Risk management and the innovation of governance

Michael Huber, Institute of Science and Technology Studies, University of Bielefeld

When talking about the innovation and governance, Anglo-Saxon literature frequently refers to the risk management that ‘colonised’ the UK (Rothstein, et al 2006). Risk is increasingly emerging as a key organising concept for regulatory regimes and extended governance systems within a wide range of policy domains and organisational settings. In the UK, publicly listed companies are required to have risk management systems and in the public sector, the adoption of ‘risk-based’ approaches to regulation has become a central plank of the Labour Administration’s third term, appearing in policy domains as diverse as the environment, financial services and housing. Risk is fast becoming the *lingua franca* of business management and even of general public policy. The British enthusiasm for risk can be also found in Australia, New Zealand, and Canada. Risk is promulgated internationally as part of the ‘better regulation movement’ by the OECD, the World Trade Organisation (WTO) and the EU.

For many, the heightened salience of risk reflects the increasingly systemic and complex nature of many contemporary hazards that across organisational and national boundaries and pose particular problems for governance regimes to control. But risk has also been promoted internationally as a universally applicable foundation for improving the quality, efficiency and rationality of governance across policy domains that far exceed the traditional association of risk with the environment or public health and safety. From this perspective, the spread of risk-based approaches to governance is less to do with a change in contemporary hazards, but rather to do with the innovative way in which an ever expanding range of governance problems are being reframed through the ideas and tools of risk analysis.

Risk management is an innovation for governance, with Moran (2002) one could even talk about a hyper-innovation. The general hypothesis of this paper claims that innovation may be less innovative than expected. At the regulatory level we find that risk management has two major effects: first, it makes regulatory tasks, stakeholders and markets comparable and in turn innovates policy making by concentrating decision making. Second, failure and the political acceptance of failure turns out to be a innovative element unfolding unintended effects in the political system and for all other stakeholders. Risk management at the organisational level however, may be characterised by anti-innovative effects, reinforcing diversity and traditional power relations. Moreover, the regulatory promises of rationality, efficiency and failure management can only be partially fulfilled.

Based on empirical studies (Huber 2010; 2011; Black 2005) the paper investigates the major steps in the ‘colonisation by risk’ process at a regulatory and organisational level comparing the effects of risk management on governance in two, from a political logic distant fields: higher education and financial regulation.

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