The artefacts of risk management

Michael Power highlights the effortful nature of risk management practice

In managing risk, organizational ac-
tors are constantly engaged in the work of representing it. From a philos-
ophical point of view, this co-ming-
ing of risk and representation is un-
surprising. Risks are contingencies or future possibilities which have not yet crystallized into events. As non-real possibilities, they literally do not exist and cannot be seen until they are rep-
resented and processed in apparatuses for their management. On this view the un-
reality of risk, in the fu-
ture can only be made real and actionable in the present by being somehow captured and represented.

So when we look closely at risk man-
agement in the field, we see that practices are littered with arte-
facts which contain representations of risk. Documents and records like risk maps are known to be im-
portant artefactual mechanisms through which organizational agents contribute to, visualize and sustain organizational prac-
tices over time. We also find that the work of managing risk is entangled with instit-
tutional frameworks for accountability, and we need to understand better how these frameworks emerge and shape work processes, and how organizational ar-
tefacts are arranged in infrastructures for representing and organizing this riskwork.

Routines and risk

Studies of organizational routines and of the central role played by artefacts provide the analytical and empirical materials for how we might think about, and approach, the analysis of risk management practice. An ‘arte-
factual turn’ in risk studies could be based on the following questions: what is the infrastructure of artefacts through which risk is routinely identi-
fied, enacted, and acted upon?; how do these artefacts have agency in shaping both the risks which routine-
ly get attention and the form of that attention?; and how do these artefacts concern to systems of individual and organizational account giving? Put simply, these questions imply that a great deal of work is done by non-human actors – the artefacts of risk management.

Take the example of the systemic risk of the financial system. While the dan-
ger existed and was conceptualized as a risk many years prior to the financial crisis, the dominant artefactual rep-
resentations of that risk were in terms of the financial strength of individual banks. A huge amount of thinking was focused on the production of solvency representations and related capital issues at the level of the individual firm with the implied assumption that the sum of financial organisations was individually sound, then the sys-
tem was sound. But the interconnectivity risk associated with the wholesale in-
ter-bank market was much less prominent and was poorly rep-
resented, leading one senior practitioner to describe the financial crisis as an ‘intellectu-
al failure’. So, follow-
ing the height of the financial crisis a great deal of effort has been undertaken to correct this failure and to re-
represent bank inter-
connectedness and its associated risks, in-
volving new kinds of models, artefacts and analyses.

Whether systemic risk is ‘real’ is in some sense a question of interest only from a certain philosophical point of view. What is of more interest is how the dan-
ger of systemic collapse has a history in which it has transitioned from one sys-
tem of representation to another, with a corresponding change in the riskwork and associated systems of artefacts. We could say that the risk object (cf Hilgar-
tner) of systemic risk always existed in some sense, but it has now been em-
bedded in a new socio-technical net-
work for representing and intervening in it. As analysts, we should not rush to judge whether this is an improvement or not, although as citizens and taxpay-
ers we rather hope so.

Artefacts and risk infrastructure

This artefactual perspective on risk management is not intended to de-
bunk risk management practice but to understand better its processes. After all, as Atul Gawande argues in his well-
known celebration of the checklist as the embodiment of accumulated knowledge and expertise, real lives are saved by pilots and surgeons using well designed checklists. In these cases the artefact of the checklist is close in space and time to those making deci-
sions about flight safety and surgical risk respectively. Following the check-
list mitigates the risk of human error, imperfect memory, and unnecessary variation in the performance of a criti-
cal task and its consequences for life.

And yet, even in this worthy example, a checklist is a more complex artefact than it first appears. Firstly, the form of the checklist often has a distinct his-
torical, usually emerging from acci-
cident investigations and analyses. Secondly, the checklist as an artefact may not have an organizational life solely for the benefit of in situ pilots and surgeons. It may persist as an organiza-
tion record allowing others to judge compliance or to conduct an in-
vestigation. In short, the checklist may exist in a system of linked artefacts which make the actions of the pilot and surgeon visible and accountable to others – hospital and airport managers, investigators, regulators, and so on. So, on the one hand, there seem to be artefacts like Gawande’s checklists which embody a clear purpose and which are co-extensive with managing risk. On the other hand, there seems to be a class of artefacts which are systematically organized to build up accounts of performance or to permit forensic ex post investigation of perfor-
mance. These artefacts have a different organizational trajectory from the first kind, they can move very far from the routines with which they are associated and become aggregated as performance representations which are stored and subject to further analysis.

The empirically interesting artefacts, such as risk registers, sit at the bounda-
ry between the first order management of risk and these wider systems for per-
formance accountability. They generate critical questions such as: under what conditions do organizational actors become distracted by this forensic role of risk management artefacts?, what might be the consequences of such a shift in their attention?; could these consequences, understood broadly as the risk of accountability ‘crowding out’ performance, themselves be represent-
ed within the risk management system?

In general, the system of artefacts – approach being proposed recognizes that organizational actors who engage in the routine management of risks are also producing artefacts whose trajec-
tory constitutes the ‘regulated life’ of an organization and in which traces of their work are inscribed. In such traces make the work of risk manage-
ment auditable by others; riskwork at the granular level may therefore often implicit auditwork.

Riskwork and auditwork

The strength and effects of a so-called ‘logic of auditability’ in risk manage-
ment, and its embeddedness in a con-
ected system of artefacts, one may well misunderstand the value of empirical enquiry. For many years, risk management scholars have been concerned about whether the tail of audit and accountability, and possible blame, wag the dog of risk manage-
ment. Many studies suggest that or-
ganizational agents focus so much on managing the risks to themselves and their reputations by constructing de-
fendable audit trails which may actual-
ly increase overall risk.

Yet, while there is a general awareness of this issue both by scholars and also by those who work in regulation and risk management, borrowing the ‘ar-
tefactual turn’ from routines theory encourages analysis to move beyond general assertions about ‘blame aversion’, ‘repudiation management’, or ‘le-
gitimation’ strategies in characterizing the side effects of accountability for risk management. The system of arte-
facts perspective strengthens the ana-
lytical and empirical focus on how spe-
cific artefacts shape both attention and action in the risk management field. In short, I propose that an artefactual turn within risk studies supports a possible empirical programme focused on the dynamic relation between what I call ‘auditwork’ and ‘riskwork’.

Finally, an essential tension between action and representation exists at the heart of all organizational routines. It gives them their dynamic properties and this is especially true for the rou-
tines that constitute risk management practices. Situated human actors nav-
igate the so-called ‘risks of risk man-
agement’ posed by a world of artefacts and as analysts we have an opportu-
nity to observe their skill and effort, sometimes resisting and sometimes succumbing to a logic of auditability, which can be pervasive and powerful. The different contributions to Risk-
work: essays on the organizational life of risk management (Oxford Univer-
sity Press, 2016) provide a body of evidence about the effortful nature of risk management practice in many different settings. Routines theory provides the conceptual apparatus and empirical sensibilities to take this agenda further.

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say ‘Postscript – on riskwork and audit-
work’ in Michael Power (ed.), Riskwork: essays on the organizational life of risk management, Oxford: Oxford Universi-

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