draw profit.” Other thinkers trace the word to the Latin *resecum*, “that which cuts,” and from there to “steep rock,” or “reef” (Rey, 1992, p. 1813). From there the Latin term is thought to have evolved and come to refer to the possibility of damage to merchandise when transported across uncharted waters (Giddens, 1999; Ewald, 2002) and to the uncertainty about how major ocean voyages would turn out in the early mercantile world (Taylor-Gooby and Zinn, 2006, p. 3-4). Rey (1992, p. 1813) notes that French linguist Guiraud had little time for this story and linked the word to the Gallo-Roman *rixicare*, which included the notion of *quarrel* and *resistance* before taking on the meaning of *danger*.

Bischoff (2008) sees the main weakness of positivistic risk analyses in their failure to account for the context in which events take place, notably psychological, sociological, and economic dimensions. A number of currents have developed to incorporate these aspects and explain their influence on risk (for more on this see reviews of the literature in Taylor-Gooby and Zinn, 2006 and Renn, 2008).

Psychometrics was one of the first disciplines to take up the problem, using a quantitative analysis of the factors that influence risk perception, notably in the work of Slovic, Fischhoff, and Lichtenstein. They showed that it was necessary to go beyond consequences and probabilities if we are to understand the way the public reacts to risk. Risk perception appears to be particularly influenced by two types of factors: those relating to the severity of the hazard (number of anticipated deaths, possible controllability, effects on future generations, etc.) and those relating to

RISK MANAGEMENT

knowledge of and familiarity with the same hazard (state of knowledge, direct observation, historicity, etc.) (Taylor-Gooby and Zinn, 2006, p. 30).

Breaking with the research centered on the relationship between risk and individuals, Douglas and Wildavsky (1982) developed the cultural theory of risk. For them, risk is a construct that arises within various social organizations. In their analysis of these organizations, they distinguish two dimensions. The first, the “grid,” looks at the degree of regulation and prescriptiveness of social norms as applied to individual lives, while the second, the “group,” looks at the individuals’ identification with their group. Four general cultural types thus emerge: individualist cultures in which risk is encouraged for the benefits it might yield; egalitarian cultures (initially referred to as sectarian) in which solidarity and long-term vision are privileged to the detriment of hazardous activities; bureaucratic cultures in which risk management standards and procedures are implemented; and fatalist cultures in which individuals look only to themselves and resist risks imposed on them by others.

In their writings on contemporary society, Beck (1992) and Giddens (1990) have tried to describe the effects produced by the loss of legitimacy on the part of modernity’s grand rationalities. The main attributes of this new *reflexive modernity* (Renn, 2008, pp. 25-30) are the individualization of lifestyles through a multiplication of options accompanied by a loss of social orientation when faced with dilemmas; the existence of a wide range of knowledge and values giving rise to parallel, competing systems; increasing difficulty in defining common goals caused by the clash of collective goals and private interests; and the dominance of negative side effects over intended benefits in the consideration of prospective actions. The thesis here is that industrialized societies, increasingly critical of the ideals of progress, contest the legitimacy of collective goals and thus open the door to new types of risk.

The recently developed theory of social amplification of risk (Pidgeon, Kasperson, and Slovic, 2003, p. 16) is an attempt to link psychometric and sociocultural approaches into a single framework of analysis that encompasses risk perception and risk response (Renn, 2008, pp. 38-39). This theory concentrates on understanding the processes of amplification and attenuation that occur when hazards are communicated. Researchers consider the way risks are constructed in the process of message transmission by media, institutions, or political manoeuvrings. In this approach, risks arise both out of physical realities and social, cultural, institutional, and psychological processes.

Numerous other theoretical approaches are used in risk research. The writings of Foucault (1975) on *governmentality*, Habermas (1975 and 1991) on communicative action, and Luhmann (1982 and 1993) on social systems are some of the works used by researchers in defining and analyzing risk.

Depending on the types of risk they encounter, organizations may adopt one of four basic risk management strategies (Bischoff, 2008). They may avoid the risk by eliminating or distancing themselves from the hazard. They may attenuate the risk by reducing the severity of possible consequences or the probability of the event. They may choose to transfer the risk by dividing the consequences among a number of entities, as occurs for example when they buy insurance. Or they may simply accept responsibility for the risk in the interest of obtaining possible benefits. Deciding among these strategies is a delicate operation and involves the application of multiple criteria such

RISK MANAGEMENT

as risk complexity, long-term consequences, existing laws and standards, risk priorities, stakeholder opinions, and social acceptability (Renn, 2008, pp. 173-184).

Communication of risks is also important. Communications can pursue more than one goal at a time (Renn, 2008, pp. 201-204). Information campaigns frequently attempt to educate the public regarding hazards and what to do about them. They may also be preventive, as organizations seek to induce new behaviours or change possibly harmful ones. Public relations experts sometimes will seek to reassure the public regarding the structures and actions put in place to ensure public safety. When controversial issues are involved, communications campaigns also will try to involve stakeholders and the public in the risk appraisal and management process.

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RISK MANAGEMENT

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