



**ESRC Centre for Analysis  
of Risk and Regulation**

Annual Report 2004

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## Introduction

The ESRC Centre for Analysis of Risk and Regulation (CARR) is based at the London School of Economics and Political Science (LSE). We are a cross-disciplinary research unit focusing on the organisational and institutional settings for risk management and regulatory practices. The core disciplines involved are political science, law, sociology and management. However, the disciplines of economics, geography, information systems, social psychology and operations research are also, on occasion, represented.

Recent events such as the tsunami that hit Asia on Boxing Day, the Sudan 1 food dye alert in the UK, and the challenges of terrorism show that the effective management and regulation of risk is of central importance in today's world. Indeed, organisations and governments are increasingly being held accountable for how they handle risk in a climate where financial, health and systems failures and scandals have eroded public trust. This means that the design and operation of regulatory and managerial systems for handling risk have become fundamental preoccupations for governments and business organisations. At the same time, there are political and managerial pressures to communicate with, and reassure, a doubtful public. The effective management and regulation of risk therefore demands the construction of trans-organisational networks, alliances and partnerships as well as robust tools and techniques. These issues lie at the heart of risk regulation studies and have structured our research agenda.

Our research analyses the tools and techniques of regulation and risk management as features of risk governance regimes. We have analysed and compared the ways in which private and public sector organisations process risk, the role and functioning of regulatory bodies, regulatory activity inside government and the nature of different risk regulation regimes. We are also interested in the meaning and practice of organisational governance which seeks to reconcile externally-directed regulation with self-regulation and 'best practice' management.

CARR has already made a significant contribution to theory by establishing *risk regulation studies* as a meaningful academic pursuit. Our core funding is provided by the Economic and Social Research Council (ESRC), which is a public-funded body, as well as through co-funding from a number of private bodies. This unusual public-private research partnership reflects our commitment to developing an environment for collaborations and the exchange of ideas between researchers and practitioners.

## Aims and objectives

- *To pursue a multidisciplinary research programme on the organisational and institutional aspects of regulation and risk management practice.*
- *To conduct comparative research that bridges work in regulation and risk management.*
- *To engage users of research through seminars, supported by an extensive dissemination and publicity strategy.*
- *To develop and implement an outreach strategy which establishes CARR as a national research resource within the UK.*
- *To develop links with overseas research centres.*

## Highlights of 2004

Our staff continued to make contributions to the understanding of critical concepts in risk management and regulation. In addition, cross-national and cross-sectional studies analysed sources of variation and difference in risk regulation practice. During the year:

- Several major publications went to press: *Controlling Modern Government: Variety, Commonality and Change* (Hood, James, Peters and Scott), was published by Edward Elgar. *Regulating Law* (Parker, Scott, Lacey and Braithwaite) published by Oxford University Press, with chapters by Scott 'Regulating Constitutions', and Black 'Law and Regulation: the case of finance'; and Hutter and Power's *Organizational Encounters with Risk*, to be published by Cambridge University Press.
- Power's pamphlet *The Risk Management of Everything: Rethinking the politics of uncertainty* was published by Demos.
- Our biannual magazine *Risk&Regulation* reached a wider audience as we launched the online html version. It is now a key resource for the dissemination of research findings and is highly regarded by academics and practitioners.



- A conference 'Global Governance and the Role of Non-State Actors' was held in November in association with the Social Science Center, Berlin (WZB) and the Alfred Herrhausen Society for International Dialogue, Frankfurt. The conference examined how the regulatory capacity of non-state actors is a resource increasingly drawn upon by the state in policy domains where it is either unwilling, or unable, to act itself. The event included contributions from David Held (LSE), Michael Zurn (WZB/Hertie School of Governance), and Bill Emmott (Editor-in-Chief, *The Economist*).
- *The Economist* annual debate on the theme: 'Are risk managers dangerous?' was hosted by CARR and chaired by Howard Davies, Director of LSE.
- CARR staff continued to engage with UK and overseas policy-makers and practitioners in a variety of fields. Hutter helped to shape the risk discussions at the 2004 World Economic Forum in Davos by advising on the programme structure as well as participating in a number of panels. She also took part in a meeting on programme design for the 2005 meeting.
- We continued our work in developing national and international scholarship in risk and regulation studies. Our outreach programme, which aims to establish CARR as a national research resource within the UK, held regional workshops in Cardiff, Southampton and Cambridge during 2004. The Centre also hosted five visiting scholars conducting research.
- We continue to support our younger scholars through an in-house CARR graduate seminar series and in September we hosted our third international graduate conference on risk and regulation funded by Deutsche Bank. This conference attracted 100 participants from Europe, North America, Africa, Australia and Israel, with over 50 presentations on subjects as diverse as independent regulators, GMOs, utility regulation, bird flu and money laundering.
- This year the Centre continued to receive major funding from Deutsche Bank, PricewaterhouseCoopers, BP, Aon and the Michael Peacock Charitable Trust to carry out research.

## Research programmes

CARR has two main research programmes, under which discrete projects are clustered, that meet regularly to discuss results and explore themes. These are *Organisations and Risk Management* and *Regulation of Government and Governance*.

### Programme 1: Organisations and risk management

This programme is concerned with the institutional analysis of risk management. Risk management is seen to be much more than a series of taken-for-granted techniques: rather, it is a dynamic institutional process. Research addresses three interrelated themes in the management of risk: knowledge and ideas, inter-organisational fields, and organisational contexts.

#### Research team:

Claudio Ciborra  
Michael Huber  
Bridget Hutter  
Clive Jones  
Javier Lezaun  
Peter Miller  
Yuval Millo  
Joan O'Mahony  
Michael Power  
Henry Rothstein

#### Knowledge and ideas

This theme explores the origins, nature and scope of risk management discourses, and ideas of best practice. CARR work on *managerial and regulatory categories* shows how ideas are the basis for organising risk regulation practices. Work has specifically focused on ideas about *risk-based regulation* (Black, Hutter, and Millo), which have become increasingly prominent in the design and self-understanding of regulatory processes. However, the meaning, and therefore implementation, of risk-based regulation is often varied. Other work has addressed the categories of operational risk and enterprise risk management (Power), and genetically modified foodstuffs (Lezaun). The relation between risk management practices and blaming is also being explored by several members of the research team (Hood, Black, Hutter, Power, Rothstein). Finally, Hutter and Power developed the concept of 'organisational encounters with risk', the title of their forthcoming edited collection of essays by leading risk management academics. The contributions explore the way organisations and their participants make sense of and respond to uncertainties, anomalies and errors.



#### Inter-organisational fields

This theme analyses the networks of organisations which constitute various risk regulation regimes. An analysis of these inter-organisational dimensions of risk regulation is important for understanding the emergence of non-state actors as partners in regulatory and governance practices. To date, our research has focused on four domains: biotechnology, financial markets, civil society and business regulation.

**Lezaun's** work continues on the development of the new EU framework for the risk governance of *genetically modified foods*, the effects of this framework on transatlantic trade and food production, and on the political economy of biotechnology in areas such as intellectual property rights and patent protection, food safety, grain-handling, and new forms of public participation in science policy decisions. His work also explores the implementation of control regimes through the creation of infrastructures of measurement and testing, and the development of tools of surveillance, inspection and certification.

In the field of financial regulation, **Millo** shows that several elements in the universal risk assessment methodology developed by the UK Financial Services Authority (FSA) mark a conceptual break from earlier risk management methods. This research builds on his earlier work on the historical sociology of financial markets, in particular the study of the Chicago futures exchange (with MacKenzie), and develops the theory of the *performative* nature of financial markets.

**Rothstein's** work in the field of food challenges conventional explanations for self-regulation as a response to state pressure. He argues that blame avoidance behaviour by government was a key shaper of self-regulatory activity and a potential cause of regulatory failure.

**Hutter** and **O'Mahony** have, via joint workshops with the European Policy Forum, developed thinking on the role of civil society organisations (CSOs) in regulating business, and on the concept of civil society more generally as a field within which risk regulation operates.

Extending his earlier work on organisational learning in the university sector to the insurance industry, **Huber** analysed the ability of the industry to cope with dramatic changes in the economic and social impacts of natural hazards. Focusing on the case of householder insurance against flooding, findings suggest that learning about new risks takes place substantially at the industry network level.

### **Organisational contexts**

This theme examines specific organisational responses to risk regulation in different fields. A number of studies conducted under this rubric have shown that these responses often have unintended consequences, creating new risks from the attempt to manage existing ones.

**Hutter** and **Jones's** work on the retail food industry examined a range of risk management and regulatory sources influencing business. Focusing initially on food hygiene and food safety, the project mapped similarities and differences between businesses. Preliminary results suggest there is no consensus about the state of food safety and food hygiene in the UK today.



**Miller** and Kurunmäki (LSE) examined the risk management and regulatory dimensions of the partnership arrangements introduced in Section 31 of the UK Health Act 1999. The study highlights the role of tensions between medical, professional and social workers in responding to the legislation.

**Power's** work on the rise of chief risk officers (CROs) places them in a broader history of control agents created in response to specific regulatory or management issues. Research suggests that agents typically have to work hard to achieve credibility within their host organisations, and can be a dumping ground for problems.

**Ciborra** (and associates in the Department of Information Systems at LSE and in the Institute of Informatics at the University of Oslo) undertook research on a large public hospital, a multinational bank, a pharmaceutical company, peer-to-peer software, and e-government applications in a developing country. They looked at instances where information and communication technologies (ICTs) create opportunities for improving process efficiency, but also generate new risks.

## Programme 2: Regulation of government and governance

This programme is concerned with the analysis of changes in the instruments of government and governance associated with the rise of the 'regulatory state' and the 'new public management state'. Research in this group seeks to challenge conventional orthodoxies about the regulation of government and governance, in particular through cross-national, cross-domain work. Various types of institutional analyses are used to explore the ways in which governments, regulators and public office-holders are controlled.

### Research team:

Timothy Besley  
 Julia Black  
 Tracy Cohen  
 Christopher Hood  
 Will Jennings  
 Robert Kaye  
 Martin Lodge  
 Colin Scott  
 Mark Thatcher

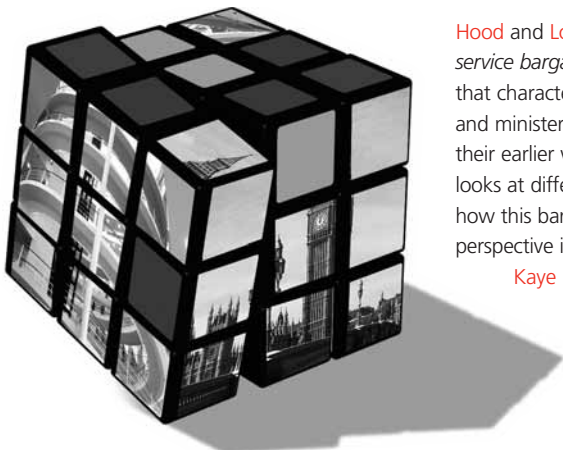
### Research activities

The work of this team has focused on three broad research themes:

- Cross-national comparative analysis of the regulation of public sector bodies.
- Comparison of regulatory behaviour and regulatory innovativeness in different environmental conditions.
- Comparison of regulation of government by different institutional mechanisms and different levels of government.

### Cross-national comparative analysis of the regulation of public sector bodies

Ideas about the regulatory or new public management state have been widely associated with changes in the regulation of business activities. However, at least in the UK, there has been an accompanying rise of the regulatory state 'inside' government. Building on earlier work on regulation inside the UK government, the CARR-led international collaborative study *Control over Modern Government* shows that far from a uniform 'audit explosion' and similar policy trends, cross-national and cross-sectoral developments vary considerably. Taking three policy sectors (higher bureaucracy, higher education and prisons) and eight states from different state traditions (UK, USA, France, Germany, the Netherlands, Norway, Japan and Australia), the study brought out the different ways that four approaches to control play out across different policy domains and state traditions. Hood led this international collaborative effort (Scott was part of the editorial team, Lodge contributed to the project).



Hood and Lodge are further exploring the concept of *public service bargains* (the informal and implicit understandings that characterise the relationship between public servants and ministers and the wider political system), building on their earlier work on civil service competency. The research looks at different aspects of the 'bargain' and investigates how this bargain may have changed in comparative perspective in terms of reward, competency and loyalty.

Kaye has continued his work on the *regulation of the conduct of politics*, extending his earlier work on the British Parliament to other English-speaking countries.

### **Comparison of regulatory behaviour and regulatory innovativeness in different environmental conditions**

The key theme of this research group is the study of regulatory innovation and the different ways in which regulatory regimes respond to changes in their environment. The forthcoming book *Regulatory Innovation: A Comparative Analysis* represents a collaborative effort by all members of the team to explore this theme. It investigates the notion of 'worlds of regulatory innovation' in diverse policy domains, including internet gambling, dangerous dogs and railway regulation. It also looks at the use of 'innovative' regulatory techniques, such as the use of risk-based frameworks in financial regulation, the regulation of parliament and 3G auctions in telecommunications.

In addition, work has continued on the *internationalisation of regulation*, particularly in the context of the EU (Scott, Thatcher, Lodge) as well as the analysis of *new modes of governance* (Scott and Lodge). Besley has worked on *competition, ownership and incentive issues in public service provision*, while Thatcher has continued his research on *delegation to non-majoritarian institutions* and these institutions' behaviour within their formal structures. Black has continued her work on the regulation of the financial services industry, while Lindsay Stirton (UEA) and Lodge have further explored the regulation of network industries in the English-speaking Caribbean.

### **Comparison of regulation of government by different institutional mechanisms and different levels of government**

The third key theme of this research group explores the effects of different institutional mechanisms on regulatory activities, such as the effects of elected versus appointed regulation of public bodies and the effects of 'domestic' versus 'foreign' regulation of government bodies.

Besley has explored these issues in his work on the *political economy of policy choice*, including comparative data from the US, the UK and India. Emphasising the importance of constitutional variation in affecting policy outcomes, he explores the differential impact of media attention, the selection of regulators and judges through election or appointment, and citizen initiatives.

The issue of *accountability* is of central interest for many members of this group (Besley, Scott, Black, Lodge and Stirton). Hood is working on *transparency* and targets (with Steven Kelman, Kennedy School of Government, Harvard), and more specifically as it affects the UK health sector (with Gwyn Bevan, LSE).

Kaye and Scott have explored the *private regulation of the public sector* in its various institutional forms. Building on earlier conceptual work, this has involved initial mapping work in the UK.

## **PricewaterhouseCoopers Risk Research Institute**

PricewaterhouseCoopers (PwC) has provided funding for a research unit within CARR since 2000. This supported a chair, held by Professor Claudio Ciborra until June 2004, a senior research fellowship, Dr Michael Barzelay until May 2003, and a number of research projects.

Ciborra's project on the 'duality of risk' examined how information and communication technologies (ICT), which create opportunities for improving the efficiency of processes, also generate risks. This research consists of a number of case studies (undertaken jointly with other European research partners). Findings suggest a complex relationship between ICT systems and risk, and that some systems' development methods are less prone to develop new operational risks than others. His paper 'Digital Technologies and the Duality of Risk' is published as a CARR discussion paper.

Very sadly Claudio died in Milan on 13 February 2005. Tributes to his life and work can be found at: <http://is.lse.ac.uk/InMemoryOfClaudio/>



Barzelay's book with Colin Campbell on strategic change management at the US Airforce, *Preparing for the future: Strategic Planning in the US Air Force* (which was published in 2003), received the National Academy of Public Administration's 2004 Louis Brownlow Book Award.

## BP Complex Risk Programme

BP has provided funding to support research under the broad theme of complex risk since 2000. The funding has supported a number of projects, now complete, and more recently two postdoctoral fellowships at CARR:

**Tracy Cohen**, February to June 2004. Her research focused on telecommunications regulation, international trade in services, institutional modeling and design, law and development, and privacy regulation. During her time at CARR, she contributed to the analysis of internationalisation of regulatory regimes and the development of administrative capacity with her work on the interaction of global regulatory regimes and national telecommunications regulation in South Africa.

**Will Jennings** joined CARR in September 2004 as a BP/ESRC postdoctoral fellow. His research interests lie in the regulation of government by public opinion (public policy and public opinion), blame avoidance, theories and analysis of policy implementation, the politics and administration of governmental policies of public celebration.

## Conferences and workshops

In 2004, CARR held 26 conferences, workshops and seminars for academic and practitioner audiences in London and the regions. These provided an arena for the exchange of ideas amongst academics and allowed practitioners to have an input into the development of ideas and methods in the analysis of risk and regulation.

### **Soft Risks, Hard Lessons: using corporate governance to manage legal, ethical and reputational uncertainties**

in association with the University of Cambridge  
University of Cambridge, January 2004

This one-day event on corporate governance and related ethical issues featured keynote addresses by Onora O'Neill (Principal of Newnham College, Cambridge and 2002 Reith Lecturer) and Charles Fombrun (former professor of management at the Stern School, New York and currently executive director of the Reputation Institute). Other participants included Adrian Cadbury (father of the modern corporate governance movement) and representatives from the Foundation for Independent Directors, Reuters, accountants BDO Stoy Hayward, and The Change Partnership.

### **Key themes which emerged from this conference:**

- The extensive use of managerial methods for accountability purposes has damaged and distracted professional cultures. Defensiveness has come to dominate at the expense of informed judgement (Professor O'Neill).



- Our societal obsession with celebrity has seeped into our business sector. While deregulation and liberalisation of markets has fostered competition for money, talent and knowledge, which has generated significant wealth creation and business growth. However, a negative consequence of this has been a 'winner takes all' mentality in both society and business, in which all the attention is focused on a few individuals. This helps to explain the series of business scandals that have engulfed corporates such as Enron, Tyco, Adelphia and WorldCom (Professor Fombrun).

### **Auditing in Action**

in association with the University of Manchester

CARR, LSE, February 2004

The ESRC workshop Auditing in Action, organised by Michael Power and Christopher Humphrey (University of Manchester), brought academics and practitioners together to discuss the audit process. This workshop was particularly timely given the recent failure to detect a large fraud at Parmalat, Italy's food giant. Auditing is an essential resource for regulatory systems and, in the wake of Enron and Parmalat, pressures for its reform have been great. The technical dimension of auditing has been relatively immune from these pressures, however, this could be set to change with the development of new standards by the International Federation of Accountants.

The papers presented were all field studies of auditing:

- Two contributions dealt specifically with the business risk audit (BRA) model: Christopher Humphrey with Rihab Khalifa (LSE); and Keith Robson (UMIST) with Robert Knechel (University of Florida).
- There were two detailed studies of the audit decision process in Scandinavia: Stig Westerdahl (Mid Sweden University); and Peter Ohman and colleagues from Mid Sweden University, Lulea University of Technology and the University of Oslo.
- Jean Bedard (Laval University) presented empirical work on how audit committees construct themselves as effective and credible bodies in organisations.

A panel discussion led by Jonathan Hayward (Independent Audit), Martyn Jones (Deloitte), and David York (ACCA) discussed the future of auditing.

### **Business History and Regulation 2004**

University of Southampton, March 2004

This third and last of the business history interdisciplinary workshops was led by business historian Terry Gourvish. It brought together economists, political scientists, management scientists, accountants and historians to debate regulatory processes. Among several provocative issues was the question: does capitalism function more responsibly with high or low information flows?

Papers covered the Finance Act 1989 and employee share ownership plans (Peter Casson, University of Southampton); antitrust and accounting in the US, 1906-25 (Gerald Burke, University of Oregon); regulation in the British railway industry, 1870-14 (Tony Arnold, University of Exeter, and Sean McCartney, University of Essex); and three centuries of financial regulation in the UK (Forrest Capie, City University).

### **The Accountability of Regulators**

European Policy Forum, London, May 2004

The House of Lords report on the accountability of regulators was examined at a CARR/EPF seminar by Deirdre Hutton, Chairman of the National Consumer Council and of the Better Regulation Task Force group on independent regulators; Lord Holme of Cheltenham, a member of the House of Lords Constitution Committee; the Chairs of Ofcom, the Financial Services Authority, the Human Fertilisation and Embryology Authority, the Rail Regulator and leaders of other regulatory bodies. Mark Thatcher spoke at this event, with Bridget Hutter summarising proceedings.

### **Joint One Day CARR/SCORE Workshop**

in association with the Stockholm Centre for Organisational Research (SCORE)  
CARR, LSE, June 2004

Colleagues from the Stockholm Centre for Organisational Research (SCORE) visited CARR for a one-day workshop and exchange of ideas. SCORE is a sister research centre to CARR with a special focus on governance issues in the public sector and on regulation and standardisation. This meeting helped strengthen links between the two centres and unearthed common interests.

There were papers on:

- The work of the regulatory innovation group (Julia Black, CARR).
- Meta-organisations, that is, organisations whose members are themselves organisations (Göran Ahrne and Nils Brunsson, SCORE).
- Experimentalism in regulatory organisations, specifically in the context of GM foodstuffs (Javier Lezaun, CARR).
- The role of so-called 'soft law' and modes of regulation in EU (Ulrika Mörth, SCORE).

### **Regulatory Creep**

in association with the Better Regulation Task Force  
London, July 2004

The notion of regulation going beyond its original source of authority or intention was explored in this stakeholder forum organised by Bridget Hutter and Clive Jones from CARR and the Better Regulation Task Force (BRTF). The high-level discussion received contributions from the worlds of business, regulation, academia, consumer groups and the civil service, and contributed directly to a recent BRTF report.

### **Annual Research Student Conference**

LSE, September 2004

The third of these annual conferences was held in September 2004. The conference, sponsored by Deutsche Bank, has rapidly become established as a major risk and regulation event for research students from across the world. This year the conference attracted 100 participants from Europe, North America, Africa, Australia and Israel, with over 50 presentations on subjects as diverse as independent regulators, GMOs, utility regulation, bird flu and money laundering.

The event provided a unique opportunity for students to develop and present their own ideas, consider problems through different theoretical lenses, and attend sessions on publishing their work. In addition, they were given an 'insiders' perspective on regulation in a keynote speech from Howard Davies (LSE Director and past chairman of the Financial Services Authority) and master classes on risk and regulation. This annual conference is playing a key role in shaping the research agenda for the next generation of risk scholars.

### **Are Risk Managers Dangerous?**

in association with *The Economist*  
LSE, October 2004

This debate, chaired by Howard Davies, LSE Director, involved both practitioners and academics. It considered whether risk managers are 'cosmetic, legalistic and concerned with appearances' (Michael Power, CARR), or whether they were, on balance, a positive force (Reg Hincley, BP). In addition it considered whether risks are distributed according to ability to carry risk. Avinash Persaud (Investment Director, GAM London Ltd) argued that risks are being transferred from those, such as banks, who can afford to take risks, to members of the public who cannot.

A hand count of the audience showed they were convinced that risk managers – the minority, perhaps? – were indeed dangerous.

### **Food, Risk and Regulation**

in association with the ESRC Centre for Business Relationships, Accountability, Sustainability and Society (BRASS)  
Cardiff University, October 2004

This event brought together academic researchers, industry representatives and other stakeholders to discuss current issues and experiences in the governance of food. Three major themes were addressed: communication and public attitudes, governance and reform (in the UK and Europe), and new forms of management for the supply chain. Speakers included Sue Dibb from the National Consumer Council, Christine Majewski from the European Food Safety Agency, Anna Jung from the European Food Information Council, as well as researchers from CARR, BRASS, City University, Exeter, Cambridge and Amsterdam.

### **Global Governance and the Role of Non-State Actors**

in association with the Social Science Center, Berlin (WZB) and the Alfred Herrhausen Society for International Dialogue, Frankfurt  
LSE, November 2004

With many contemporary policy issues transcending national boundaries – from the environment to terrorism, from financial risk to local conflict – processes of global governance are increasingly becoming contested. This opens up new space for political action by state and non-state actors. Indeed, non-state actors (NSAs) are now integral players in the architecture of global governance. However, this itself opens up new issues and problems for processes of global governance. The event included contributions from David Held (LSE), Michael Zurn (WZB/Hertie School of Governance), and Bill Emmott (Editor-in-Chief, *The Economist*).

The conference examined:

- The capacity of non-state actors to provide policy solutions to the problems of global governance.
- How the regulatory capacity of non-state actors is a resource increasingly drawn upon by the state, particularly in policy domains where it is either unwilling, or unable, to act itself.
- How the involvement of non-state actors might stimulate a new wave of demands for improved representation, transparency, and accountability.
- Whether the rise of the non-state actor is resulting in a legitimacy crisis for global governance, or whether it offers the solution.

### **Seminars**

In addition to these conferences and workshops, we held seminars on a wide range of issues including: the sociology of professions, new social risks in Europe, the effect of terrorism on catastrophic risk insurance, and the public's attitudes to agricultural biotechnology (see Appendix 5 for full list).

Further details of these events, including abstracts of seminars, are available at:  
[www.lse.ac.uk/collections/CARR/events/](http://www.lse.ac.uk/collections/CARR/events/)

## Our engagement with practitioners

CARR engages with non-academic communities within the UK and internationally. This year we have achieved this in a number of ways:

- **Workshops and conferences** *The Economist* annual debate on the theme: 'Are risk managers dangerous?' was hosted by CARR (see page 9 for a report on this event). We also hosted the CARR/Better Regulation Task Force seminar on regulatory creep (see page 9 for a report on this event). Practitioners also frequently attend our academic workshops and Outreach events.
- **Practitioner fellows** CARR continues to host Michael Spackman as a Practitioner Fellow. Currently special advisor to the consultancy group NERA Consulting, his previous positions were at HM Treasury, and as Chief Economist at the Department of Transport.
- **Advisory work** CARR staff are regularly called on to give advice to public bodies within the UK and abroad. Over the past year we advised the Charity Law Association, Better Regulation Task Force, Parliamentary Office of Science and Technology, House of Lords Select Committee on the Constitution, and many others.
- **Engaging with a wider audience** Our staff frequently publish articles in magazines and newspapers and do television and radio interviews.

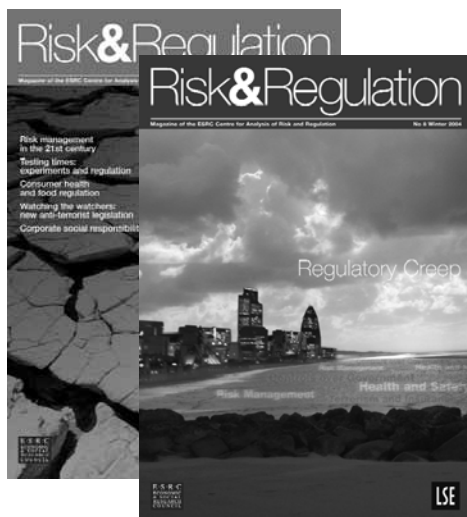
## Where to find our work

### Website

The website attracts academics, government, policy-makers, business practitioners, journalists and students. It is a quick and easy reference point to the research projects and activities being undertaken by CARR. [www.lse.ac.uk/depts/carr](http://www.lse.ac.uk/depts/carr)

CARR discussion papers are particularly popular: each paper is accessed on average 4,250 times. However, we have had exceptional interest in papers such as 'The Invention of Operational Risk' (Power) and 'Critical Reflections on Regulation' (Black) which have received 21,489 and 14,836 hits respectively.

The site has been further developed to include the main site and two sub-sites (*Risk&Regulation* Magazine and the Research Directory).



### Magazine 2004

Demand for the *Risk&Regulation* magazine has continued to grow. Over 2,000 hard copies of the magazine are sent out, but with online readership reaching 6,000 hits per issue (an increase of 50 per cent on last year), we have opted to capitalise on our rapidly increasing web audience. In December we launched a new browsable online version of the magazine to capture more information about our 'invisible' audience of web readers. The new format has proved popular – in its first month of operation alone over 400 people from all over the world signed up for this new service.

Highlights of the Spring 2004 issue of *Risk&Regulation* were:

- **Who's watching the watchers?** Dr Tracy Cohen looks at how new anti-terrorism legislation worldwide is affecting how we travel, conduct business, communicate and even how we shop.
- **Have we got the food allergens problem under control?** Dr Henry Rothstein examines the difficulties facing the Food Standards Agency in dealing with increasing concerns about food allergens.
- Articles investigating the causes and challenges of the **corporate social responsibility** phenomenon.
- An examination of the politics and purpose of **regulatory experiments**.
- Advice on how to create and sustain **shareholder value** through a careful integration with the management of risk.
- And an interview with new regulator **Ofcom** following their recent Public Service Broadcasting review.

The 2004 Winter edition featured articles exploring issues such as:

- How **'health and safety'** is being used increasingly as an excuse for changes that constrict freedom. By Frances Cairncross, Chair of the ESRC.
- The **risk management of everything** and the escalating transference of risk from organisations to the general public.
- How **modernisation** and partnership were put into practice following the government's call to modernise public services.
- The effects of terrorism and September 11th on **catastrophic risk insurance**.
- And, as the government launched its White Paper, a forum on the **future of rail**.

*Risk&Regulation* can be found at [www.lse.ac.uk/resources/riskAndRegulationMagazine/](http://www.lse.ac.uk/resources/riskAndRegulationMagazine/)

## Building an academic community

CARR is playing a central role in helping to build international, national and local expertise in the area of risk and regulation studies. We are achieving this in a number of ways: through our Outreach strategy, through our Research Student Forum, and by developing links with other centres of expertise and hosting academic visitors.

### **Outreach programme**

As part of CARR's responsibility as a national centre we have an outreach programme with the UK regions. In 2004 we held regional workshops and events in Cambridge (Corporate Governance), Southampton (Business History and Regulation), and Cardiff (Food, Risk and Regulation). These events provide an excellent forum for the exchange of ideas and an opportunity for academics and practitioners to meet.

### **Postdoctoral Research Fellows**

Our staff are at different stages of their academic careers. This reflects our desire to help develop the next generation of scholars in the study of risk and regulation. In addition to the academic training and mentoring our staff receive, we encourage them to help organise events, chair seminars, edit the magazine and review papers. As well as our formal seminar series, we also run regular 'brown bag' seminars. Based on the US-model, these sessions give staff a forum to try out new ideas and discuss research findings in an informal and supportive setting. We continue to support our postdoctoral fellows and encourage applications to more senior positions.

### **Research student forum**

CARR research students undertake PhDs in a wide range of topics, such as corporate social responsibility reporting, reputation risk management in the food industry, and independent regulatory agencies in Britain and France. In 2004, **Andrea Mennicken** earned a PhD for her thesis 'Reforming Auditing in Post-Soviet Russia' and has been appointed as a lecturer in the LSE's Department of Accounting and Finance.

CARR staff also run the CARR research student forum, which is supported by Deutsche Bank. The main aim of this forum, which has just completed its third year, is to help train the next generation of academic researchers and practitioners. The forum comprises of regular seminars for CARR research students, bursaries to support their research and an annual international research student conference.

The regular, multidisciplinary seminar series for research students continues to thrive. These seminars explore general themes of risk and regulation and discuss work in progress. The seminars enable research students to gain a critical appreciation of different approaches, and by that strengthen the contribution of social science to aspects of risk and regulation. CARR research staff regularly attend these meetings.

As well as providing support for its own research students, CARR contributes to capacity building at a national and international level through its **Annual Research Student Conference** on risk and regulation. At these two-day events, research students present their work in progress to fellow students and senior scholars from CARR and other universities. The third of these annual conferences was held in September 2004 (see page 9 for a report of this event). In 2004, CARR hosted student visitors from Berkeley (California) and Pompeu Fabra University (Barcelona) for periods of study.

### **Hosting academic visitors**

The Centre hosted visitors from the UK (Royal Holloway College, London) and abroad (Harvard University, Yale Law School, Wissenschaftszentrum Berlin and the German Institute for Economic Research [DIW]).



## Plans for 2005

Our staff have several major publications going to press:

- **Bridget Hutter** and **Michael Power**, *Organizational Encounters with Risk*, Cambridge University Press.
- **Timothy Besley**, *Principled Agents: Motivation and Incentives in Government*, Oxford University Press.
- **Julia Black**, **Martin Lodge** and **Mark Thatcher**, *Regulatory Innovation*, Edward Elgar.
- **Mark Thatcher** and **David Coen**, *Regulation After Delegation*, (Governance, Special Edition), Blackwell.

We have a number of events planned:

- **The Regulation of Genetics Outside the State**  
Joint Workshop with the ESRC Centre for Genomics in Society (University of Exeter); 10-11 March 2005, University of Exeter.
- **Financial Innovation: markets, cultures and politics**  
In association with the Social Studies of Finance Group (University of Edinburgh); 16-17 June 2005, LSE.
- The **Fourth Annual Research Student Conference** takes place in September 2005.
- Our **seminar programme** will continue, with speakers already planned from the European University Institute, Berkeley, Sciences Po, Demos and the UCLA, among others.

For more information on CARR's work and activities in 2005 visit: [www.lse.ac.uk/Depts/carr](http://www.lse.ac.uk/Depts/carr)





## Appendices

### Appendix 1:

#### Staff and research associates

##### Research Staff

**Professor Timothy Besley**

Director of Suntory and Toyota International Centres for Economics and Related Disciplines (STICERD)  
Professor of Economics  
*Public economics; Development economics; Political economy.*

**Dr Julia Black**

Reader in Law  
*Regulatory techniques and processes; Interpretive and discourse based approaches to regulation; Rule making; Financial services regulation.*

**Professor Claudio Ciborra (deceased, see p.6)**

Department of Information Systems  
PwC Chair (to June 2004)  
*Information and communication technologies, organisations and risk; The management of large corporate information infrastructures in a global context; Learning, innovation and risk; Transaction costs economics and the role of social costs; Improvisational processes in organisations.*

**Dr Tracy Cohen**

BP Postdoctoral Fellow (February – June 2004)  
*Telecommunications regulation; International trade in services; Institutional modelling and design; Law and development; Privacy regulation.*

**Professor Christopher Hood**

CARR Programme Director: Regulation of Government and Governance  
Gladstone Professor of Government and Fellow of All Souls College, University of Oxford  
*Regulation of public-sector bodies; Institutional factors shaping regulation; Transparency and public sector governance.*

**Dr Michael Huber**

Aon Senior Research Fellow in Risk Management (to February 2004)  
*Environmental regulation; Risk regulation; Organisation theories and social theory.*

**Professor Bridget Hutter**

CARR Co-Director  
Peacock Professor of Risk Management  
*Sociology of regulation and risk management; Regulation of economic life; Corporate responses to state and non-state forms of regulation.*

**Dr William Jennings**

ESRC/BP Postdoctoral Research Fellow (from September 2004)  
*Regulation of government by public opinion; Blame avoidance; Policy implementation; Politics and administration of governmental policies of public celebration.*

**Mr Clive Jones**

Research Assistant  
*Corporate responses to regulation and risk; Reputation risk management.*

**Dr Robert Kaye**

ESRC Research Officer  
*Self-regulation and ethics regulation; Regulation inside parliaments and political institutions; Regulatory bodies in the professions.*

**Dr Javier Lezaun**

ESRC Research Officer  
*Biotechnology politics and regulations; Traceability and food control; Marketing and market infrastructures; Science and technology studies.*



**Dr Martin Lodge**

CARR Deputy Programme Director:  
Regulation of Government and Governance  
Lecturer in Political Science and Public Policy  
*Comparative regulation and public administration;  
Government and politics of the EU and of  
Germany; Railway regulation in Britain and  
Germany; Regulatory reform in the Caribbean.*

**Professor Peter Miller**

Professor of Management Accounting  
*Accounting and advanced manufacturing systems;  
Investment appraisal and capital budgeting;  
Accounting and the public sector; Social and  
institutional aspects of accounting.*

**Dr Yuval Millo**

ESRC Research Officer  
*Economic sociology; Financial regulation;  
Derivatives markets; Financial risk management.*

**Dr Joan O'Mahony**

Leverhulme Special Research Fellow  
*Business regulation and civil society; Role of  
non-state sources in risk management;  
Political sociology.*

**Professor Michael Power**

CARR Co-Director and Programme Director:  
Organisations and Risk Management  
Professor of Accounting  
*Internal and external auditing; Risk management  
and corporate governance; Financial accounting  
and auditing regulation.*

**Dr Henry Rothstein**

ESRC Research Fellow  
*Comparative analysis of risk regulation regimes;  
Risk regulation and public opinion, the media,  
interest groups and regulatory professionals;  
Transparency and accountability.*

**Mr Colin Scott**

Reader in Law  
*Regulation of government, communications  
regulation and regulation of consumer markets;  
New dimensions of regulation of the public sector  
and regulatory innovation.*

**Dr Mark Thatcher**

Senior Lecturer in Public Administration and  
Public Policy  
*Comparative European regulation and public policy;  
Telecommunications and other utilities; Delegation  
to non-majoritarian institutions and institutional  
design; Independent regulatory agencies.*

**Support Staff**

**Amy Eldon**  
Administration and Events Officer

**Sabrina Fernandez**  
Events and Publications Administrator

**Louise Newton-Clare**  
Centre Manager (Finance, Research  
and Special Projects)

**Anna Pili**  
Centre Manager (Administration, Events  
and Communications)

**Research Associates at LSE**

**Dr Michael Barzelay**  
Reader in Public Management, Institute  
of Management

**Dr Damian Chalmers**  
Reader in European Law, Law Department

**Professor George Gaskell**  
Professor of Social Psychology, Methodology  
Institute; and Social Psychology

**Dr Andy Gouldson**  
Lecturer in Environmental Policy, Department  
of Geography and Environment

**Dr Terence Gourvish**  
Director, Business History Unit

**Professor Carol Harlow**  
Professor Emeritus of Public Law, Law Department

**Professor Edward Page**  
Sidney and Beatrice Webb Professor of Public  
Policy, Government Department

**Professor Judith Rees**  
Professor of Environmental and Resource  
Management, Department of Geography and  
Environment; LSE Deputy Director (Research)

**Research Associates: external**

**Dr Michael Huber**  
Research Associate

**Professor Steve Kelman**  
Weatherhead Professor of Public Management,  
Harvard University

**Professor Donald Mackenzie**  
Professor of Sociology, School of Social and  
Political Studies, University of Edinburgh

**Professor Nick Pidgeon**  
Director, Centre for Environmental Risk,  
University of East Anglia

**Professor Tony Prosser**  
Professor of Public Law, Bristol University

**Mr Lindsay Stirton**  
Lecturer in Law, Law Department,  
University of East Anglia

**Professor Peter Taylor-Gooby**  
Professor of Social Policy, School of Social Policy,  
Sociology and Research, University of Kent

**Professor Brian Wynne**  
Professor of Science Studies, Centre for Social  
Studies, University of Lancaster



## Appendix 2:

### Research students

Tola Amodu

*The planning obligation and its significance  
as a form of public law regulation*

Alberto Asquer

*Public Management and policy implementation:  
the case of the Italian water reform*

Paolo Dasgupta

*Independent regulatory agencies in Britain  
and France: Ofel and ART*

Anneliese Dodds

*A comparison between British and French state  
involvement in trade in higher education services*

Clive Jones

*An analysis of reputation risk management practices  
within food retailing businesses in the UK*

Sue Kerrison

*The regulation of nursing homes*

Andrea Mennicken

*Reforming auditing in post-Soviet Russia*

Anette Mikes

*Corporate risk reporting*

Claire O'Brien

*Human rights governance: theoretical challenges,  
policy problems and practical solutions for human  
rights implementation in the private sector*

Rita Samiolo

*Accounting in the collective management of risk:  
the case of the defence of Venice from high waters*

Anne Katrin Schlag

*Risk perception and communication of GM foods*

## Appendix 3:

### Visitors

#### Professor Steve Kelman

Weatherhead Professor of Public Management, John F. Kennedy School of Government, Harvard University  
January and September 2004

*Professor Kelman is the author of many books and articles on the policymaking process and on how to improve the management of government organisations. From 1993 to 1997, Steve Kelman served as Administrator of the Office of Federal Procurement Policy in the US Office of Management and Budget.*

#### Professor Gunnar Folke Schuppert

Chair for State and Administrative Science, Wissenschaftszentrum, Berlin  
February 2004

*Professor Schuppert is also Fellow at the Max Weber Kolleg for Culture and Sociological Studies in Erfurt.*

#### Mr Michael Spackman

Special Advisor, NERA Economic Consulting  
CARR Visiting Fellow, 2004

*Currently special advisor to the consultancy group NERA Consulting, his previous positions include HM Treasury, Chief Economist at the Department of Transport.*

#### Professor Jerry Mashaw

Sterling Professor of Law, Yale Law School  
May 2004

*Professor Mashaw specialises in administrative law; social welfare policy, regulation and legislation. He has written many publications including Greed, Chaos and Governance: Using Public Choice to Improve Public Law (1997) and Administrative Law: Introduction to the American Public Law System (with R. Merrill and P. Shane, 2003).*

#### Dr Reimund Schwarze

Research Associate, German Institute for Economic Research (DIW) Berlin  
June 2004

*Dr Schwarze is author of several books and journal papers, and has served as an environmental expert for the German Parliament and the German Ministry of Environmental Affairs. His research focus at the DIW is 'Economics and Sustainable Development'.*

#### Professor Anthony Heyes

Head of Department of Economics, Royal Holloway College, University of London  
September – October 2004

*Professor Heyes has a BA from Cambridge and a PhD from McGill University in Montreal. He has previously worked at London and Oxford Universities. His research interests are in environmental policy, regulation, law and economics.*



## Appendix 4:

### Policy Advisory Committee

The PAC is CARR's external governance structure. Its key responsibilities are:

- to advise the Co-Directors and Programme Directors on aspects of risk and regulation research, their financial implications, and potential sources of funding for such research;
- to assist the Co-Directors in co-operation with outside bodies in furthering the Research Centre's programme of research;
- to receive reports of research conducted within the Research Centre and an annual statement of the Research Centre's financial position;
- the Chair of the Committee is expected to raise with the Council at any time matters relating to the conduct of the award which may require action by the Council.

CARR is grateful to the members of its Policy Advisory Committee for their continuing support during 2004. Current membership is as follows:

**Chair: Chris Swinson**  
Former Senior Partner, BDO Stoy Hayward

**Professor Ron Amann**  
Former Director General, Centre for Management and Policy Studies, The Cabinet Office

**Professor John Braithwaite**  
Federation Fellow, Professor, Law Program and Chair, Regulatory Institutions Network, Research School of Social Sciences, Australian National University

**Professor Adrienne Heritier**  
Chair of Public Policy, Department of Political and Social Sciences and the Robert Schuman Centre for Advanced Studies, European University Institute

**Professor Christopher Hood**  
Programme Director: Regulation of Government and Governance, CARR  
Gladstone Professor of Government and Fellow of All Souls College, University of Oxford

**Professor Bridget Hutter**  
CARR Co-Director, Peacock Professor of Risk Management

**Dame Deirdre Hutton**  
Chairman, National Consumer Council

**Professor Robert Kagan**  
Professor of Political Science and Law, Center for the Study of Law and Society, University of California

**Mrs Mavis Maclean, CBE**  
Joint Director, Oxford Centre for Family Law and Policy (OXFLAP), Oxford University

**Professor Michael Moran**  
Department of Government, University of Manchester

**Professor Michael Power**  
CARR Co-Director, Programme Director: Organisations and Risk Management, Professor of Accounting

**Professor Tony Prosser**  
Professor of Public Law, School of Law, University of Bristol

**Professor Catherine Waddams**  
Director, ESRC Centre for Competition Policy; Professor of Regulation, University of East Anglia

## Appendix 5:

### Workshops and seminars

#### Workshops

**Soft Risks, Hard Lessons: using corporate governance to manage legal, ethical and reputational uncertainties**

in association with the University of Cambridge; University of Cambridge, January 2004

**Auditing in Action**

in association with the University of Manchester; CARR, LSE; February 2004

**Business History and Regulation 2004**

in association with the University of Southampton's Centre for Research in Accounting, Accountability and Governance; University of Southampton, March 2004

**The Accountability of Regulators**

in association with the European Policy Forum; European Policy Forum, London, May 2004

**Joint One Day CARR/SCORE Workshop**

in association with the Stockholm Centre for Organisational Research (SCORE) CARR, LSE; June 2004

**Regulatory Creep**

in association with the Better Regulation Task Force (BRTF); London; July 2004

**Are Risk Managers Dangerous?**

in association with *The Economist*; LSE; October 2004

**Food, Risk and Regulation**

in association with the ESRC Centre for Business Relationships, Accountability, Sustainability and Society (BRASS), Cardiff University; October 2004

**Global Governance and the Role of Non-State Actors**

in association with the Social Science Center, Berlin (WZB) and the Alfred Herrhausen Society for International Dialogue, Frankfurt; LSE; November 2004

#### Seminars

**Professor Robert Dingwall**

University of Nottingham  
Science: a puzzling profession?  
November 2004

**Professor Anthony Heyes**

Royal Holloway College, University of London  
Whistleblowing: A Theory with Application to Environmental Regulation  
October 2004

**Professor Peter Taylor-Gooby**

University of Kent  
New Social Risks in Europe  
October 2004

**Professor Pat O'Malley**

Carleton University, Ottawa, Canada  
The Uncertain Promise of Risk  
May 2004

**Professor Richard Ericson**

University of Oxford  
Catastrophic Risk, Insurance and Terrorism  
June 2004

**Professor Nick Pidgeon**

University of East Anglia  
Attitudes to the Risks and Benefits of Agricultural Biotechnology in Britain: the role of ambivalence  
June 2004

**Dr Reimund Schwarze**

Deutsches Institut für Wirtschaftsforschung, Berlin  
The Good, the Bad and the Notorious: risk differentiation in German third party motor insurance  
June 2004

**Professor Jerry Mashaw**

Yale Law School  
Accountability and Institutional Design: some thoughts on the grammar of governance  
May 2004



**Professor Michael Moran**

University of Manchester  
The British Regulatory State: high modern or  
post modern?  
May 2004

**Ben Hunt**

Author, *The Timid Corporation*  
Corporate Social Responsibility as a new  
Self Regulation  
April 2004

**Professor Claudio Radaelli**

Bradford University  
Getting to Grips with Regulatory Quality:  
definitions and measures  
March 2004

**Professor Keith Hawkins**

Oxford University  
Law as a Last Resort: prosecution decision-making  
in a regulatory agency  
March 2004

**Professor Gunnar Folke Schuppert**

Social Science Research Centre, Berlin  
The Ensuring State and Modes of Regulation  
February 2004

**Dr Steve Kelman**

Harvard University  
Rules and Discretion in the Design of  
a Procurement System  
January 2004

Further details of these events, including abstracts  
of seminars, are available at:  
[www.lse.ac.uk/collections/CARR/events/](http://www.lse.ac.uk/collections/CARR/events/)



## Appendix 6:

### Publications

Full details of CARR publications, including recent books by staff, can be found on our website: [www.lse.ac.uk/collections/CARR/documents/](http://www.lse.ac.uk/collections/CARR/documents/)

CARR published 12 discussion papers in 2004, all of which are freely available online: [www.lse.ac.uk/collections/CARR/documents/discussionPapers.htm](http://www.lse.ac.uk/collections/CARR/documents/discussionPapers.htm)

#### Modernisation, Partnerships and the Management of Risk

Liisa Kurunmäki and Peter Miller  
DP 31, November 2004

#### From Risks to Second-order Dangers in Financial Markets: unintended consequences of risk management systems

Boris Holzer and Yuval Millo  
DP 29, November 2004

#### Digital Technologies and the Duality of Risk

Claudio Ciborra  
DP 27, October 2004

#### Business Regulation: reviewing the regulatory potential of civil society organisations

Bridget M Hutter and Joan O'Mahony  
DP 26, September 2004

#### Learning and interest accommodation in policy and institutional change: EC risk regulation in the pharmaceuticals sector

DP 25, Jurgen Feick

#### The Battle for Hearts and Minds? Evolutions in organisational approaches to environmental risk communication

Andy Gouldson, Rolf Lidskog and Misse Wester-Herber  
DP 24, September 2004

#### Creation of a Market Network: the regulatory approval of Chicago Board Options Exchange (CBOE)

Yuval Millo  
DP 23, September 2004

#### Corporate-NGO Partnerships as a Form of Civil Regulation: lessons from the Energy Biodiversity Initiative

Stephen Tully  
DP 22, June 2004

#### Access to Justice Within the Sustainable Self-Governance Model

Stephen Tully  
DP 21, June 2004

#### Justifying Non-Compliance. A Case Study of a Norwegian Biotech Firm

Filippa Corneliussen  
DP 20, May 2004

#### The Impact of Regulations on Firms. A Study of the Biotech Industry

Filippa Corneliussen  
DP 19, May 2004

#### Reforming the UK Flood Insurance Regime. The Breakdown of a Gentlemen's Agreement

Michael Huber  
DP 18, January 2004



## Appendix 7:

### Financial statement

FUNDING SOURCE	2001	2002	2003	2004
	OCT 00 – SEPT 01	OCT 01 – DEC 02	JAN – DEC 03	JAN – DEC 04
	12 MONTH PERIOD	15 MONTH PERIOD	12 MONTH PERIOD	12 MONTH PERIOD
	£000s	£000s	£000s	£000s
ESRC	309	525	610	620
BP	48	66	37	30
Deutsche Bank	166	7	27	23
Leverhulme			14	14
Michael Peacock/AON	190	218	189	178
PricewaterhouseCoopers	79	107	147	90
Smith Institute	12	1		
Other	4	4		10
<b>TOTAL</b>	<b>807</b>	<b>929</b>	<b>1,024</b>	<b>966</b>

EXPENDITURE	2001	2002	2003	2004
	OCT 00 – SEPT 01	OCT 01 – DEC 02	JAN – DEC 03	JAN – DEC 04
	12 MONTH PERIOD	15 MONTH PERIOD	12 MONTH PERIOD	12 MONTH PERIOD
	£000s	£000s	£000s	£000s
Staff costs (see note 1)	644	852	891	875
Other research costs	77	25	28	51
Risk Forum	35			
Conference and Travel	28	43	101	36
Equipment	25	8	4	4
<b>Total</b>	<b>807</b>	<b>929</b>	<b>1,024</b>	<b>966</b>

Notes :

1. Staff costs: figures include institutional overheads.
2. The statement of expenditure has been prepared on a cash basis.
3. In the opinion of the Directors, the statement of expenditure is not materially misstated. The statement is not independently audited at the CARR research centre level.

## Sponsors:



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