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Combining risk and responsibility perspectives: first steps

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Abstract

Business activity can be analyzed through a “risk awareness” perspective and a “responsibility awareness” perspective. However, risk and responsibility are actually interdependent. Risk-taking triggers responsibility issues and taking responsibility means risking being asked critical questions. This paper suggests some first steps for combining these two perspectives conceptually. After several introductory illustrations showing how risk *and* responsibility issues are intertwined, the paper looks separately each at risk and at responsibility. Then the argument that such perspectives could be usefully combined is elaborated further from a theoretical angle and from a practical angle, by looking at various ethical issues and by presenting paradigmatic examples of balancing or sharing risk and responsibility related to leadership, to ERM and to insurance.

KEY WORDS:

Risk, risk perception, risk management, responsibility, responsibility ethics, leadership

This paper is about risk *and* responsibility, that is, risky responsibilities and responsible risks. In everyday language, both words are used frequently and are sufficiently clear to most of us, at least as long as we are not asked for very precise definitions. If there is a need for clarification, one can always ask experts on risk (such as engineers or doctors) or experts on responsibility (such as lawyers or moral philosophers) for their definitions and for references to well-respected theories (of course there is always a risk of competition among definitions, theories, and experts).

This paper suggests we need reflection and dialogue, among lay persons and experts, not so much about risk on the one hand and responsibility on the other, but about the *interdependencies* of risk and responsibility questions.¹ In the professional worlds of insurance actuaries and insurance lawyers there is a unique mix of thinking about risk and responsibility, where risk and responsibility sometimes trigger, and sometimes disturb, but mostly support and balance, one another. Ideally, at least, insurance represents a “technology” (Ewald, 1991) that is a construction of sustainable risk and responsibility sharing in well-designed pools, within clear and well-known limits to coverage, maximizing the greatest economic security and care, for the greatest number, at the best possible prices. This paper suggests the ideal of risk and responsibility sharing in insurance could be used as an inspiration for similar fruitful combinations of risk and responsibility thinking elsewhere in business life. That is, we could widen the perspective from legal to moral responsibility, from more to less and much less predictable and quantifiable risks, and from pricing to additional codes and currencies, in order to consider risk-and-responsibility sharing as a new way of thinking about business ethics and corporate responsibility.

After two introductory illustrations, the key concepts of risk and responsibility and their dimensions are elaborated, followed by a presentation of procedures and frameworks and finally of selected normative approaches. This elaboration is accompanied by another three concrete illustrations, in the realms of leadership, enterprise risk management, and finally insurance. Since this paper aims to provide first steps towards creating this combined perspective, the final section points to where the next steps might go.

Risk and Responsibility: Illustrations I and II²

The cave rescue exercise.

“A pot holing expedition has been trapped in an underground cave by a rock fall. The expedition leader has reported by field telephone that the cave is flooding at a rate which suggests that the cave will be completely flooded within 60-80 minutes, or possibly at any time sooner. It will be 20 minutes before the rescue equipment arrives and can be set up. Even then it will only be possible to bring out one person every 10 minutes. You are

¹ Cf. with a focus on such interdependencies Giddens 1999, Kaufmann 1992 and 1995, Leiss and Chociolko 1994

² The author has used both stories when teaching business ethics. Other good illustrations are easy to find in the intersections of business and environmental ethics or of business ethics and finance.

the rescue team and you therefore have 20 minutes in which to decide the order in which the (eight) expedition members will be brought to the surface...”
(www.lsbu.ac.uk/careers/mfe/lec-7/grpexe.html).³

In this first illustration, the best possible order is sought in which to evacuate the expedition members, each of whom comes with a short profile. The best case scenario is that six out of eight individuals can be rescued; in the worst case perhaps only two can be saved. There are risk issues and responsibility issues. Two or more individuals have a strong risk of dying, but even more individuals than necessary risk dying if the decision-makers cannot agree on the criteria for ranking the individuals. The ethical responsibility issue involves ranking individuals of equal human worth and dignity. Whatever ranking is chosen will mean sentencing some individuals to die, while rescuing some others. This introductory example shows that responsibility and risk handling issues can be highly interdependent and hard to distinguish clearly from each other, for example, proper risk assessment and management on the one hand and fair and responsible decisions about risk distribution on the other.

Indecent Proposal?

In the 1993 movie *Indecent Proposal*, “... childhood sweethearts David and Diana Murphy (played by Woody Harrelson and Demi Moore) are a married couple that travel to Las Vegas, hoping they can win enough money to finance David's fantasy real estate project. After gambling away all of their savings, they encounter billionaire John Gage (played by Robert Redford). John becomes enamoured with Diana...” (source: http://en.wikipedia.org/wiki/Indecent_Proposal).

The most important scene can be quoted:

David: [while playing pool] ... *I guess there's limits to what money can buy.*
 John: *Not many.*
 Diana: *Well some things aren't for sale.*
 John: *Such as?*
 Diana: *Well you can't buy people.*
 John: *That's naive, Diana. I buy people every day.*
 Diana: *In business, maybe, but you can't buy people, not when real emotions are involved.*
 John: *So you're saying you can't buy love? That's a bit of a cliché don't you think?*
 Diana: *It's absolutely true.*
 John: *Is it? What do you think?*
 David: *I agree with Diana.*
 John: *You do? Well let's test the cliché. Suppose... I were to offer you one million dollars for one night with your wife.*
 David: *I'd assume you're kidding.*

³ As original sources see e.g. M. Woodcock, 1979, *Team Development Manual*, Gower, Aldershot or D. Francis and D. Young, 1979, *Improving Work Groups...* University Associates, San Diego.

John: *Let's pretend I'm not. What would you say?*
 Diana: *He'd tell you to go to hell.*
 John: *I didn't hear him.*
 David: *I'd tell you to go to hell.*
 John: *That's a reflex answer because you view the question as hypothetical. But let's say that there was real money backing it up. I'm not kidding. A million dollars. The night would come and go but the money could last a lifetime. Think of it. A million dollars. A lifetime of security... for one night. Don't answer right away. Just consider it seriously.*
 David: *We're positive, okay?*
 John: *Well then you've proved your point. There are limits to what money can buy...*
 (source: <http://www.imdb.com/title/tt0107211/quotes>).⁴

In this second illustration, responsibility and risk approaches are less interdependent, at least at first sight. Use of the word “indecent” in the movie title suggests an approach in which the responsibility is clear, at least to start with. A hypothetical best friend of the couple, asked by them for best advice in such a situation of moral temptation, would probably look for a good moral principle as a premise or justification to give responsible advice on responsible behavior. Some advisors, or even many, however, might prefer “it depends” as an answer. The most likely focus of such a non-principled answer would then be not on moral responsibility but on the more pragmatic question of the risk of damage versus the opportunity provided by the proposal. In this way of thinking, one would, for example, weigh the risk of damaging a good relationship as a consequence of such a deal against a risk of marital failure due to money trouble. Of course it is hard to give good advice because one cannot possibly know for sure the final outcome beforehand, so the choice is between risks that have hopefully been well assessed.⁵

Both illustrations suggest that moral dilemmas (such as the cave rescue) and temptations (such as the “indecent proposal”) can be phrased in moral responsibility terminology, in risk terminology, or in both. Phrasing the questions either in terms of risk or responsibility seems straightforward, at least at first, since talk about responsibility and risk is familiar from everyday language. At second sight, however, risk and responsibility are abstract and complex phenomena; clear definitions are necessary but difficult to achieve. One’s primary demand would be for proper procedures in order to determine fair responsibility and risk sharing. In order to examine such challenges, the paper reviews available concepts and procedures. Then it goes on to outline the need for selected normative criteria when working with risk and responsibility, theoretically or practically.

4 The story continues as follows: After a difficult night, David and Diana decide to accept the offer, and a contract is signed the next day... Although he had hoped to forget the whole incident, David grows increasingly insecure about his relationship with Diana, consumed with a fear that she remains involved with Gage (ibid.). After this prophecy fulfils itself for a while, some 60 or so movie minutes later, Diana returns to David.

5 One could quote Diana once more, who declares later in the movie, with the wisdom of hindsight: “If you ever want something badly, let it go. If it comes back to you, then it's yours forever. If it doesn't, then it was never yours to begin with...” (ibid.).

Risk and Responsibility: Concepts and Dimensions

In everyday language most people would associate risks with possibilities or even likelihoods of loss or harm. Instead of simply listing a set of synonyms for risk, as one finds in dictionaries,⁶ it may be more fruitful to look for relevant conceptual dimensions or *aspects* of risk which have been emphasized by various authors, often when contrasting risk with various antonyms:

- *Measurability* of risk (versus non-measurable uncertainty, see Knight, 1921; note that risk for this author is not narrowed to negative events, but denotes a chance of both winning and losing)
- *Manageability* of risk (as possible negative events, which can be managed, i.e. prevented, corrected, compensated, versus non-manageable or not-yet-manageable dangers, see Evers and Nowotny, 1987)
- *Insurability* of risk (versus non-insurability of dangers which are too serious or not sufficiently predictable, see Beck, 1993)⁷
- *Attributability* of risk (i.e. risks equal possible losses which can be attributed to a decision. These are different from dangers understood as losses which are attributed to a system environment, see for such terminology Luhmann, 1993a, pp. 21-22)⁸
- *Voluntariness* of a risk (i.e. whether a stakeholder's exposure to a given risk is chosen by free will and with sufficient knowledge, or assumed involuntarily, or somewhere in-between.)
- *Moral responsibility* in relation to a risk (versus irresponsibility) ie if risk-taking or risk exposure is justified or justifiable because there is informed consent from all exposed parties as a result of proper risk dialogue procedures⁹)

The paper will return to most of these questions in the following sections, especially the final one, if and how it is possible to take moral responsibility for a risk,¹⁰ and under what circumstances. A quick reference to insurance might be helpful at this point. If a risk is deemed insurable, this means that an insurance company accepts a transfer of both risk and responsibility for compensation for losses. The development of an

⁶ The Merriam Webster Dictionary provides the following *synonyms* of risk:

"... possibility of loss or injury, peril; someone or something that creates or suggests a hazard; the chance of loss or the perils to the subject matter of an insurance contract; also: the degree of probability of such loss; a person or thing that is a specified hazard to an insurer; an insurance hazard from a specified cause or source; the chance that an investment ... will lose value..." (<http://www.merriam-webster.com/dictionary/Risk>)

⁷ Beck uses as a metaphor the inadequacy of bike brakes for stopping intercontinental jet planes (1993, p. 915). As a newer source in English see e.g. Beck 2006.

⁸ Another and perhaps more fruitful terminological distinction could be between an actor's or one-decision or micro-level risks, and systemic or macro-level risks, cf. e.g. Renn, 2008, pp. 61-66 et passim.

⁹ Cf e.g. the work of the Swiss risk dialogue foundation, <http://www.risiko-dialog.ch/Overview%20in%20English>

¹⁰ Note for readers with a sense of linguistic subtleties: The German term *Verantwortbarkeit* refers literally to a possibility or ability for something to be taken responsibility for, and implies an upper limit to which one can or should take responsibility for a risk. This subtlety is not easy to translate into English, even if the idea seems to involve an understanding of responsibility as an ability to respond (no ability, no responses, no responsibility, no *Verantwortbarkeit*).

insurance product typically presupposes measurability of covered risks, while other aspects of the risks are evaluated depending on the insurance type, such as attributability or involuntariness of risks and damages. With this in mind, we can now take a look at various meanings and aspects of responsibility.

In everyday language, responsibility is something nice as long as it is kept vague, and something potentially threatening once it is clarified and in the format of falsifiable expectations. If one wants to clarify what we mean by “responsibility” by presenting a number of synonyms, one realizes that responsibility can denote an actor *obligation*, such as “moral, legal, or mental *accountability*”, and a *positive property* of actors such as “*reliability* or *trustworthiness*”, but also a *reference*, that is “something for which one is responsible: *burden...*” (inspired by <http://www.merriam-webster.com/dictionary/responsibility>). And one can, as in the paragraphs about risk above, look at various aspects of responsibility (see Brinkmann, 2007, pp. 89-91), such as:

- *Initiative*: Taken versus ascribed responsibility (i.e. self-obligation versus attribution of responsibility by external norm systems or subjects)
- *Time focus*: Ex-ante versus ex-post responsibility (i.e. proactiveness versus potential blaming afterwards)¹¹
- *Specification*: Vague versus specified responsibility (i.e. non-programmable versus limited and clearly role-bound responsibility)
- *System level*: Insider-view versus outsider-view responsibility (i.e. defined internally, e.g. in a system, versus looking from outside)¹²
- *Subject number*: Sole versus shared responsibility (i.e. number of responsible subjects).

Also this list can be extended in accordance with the focus of the present article, by adding a sixth aspect of responsibility, namely:

- *Riskiness*: Possibility times seriousness of responsibility, equal to the possibility times seriousness of accountability and liability claims faced, as a consequence of taken or ascribed responsibility.

In the context of this article, the last mentioned aspect of responsibility is of primary interest, sometimes in combination with other aspects of responsibility. After all, responsibility denotes a risk of owing answers to questions, where questions and answers may vary - by difficulty, avoidability, forwardability, rewards and punishments and so on. For an illustration one can think once more of risky and hopefully responsible decisions about whom to rescue, or of responsible advice as an outsider to couples considering indecent or risky proposals. In the context of a business ethics paper, another thought-provoking example could be limited liability corporations, where such limiting of responsibility represents a necessary condition for risk taking, while

¹¹ Add. 2012: Cf also Enderle 2006, referring to W. Schulz' *Philosophie in ver veränderten Welt*, Pfullingen 1972

¹² Cf also the initiative dimension mentioned above; cf for the source Brinkmann, 2007, p. 89, summarising points made by Bierhoff in Bayertz' anthology, 1995.

irresponsible risk taking can be reduced by increasing responsibility in terms of legal liability for the consequences of such risk taking.¹³ Still another illustration is the historical development of liability insurance and liability law, with similar business-enabling effects, as coverage for risky responsibility and responsibility risks, normally with fine print provisions about irresponsible, unacceptable risks (see Munich Re, 2007).

Risk and Responsibility: Procedures and Frameworks

In the tradition of empirical research tied to consultancy, operational definitions, procedures and checklists are of primary interest, as opposed to a slow and in-depth examination of theoretical concepts. Understanding the world seems less interesting than changing it, concept clarification (assuming that concept clarity is satisfactory) seems less interesting than the questions of what one should do, and which questions one should ask and address in which order (often not independently of how interesting the questions and answers are to a client).¹⁴ However, as long as one sees the danger of conceptual shallowness, even rather simple checklists for risk and responsibility handling can be useful, legitimate or at least inspiring for project planning.

Given the potential demand for business risk management help and checklists, the overwhelming supply of such checklists and models is not a surprise. There are a number of largely self-explanatory options (eg <http://www.fda.gov/ucm/groups/fdagov-public/documents/image/ucm128056.jpg> or <http://www.demc.nsw.gov.au/images/Monito7.gif>)¹⁵. See also the widely quoted consultancy leaflet which presents the COSO 2004 framework, with its eight steps or “components” to be checked (COSO, 2004, p. 10, shortened by present author):

- *Internal Environment* (organizational risk perception climate)
- *Objective Setting*
- *Event Identification* (Internal and external events which affect objective achievement, as risks and opportunities).
- *Risk Assessment* (by likelihood and impact)
- *Risk Response* (such as avoiding, accepting, reducing, or sharing risk, in accordance with the entity’s risk tolerances and risk appetite).
- *Control Activities* (procedures for ensuring effective risk response implementation)
- *Information and Communication* (relevant information is communicated for enabling target groups to carry out their responsibilities).

¹³ See in particular what lawyers in different jurisdictions call risk liability, no-fault or strict liability, or in German *Gefährdungshaftung*, liability for damages occurring as an extension of permitted risk taking and risk exposure, independently of fault (http://home.iprimus.com.au/than/toby/Risk_Liability.pdf, <http://de.wikipedia.org/wiki/Gef%C3%A4hrdungshaftung>, <http://legal-dictionary.thefreedictionary.com/No-fault+liability>, http://en.wikipedia.org/wiki/No-fault_insurance)

¹⁴ See e.g. as one example among many: <http://www.risk-management-basics.com/risk-management-risk-question.shtml> or see simply the results of a quick google image search: http://images.google.no/images?hl=en&rlz=1T4GPEA_enNO295NO295&um=1&sa=1&q=risk+management+process&btnG=Search&aq=f&oq=&start=0

¹⁵ For many more visualizations see http://images.google.no/images?um=1&hl=en&rlz=1T4GPEA_enNO295NO295&q=risk+management+model&btnG=Search+Images

- *Monitoring* (so that the entire enterprise risk management can be modified as necessary).

In the context of this paper, a basic delineation of four risk management steps or presented in a table format is most suitable (see exhibit #1). This serves as a contrast to the more complex framework for more complex contexts by O. Renn presented below.¹⁶

Risk-related task ¹⁷	Task description	Increasing an awareness of ethical responsibility ¹⁸ (and inviting people to take it)
Risk definition	Identification of risk sources, threats, possible events	<i>Moral intensity of risk definitions</i> , i.e. sources, threats, events; moral and reputational vulnerability; specific stakeholders as source of potential moral criticism.
Risk evaluation	Evaluating risk as severity of loss times likelihood of occurrence, for proper prioritizing	Make sure to include ethical acceptability as an evaluation criterion, as well as specific <i>moral and reputational risks</i> by likelihood and seriousness, both as interesting in themselves and as a reflex of other risks
Risk control and financing	Select and perhaps mix alternatives such as tolerate-treat-terminate-transfer (or accept-control-avoid-transfer; or avoidance-reduction-retention-transfer)	Moral and reputational risk control as an end in itself and as insurance for other kinds of crises. Prevention of and preparation for routine and for worst case scenarios by <i>ethical climate development</i> , ethical codes, training and other tools.
Risk-related decision-making	Formulation, implementation and evaluation of a risk management plan, decision monitoring and control	<i>Explicit inclusion</i> of moral risk aspects, moral and reputational risk, both as a primary and as a secondary risk. Consider developing relevant tools.

Exhibit #1: Risk management as management of risk-related tasks

Exhibit #1 is constructed and filled in with a risk manager or lecturer in risk management in mind. The main point is an invitation to widen standard procedure, that is, to include an ethics and responsibility dimension in each of the stages. The “ethical

¹⁶ On a very general and abstract level, many risk management schemes look like the one presented in exhibit #1. Cf most generally http://en.wikipedia.org/wiki/risk_management or more specifically, e.g. from a consultancy angle, both as one of the most general USPs and promises

<http://www.pwc.com/gx/en/risk-management/index.jhtml> or http://www.dnv.com/focus/risk_management/

¹⁷ This exhibit re-uses more general standard terminology, but a quick translation to Renn’s terminology in exhibit #2 below is possible if desirable, from risk definition to his pre-assessment and appraisal, from risk evaluation to his mix of risk characterization and evaluation, from risk control and financing to Renn’s somewhat narrow option identification, assessment, evaluation and selection and of risk-related decision-making to his implementation with sub-processes

¹⁸ Surprisingly, neither risk-related activities nor HSE-risks are normally dealt with in business ethics textbooks. See as an exception DeGeorge, 2006, pp. 279-282, but confined to HSE risks.

awareness” column in the exhibit includes examples of additional points to consider, perhaps additional tasks to be carried out. Inspired by an article by Jones (1991), one can think of “moral intensity” as an aspect when defining risk as a potential “moral issue”.¹⁹ In a risk management perspective many, perhaps most, ethical issues present themselves as reputational risks,²⁰ that is, they represent, the possibility of a seriously worsened public reputation, which needs to be addressed in the evaluation, control and decision making stages.

Ortwin Renn’s book *Risk Governance* (2008) presents a systematic framework which because of its broad theory-base is legitimate in the world of interdisciplinary academic risk research. It is also used in the world of consulting and policy planning, by the International Risk Governance Council (IRGC) of which Renn is a council member. According to its website, the IRGC

“... is an independent organisation whose purpose is to help the understanding and management of emerging global risks that have impacts on human health and safety, the environment, the economy and society at large. IRGC’s work includes *developing concepts of risk governance, anticipating major risk issues and providing risk governance policy recommendations for key decision makers.*”

IRGC focuses on emerging, systemic risks for which governance deficits exist and aims to provide recommendations for how policy makers can correct them... Many of these risks are complex, uncertain, or even ambiguous. In most cases, the potential benefits and negative side-effects interconnect...”

Like the analogous term “corporate governance”, the key term of “risk governance” has a connotation of holistic and participatory decision-making about risks.²¹ Exhibit #2 (source: Renn, 2008, p. 365)²² is at the same time intended as a summary of the author’s whole book and as a model of a process with “four consecutive phases called pre-assessment, appraisal, characterization/evaluation and management. In addition, risk communication accompanies all four phases.” Renn’s ambition is to include traditional risk analysis and risk management but also to move it into “matters of institutional design... on the part of public bodies... and private enterprises” (p. 364). Even if there is

¹⁹ Jones’ (descriptive) points of departure are indicators or “components” of moral intensity: magnitude of consequences, social consensus, probability of effect, temporal immediacy, proximity and concentration of effect, which alone and jointly increase the likelihood of an issue being recognized as a moral issue (see 1991, pp. 374-378, 380-383).

²⁰ Cf. Rossouw and van Vuuren, 2004, with an emphasis of the reputation risk aspect of ethical risks (in fact understood as a threat-opportunity range rather than as negative risk only), see especially their table on p. 203 (using various stakeholders as sources of potentially risky reputation relationships). Cf also as an academic paper Fombrun et al, 2000 and the inspiring *Economist*-report about “reputation as the risk of risks”, http://www.acelimited.com/NR/rdonlyres/2B964DD5-F93E-47C3-BA44-999A0BAEAD40/0/RISK_REPUTATION_REPORT.pdf

²¹ For a presentation see the same website: “Risk governance applies the principles of good governance to the identification, assessment, management and communication of risks in a broad sense. It incorporates such criteria as accountability, participation and transparency within the procedures and structures by which risk-related decisions are made and implemented. Risk governance includes the totality of actors, rules, conventions, processes and mechanisms and is concerned with how relevant risk information is collected, analysed and communicated, and how management decisions are taken. Global risks are not confined to national borders; they cannot be managed through the actions of a single sector. The governance of global, systemic risks requires cohesion between countries and the inclusion within the process of government, industry, academia and civil society...” (source: <http://www.irgc.org/>)

²² Renn’s figure 10.1 in Renn, 2008; cf. also e.g. the same figure in a simplified format as figure 2.1, also figures 5.4 and 9.1

no explicit reference to “responsibility” or to “ethics” in the index of Renn’s book, several components of his risk governance framework do address the responsibility issue implicitly. Renn’s *problem framing* could easily be extended to include what has been called “moral intensity” (Jones, 1991).²³ *Risk perception* implies various intervening factors such as value commitments (p. 119 f.), cultural-ethical elements (see e.g. p. 122) and not least trust and credibility (p. 123 f.). *Risk tolerability* and *acceptability* judgements as well as option evaluation under risk management use obviously ethical criteria (such as fairness, ethical acceptability, accountability, cf. pp. 147 ff, 177, 223). *Risk communication* has credibility as a key component (cf. p. 226), while *risk participation* can be seen as a way of responsibility sharing among all stakeholders. Most clearly, however, the responsibility and ethics dimension is represented in the *risk characterization and evaluation* stage or framework component, especially if and when the evaluation of risk “tolerability” and “acceptability” is “disputed” (Renn’s label for such a situation is “normative ambiguity”, see esp. p. 153).

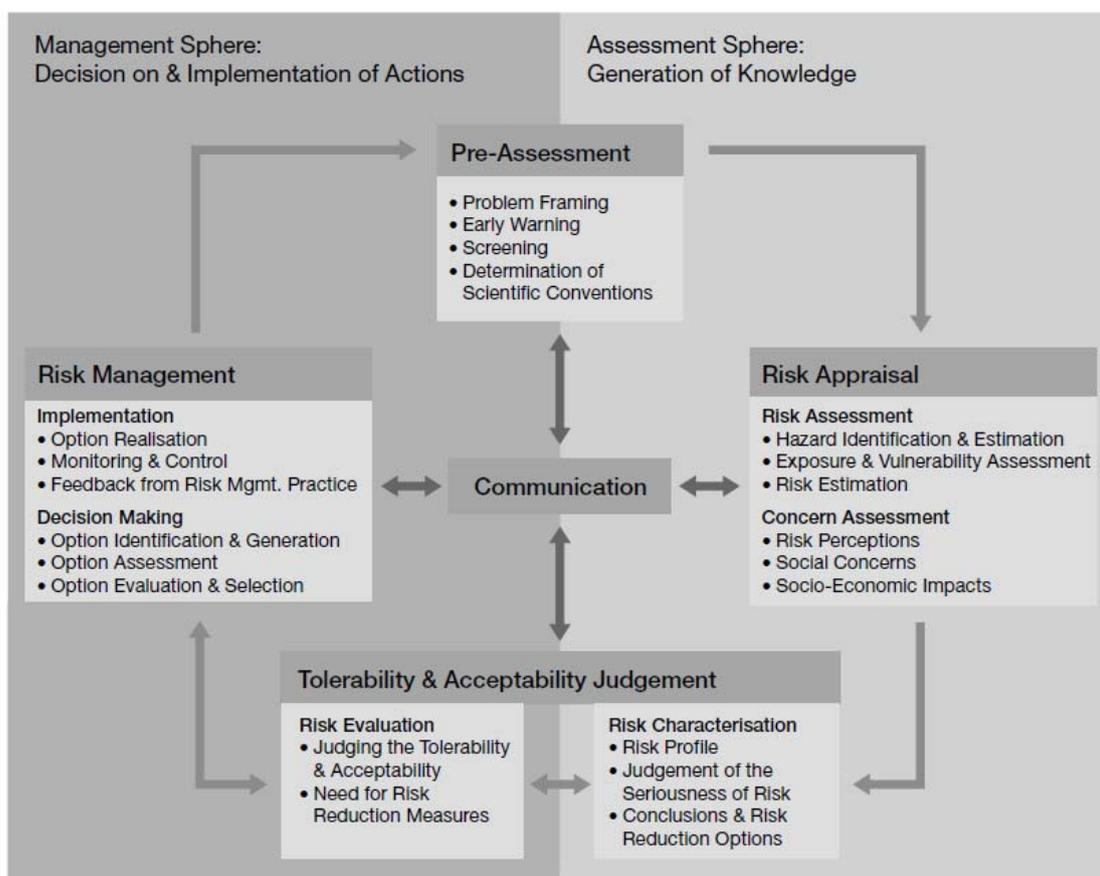


Exhibit #2 (IRGC, 2007, p. 13; also used in Renn, 2008, p. 365).
Used with IRGC’s permission.

²³ Jones’ definition of moral intensity: “A construct that captures the extent of issue-related moral imperative in a situation. It is multidimensional, and its component parts are characteristics of the moral issue such as *magnitude of consequences*, social consensus, *probability of effect*, temporal immediacy, proximity, and concentration of effect...” (1991, p. 372, present author’s italics).

A similar checklist for analyzing relationships of responsibility can also be developed from a “relational” definition of responsibility formulated by Lenk and Maring (1993), who look at responsibility as a mixture of interdependent components:

“*Someone* (a subject with or bearer of responsibility) is responsible *for* something (actions, action consequences, states, tasks etc.) *in relation* to an addressee and *towards* a (sanctioning, judging) institution, *according to* a (prescriptive, normative) criterion, in the *context* of a given responsibility and action domain...” (1993, p. 229, present author’s translation).²⁴

If one tries to rephrase the authors’ responsibility components into a sequence of sub-questions and then tries to elaborate these further, one ends up with a table such as exhibit #3. This exhibit is constructed and filled in in a similar fashion as exhibit #1, but this time with a business ethics or corporate responsibility practitioner or teacher in mind, inviting her or him to include and to address risks and riskiness explicitly.

One can try to explain exhibit #3 in prose: The “risk awareness” column includes risks to consider, as additional points, when examining an organisation’s or an individual’s responsibility. It is important to make sure that one does not overlook risk-related tasks of the kind described above. In line with what has been said earlier: bearing responsibility as an individual or as an organization (*who*), by voluntary choice or by ascription, can be more risky than one is aware of. There is often a risk of unintended negative consequences of good intentions - such as disappointment of unrealistic expectations after one has volunteered to take the industry lead in corporate societal responsibility; in other words, responsibility-taking can imply risk-taking, and should in such a case include some risk management. Once one accepts such advice, other risk-related tasks follow, almost automatically. And there can be a responsibility *for* risks, more specifically for risk acceptability and for risk management. Furthermore, responsibility is always a question of creating and communicating expectations, i.e. meeting and frustrating, negotiating and modifying risky and perhaps conflicting expectations, rights and duties *towards* stakeholders and reference groups. In this respect, processes of risk analysis and risk management need to look at and listen to questions from these actors and understand their expectations and frustrations, being aware there are varying degrees of likelihood, seriousness, realism and so on. In a risk management perspective it is also important to clarify the *norms* and norm types which

²⁴ Cf. also in a more ordinary sentence format: “*Responsibility* is to start with a concept which is expressed in a relational ascription norm by an evaluation of a controlled action expectation” (ibid.). Cf. also a similar definition of Lenk, quoted in Bayertz, 1995, p. 217, similarly Nunner-Winkler (1993) or as a “visualized” checklist Ulrich and Thielemann, 1992, p. 18.

Responsibility aspects	Extended description, some abstract examples	Increasing risk awareness and considering risk-related questions and tasks
<i>Who</i> has responsibility (is ascribed and/or takes responsibility)?	Individuals, groups, whole organizations, analyzed as subjects or actors with roles, functions, power (alone or shared or sharable, cf below)	Is the status of being the responsible subject generally risky? Is the responsible subject always per se a potential risk-taker and risk-manager?
Responsibility <i>for what</i> : which events, states, actions, decisions, past and/or future ones, and their foreseeable/ non-foreseeable consequences?	Responsibility for producing desirable and avoiding harmful consequences (by performing main functions)	Is there a responsibility “for risks” and for “risk acceptability” as well as for sufficient “risk management”?
<i>Responsibility towards whom</i> : which stakeholders, observers, judges?	Responsibility typically refers to a relation between actors with complementary rights and duties	Responsibility towards someone means risking to be asked questions by this someone: Which questions, expectations and frustrations are most risky, from which stakeholders and judges, with how risky reactions when being disappointed?
Responsibility <i>according to which norms</i> ?	Relevant legal, soft-law and moral norms, vague trust and expectations	Which norms or norm types define one’s responsibility? How likely are sanctions and how serious are the sanctions? Are there any modifying conditions such as burden of proof issues and/or potential excuses?
Is there any <i>shared</i> or <i>sharable</i> responsibility?	E.g. by democratic participation, both through formal bodies and via informal channels	Is there a best way, a golden mean of sharing responsibility for risks, where sharing neither reduces responsibility nor increases risks?

Exhibit #3: Probing for responsibility aspects

constitute one’s responsibility. Norms are usually defined by reactions to breaches, reactions that are both relatively likely to occur and relatively serious. Among the whole range of norm types, positive law norms, risks and sanctions are typically more codified, specified and predictable, not least because there are professional norm specialists. On the other side of an assumed continuum one finds less institutionalised norm types, such as normative expectations which are defined by a risk of disappointment, e.g. stakeholder or market trust, and perhaps by risks of economic punishment. Unless responsibility is shared already, responsibility *sharing* with others can represent a good reflex after being ascribed or after taking responsibility. The important follow-up question before or after such sharing is of course whether it is productive or risky if risk or responsibility increase or decrease.

The common denominator of exhibits #1 and #3 (and to some extent #2) is to show how easily and almost unavoidably risk management triggers responsibility issues and to show how risky responsibility relations are, whether one's point of departure is the responsible subject, the responsibility domain, the affected parties, any constitutive norms or unintended effects of responsibility sharing. Rather than adding another checklist or table on top of the previous ones, references to leadership texts and theories will now be used for suggesting next steps in trying out syntheses of risk and responsibility.

Risk and responsibility: Illustration III

More or less widely used definitions of *leadership* focus on core criteria such as influence towards followers qua role modeling, inspiration, the formulation, sharing and realization of visions, and expectation conflict management.²⁵ Hopefully, such leadership is *responsible* (cf. Maak and Pless, 2006) and *ethical* (cf. Ciulla, 2004 or Wicks et al., 2010, pp. 149-154),²⁶ for example in the meaning of accountability to the whole range of affected stakeholders, and in the meaning of reliability, as a positive personality trait that in turn creates trustworthiness. In accordance with the title of this paper, it feels tempting to suggest willingness and ability to take, to share and perhaps to balance *risk and responsibility* as a key defining criterion of leadership (in line with Huntsman's three Rs of leadership: *risk, responsibility and reliability*, see Huntsman 2005, p. 47):²⁷

"Leadership is about taking risks. If your life is free of failure, you aren't much of a leader. Take no risks and you risk more than ever. Leaders are called on to enter areas where success isn't covered by the warranty, where public failure is a real possibility. It's a scary scenario... The chance of making mistakes increases dramatically with leadership..., never having failed is never having led. To succeed, we must attempt new things... Mistakes are not the problem. How one identifies and corrects errors, how one turns failure into a new opportunity, determines the quality and durability of leadership... Mistakes and miscues are often transformed into meaningful, successful experiences... ' Good judgment comes from experience, and experience comes from poor judgment...' (ibid., pp. 53-55).

²⁵ Cf e.g. In its essence, leadership in an organizational role involves (1) establishing a clear vision, (2) sharing (communicating) that vision with others so that they will follow willingly, (3) providing the information, knowledge, and methods to realize that vision, and (4) coordinating and balancing the conflicting interests of all members or stakeholders. A leader comes to the forefront in case of crisis, and is able to think and act in creative ways in difficult situations. Unlike management, leadership flows from the core of a personality and cannot be taught, although it may be learned and may be enhanced through coaching or mentoring (source: <http://www.businessdictionary.com/definition/leadership.html>) or as the "process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task", or as "creating a way for people to contribute to making something extraordinary happen." (<http://en.wikipedia.org/wiki/Leadership>).

²⁶ Cf. also Sims and Brinkmann (2002 and 2003) who use Schein's focus on leadership as a critical component of the organization's culture, by in fact creating, maintaining, or changing it, including its ethicalness, in accordance with for example Ch. I. Barnard's executive role description as the creator of "morals for others" (1938, quoted by Sims and Brinkmann, 2002). More specifically, Schein looks at various mechanisms or ingredients of leadership styles which do or which can influence an organization's ethical climate, such as attention focus, reaction to crises and role modeling (cf. ibid.).

²⁷ There exists also a textbook by C.L. Brungardt, 1999, *Risk leadership - the courage to confront & challenge*, Rocky Mountain Press, Longmont, Co.

As a more classical source one can refer briefly to sociologist Max Weber's widely referenced formulations about responsibility ethics.²⁸ Even if Weber does not address risk explicitly, his thoughts can inspire further reflection about the riskiness of responsibility and about responsibility for risk-taking. Weber's point of departure is, on the one hand, the question of legitimacy of power, or more specifically of a powerful decision-maker (Weber, 1994),²⁹ and, on the other hand, his constructive criticism of voluntarist ethics from a consequentialist position.³⁰ Risk awareness and responsible risk handling are the implicit core of Weber's so-called ethic of responsibility, mainly addressing the question of risking unwilling and morally disputable side-effects.³¹ For Weber, a good politician (or better, one might add, any leader or powerful decision-maker) has involvement, responsibility awareness, and judgement, or in Weber's own words, *Verantwortungsethik* as a frame of reference rather than *Gesinnungsethik*. Wise and detached analysis of consequences should always come first, "as a duty", and include an analysis of possible unintended side-effects.

Risk and Responsibility: Risk Ethical Perspectives

Similar to shadows, responsibility questions and issues in relation to risks are almost impossible to avoid. Not surprisingly, such responsibility connotations of risks have been ubiquitous on the previous pages, implicitly and now and then explicitly. This section takes a closer and more systematic look at the core criteria of such normative connotations of risk, of attributions and evaluations (and at their risks, too).³² In terms of

28 Max Weber's classical essay *Politik als Beruf* (1919, English translation 1994) can be read in various ways: as a criticism of voluntarism, as a criticism of emphasizing good or evil intentions at the expense of good or evil consequences, as a practical elaboration of consequentialism and as a kind of virtue ethics, elaborating positive personal properties of good decision-makers in political (and similar) contexts.

29 Cf at least a few quotations: "The question facing such a person ... is which qualities will enable him to do justice to this power ... and thus to the responsibility it imposes on him... Three qualities are pre-eminently decisive for a politician: passion, a sense of responsibility, judgement (Weber clarifies these properties also by their contrary: vanity, power focus, lack of distance, *ibid.*).

³⁰ Cf. *ibid.* "... Ethically oriented activity can follow two fundamentally different, irreconcilably opposed maxims. It can follow the 'ethic of principled conviction' (*Gesinnungsethik*) or the 'ethic of responsibility' (*Verantwortungsethik*, author's add.). It is not that the ethic of conviction is identical with irresponsibility, nor that the ethic of responsibility means the absence of principled conviction... But there is a profound opposition between acting by the maxim of the ethic of conviction ... and acting by the maxim of the ethic of responsibility, which means that one must answer for the (foreseeable) *consequences* of one's actions..." (pp. 359-360)

³¹ Cf.: "A man who subscribes to the ethic of responsibility... will make allowances for ... everyday shortcomings in people... He does not feel that he can shuffle off the consequences of his own actions, as far as he could foresee them, and place the burden on the shoulders of others. He will say, 'These consequences are to attributed to my actions' ... No ethics in the world can get around the fact that the achievement of 'good' ends is in many cases tied to the necessity of employing morally suspect or at least morally dangerous means, and that one must reckon with the possibility or even likelihood of evil side-effects.'" (p. 360).

³² For sceptical remarks cf Luhmann, 1993a and 1993b, with the advice that one should make sure that a normative focus on risk issues does not further prejudice instead of good judgment, and also make sure that such a focus does not replace humbleness and good questions with premature answers.

the previous procedures and frameworks section, one could say that such risk ethics³³ refers to the risk evaluation task or “stage” within risk management (cf exhibit #2 above) or that risk ethics represents a ubiquitous core of “holistic” risk governance, together with risk communication (cf exhibit #1 above). Independently of such practical placement in checklists, risk ethics reproduces the general choice of typical primary evaluation criteria as one finds them in the most prominent moral philosophical approaches³⁴ and then applies these criteria to risk issues.

Principles as criteria

The first intuitive reflex answer for most lay judges of risky situations is perhaps a negative version of the key utilitarian criterion: minimizing the (net) harm for the greatest number of potential victims. The risk experts’ standard definition of risk equal frequency times seriousness of consequences suggests a similar reflex, with some kind of utilitarianism either as the premise of such a definition or as a natural next step. In spite of such a prima facie fit, the well-known weaknesses of utilitarianism apply, together with its equally well-known strengths. Some kind of rule-utilitarianism³⁵ or some adjustments³⁶ can counter a criticism of its weaknesses, but also weaken its main strengths, not least its closeness to engineering and economics risk experts’ preferences for being able to compute most acceptable or most tolerable solutions, rather than being forced to justify them in prose.

Criteria such as societal inequality of risk exposure, risks of irreversible risk misjudgement, or transparency of risks to potential victims can be used for a constructive criticism of problematic utilitarian assumptions, either for rejecting them or for softening them. The *maximin* criterion for example suggests an over-proportionate effort to avoid low likelihood catastrophes. The *difference principle* supports positive discrimination towards the poorest and most vulnerable populations (Rawls, 1971, pp. 302-303).³⁷ The *precautionary principle* (which is widely used in environmental politics³⁸) suggests risking the pessimists’ error I rather than the optimists’ error II. In other words, when it comes to environmental risks (and similar size other risks), the

33 Including ethics of/and risk as alternative labels and keywords. Cf e.g. Hansson, 2003, Nida-Rümelin, 2005; Rath, 2008, and in addition J. E. J. Altham, Ethics of Risk, *Proceedings of the Aristotelian Society*, New Series, Vol. 84, (1983 - 1984), pp. 15-29, <http://kenan.ethics.duke.edu/the-ethics-of-risk/>

34 Cf e.g. as one example among many the distinctions of approaches used in the Crane and Matten (2010) textbook (chs 3 and 4) which could serve as a fruitful preliminary content organizer for both business and risk ethical approaches.

35 See various widely-quoted articles of J.C. Harsanyi, such as ‘Rule utilitarianism and decision theory’ (*Erkenntnis*, 1977) or ‘Bayesian decision theory and utilitarian ethics’ (*The American Economic Review*, 1978), or as secondary literature Shrader-Frechette, 1991, esp. chapter 8, Hansson, 2004, Rath, 2008, pp 63-88, Nida-Rümelin’s contribution in Pieper, 1992, esp. pp. 160-163

36 Cf the Hurwitz criterion where best case and worst case scenarios are weighed, cf. Elemente..., 2006, note 9.

37 Cf in addition to Rawls, 1971, Rawls, 1974, Harsanyi, 1975 Rath, 2008, pp 88-112

38 Cf the Rio summit principle #15 <http://www.un.org/documents/ga/conf151/aconf15126-1annex1.htm>): “In order to protect the environment, the precautionary approach shall be widely applied by states according to their capabilities. Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation...” About what could call “future ethics” cf e.g. Ott 2003 with further references.

burden of scientific proof rests with the party suggesting taking a risky action.³⁹ As a fourth example, the principle of *informed consent* is mainly used in medical and psychological treatment and research contexts.⁴⁰ This criterion can be generalized, too, arguing that potential risk victims have a right to know, to be informed, to say no or to accept a risk, voluntarily, and by such consent, to make it acceptable.⁴¹

Such principles as criteria can be inspiring and useful as shorthand formulations, especially as long as a “satisfactory solution” is still missing (Hansson, 2007). After examining utilitarian, rights-, duty- and contract-based moral theories, Hansson concludes with the following skeptical but constructive remarks (quotation shortened by present author):

“In summary, the problem of appraising risks from a moral point of view does not seem to have any satisfactory solution in established moral theories. The following are three possible elements of a solution: 1) It may be useful to shift the focus from risks... to actions of risk-taking and risk-imposing... 2) ... (Let us assume) that each person has a *prima facie* moral right not to be exposed to risk of negative impact... through the actions of others... that has to be overridden in quite a few cases, in order to make social life at all possible... (and that) gives rise to what can be called an *exemption problem*, namely the problem of determining when it is rightfully overridden... 3) Part of the solution to the exemption problem may be obtained by allowing for reciprocal exchanges of risks and benefits. Exposure of a person to a risk can then be regarded as acceptable if it is part of an equitable social system of risk-taking that works to her advantage...” (Hansson, 2007)

In addition to Hansson’s suggestion to focus on risky actions, on justified unavoidability and on benefits of risks, one could also try the two positions which are presented in the following two paragraphs, which suggest focusing on good communication and on good characters respectively.

Good information and good communication as criteria

The criterion of informed consent which was mentioned briefly above automatically raises further questions about what is reliable, relevant and understandable information about given risks. Still another question that follows is the availability of such information to parties who need it, because they are exposed to a risk or because they are considering taking a risk (such as taking medication with the risk of possible side effects or buying financial products that involve risk). A final question, perhaps the most important, is then whose responsibility it is to provide or discern such information, that is, if there is a duty to search for such information oneself or if there exists a right to be provided such information. In summary, the ethical acceptability of risk taking or risk exposure depends on good answers to such questions. The most promising response is to

³⁹ See for a further elaboration Rath, 2008, pp 112-141

⁴⁰ Cf as an explanation: “...informed consent is a legal procedure to ensure that a patient or client knows all of the risks and costs involved in a treatment. The elements of informed consent include informing the client of the nature of the treatment, possible alternative treatments, and the potential risks and benefits of the treatment. In order for informed consent to be considered valid, the client must be competent and the consent should be given voluntarily...” (http://psychology.about.com/od/iindex/g/def_informedcon.htm).

⁴¹ Cf as an example from the business ethics textbook literature DeGeorge, 2006, with a four-step risk information checklist on p. 280

use these questions as an agenda for risk communication, that is transferring, exchanging and sharing risk related information among all parties involved. In a risk ethical perspective, discourse ethics and risk dialogue among stakeholders represent a promising framework for both using and integrating the criteria and elements mentioned so far, not least if facts and/or criteria are controversial (cf Renn, 2008, pp. 151-154).

The philosophical basis of discourse ethics is usually identified with the work of Jürgen Habermas,⁴² and with ethical judgements and standpoints as products of a discourse procedure guided by idealistic assumptions and rules, such as *publicity* (openness to all parties affected), *equality* (all participants have a potential to contribute to a good solution), *sincerity* (no strategic use of arguments), *freedom* (no internal nor external coercion) and not least that *the best argument wins* (i.e. the best for reaching a truly common-interest consensus, cf. Nyeng, 1999, p.100). As a theory, discourse ethics can build on and transcend other more or less classical ethical approaches, such as deontology, utilitarianism, justice, care and virtue ethics, by inviting these approaches to share and test their key arguments in a discourse setting where affected parties examine their own cases and look for the deepest possible consensus or at least for a sufficient consensus. In practice, discourse ethics as an ideal can inspire moral conflict management and consensus-building, for example among real business life parties and decision makers.⁴³ The suggestion is that it is not any ethical authorities or experts, but the affected stakeholders themselves in a moral conflict situation, who should work out, develop and own the rightness of a moral standpoint and of a solution to a conflict. Or, in still other words, the rightness of a standpoint and a solution to a moral conflict is a function of the quality of the consensus brought about by good communication processes. Obviously, such stakeholders and such discourses can put moral conflicts about risk definition, risk evaluation, risk acceptability and tolerability or risk sharing on the agenda for open and fair consensus-building (cf. Renn, 2008, esp. pp. 201-271, Jungermann et al., 1990, or in an applied perspective <http://www.risiko-dialog.ch/Overview%20in%20English>).

Risk and responsibility awareness as a character trait

Decision-making in risky *situations* where responsibility (as a relation and as an obligation) is tested can be seen as a function of good ethical criteria or of good communication among affected parties or stakeholders (such as in the introductory cave rescue or in indecent proposal situations). However, instead of focusing on decisions in risky situations one can look at *actors* across risky situations and at responsibility as a positive personal trait (cf the reliability and trustworthiness synonyms of responsibility mentioned above, also the remarks about leadership and about Max Weber's responsible politicians). Inspired by a virtue ethical perspective and in the context of this paper one

⁴² See as the primary source still Habermas, 1983, pp. 53-125 (Engl. translation 1991, Moral Consciousness and Communicative Action, MIT Press) and perhaps J. Habermas, 1990. Among many secondary sources cf e.g. Stansbury, 2009, Beschoner, 2006, Steinmann and Löhr, 1994, pp 76-93, D. Matten, Moral im Unternehmen: Philosophische Zierleiste oder knappe Resorce?, in Haupt and Lachmann, 1998, pp 11-33

⁴³ See e.g. Noland and Phillips, 2010 or in German for a nice overview Matten, 1998, e.g. p. 17 or, widely quoted, Steinmann and Löhr, 1994.

could suggest as an ideal criterion an ethical *character* that integrates risk and responsibility awareness. In other words, such integration could be something like a wise *balance* between taking too much and too little risk,⁴⁴ between taking too much and too little responsibility, and perhaps also between taking and sharing responsibility.⁴⁵

Postscript: Balancing normative and descriptive risk ethics?

In the beginning of this section a remark was made about potential risks related to normative connotations of risk, of attributions and evaluations. What if one wanted to accept the importance and legitimacy of a moral *question*, but without necessarily being sure that there is, can be or should be a normative, general or even rational *answer*? An example of such sceptical risk ethical⁴⁶ questioning can be found in a paper by the late German sociologist Niklas Luhmann, about "the morality of risk and the risk of morality".⁴⁷ Luhmann's main advice seems to be that one should make sure that a normative focus on risk issues does not further prejudice instead of good judgment. Also, one should make sure that such a focus does not replace humbleness and good questions with premature answers. A constructive way of listening to Luhmann's scepticism towards too much normative ethics too early could involve an equal interdisciplinary partnership of normative and descriptive ethics,⁴⁸ of philosophy, critical-empirical social science, and technological risk research. Hopefully, such partnerships invite and deliver careful listening to one another and learning from one another, and further a more holistic understanding which internalizes legitimate stakeholder criticism as an essential ingredient of risk governance.

⁴⁴ Cf the Aristotelian virtue of courage between the extremes or vices of rashness and cowardice. As good overviews cf. e.g. the *Stanford Encyclopedia* article <http://plato.stanford.edu/entries/ethics-virtue/> by R. Hursthouse or the virtue ethics article by N. Athanassoulis in *The Internet Encyclopedia of Philosophy*, <http://www.utm.edu/research/iep/v/virtue.htm> In the business ethics tradition see various works of R.C. Solomon and e.g. Dobson, 2007.

⁴⁵ There is only space here to mention interesting next steps, in particular perhaps drafting a virtue ethical approach to risk and responsibility (cf Athanassoulis and Ross, 2010, esp. pp. 222-224) and developing instruments for empirical attitude measurement, of risk awareness, responsibility awareness, risk seeking, risk aversion etc and then developing typologies of attitudes towards *both* risk and responsibility (see Brinkmann and Aarset, 2012). A more qualitative way of researching in the overlap between discourse and virtue ethics could be staging a Socratic dialogue, using the design suggested by the practical philosopher's movement (see e.g. http://www.sfcg.org.uk/socratic_dialogue.htm; see also Brinkmann, 2012, with a summary of a Socratic dialogue about "Taking risks responsibly").

⁴⁶ Sceptical ethics is meant as a wider alternative label instead of e.g. postmodern ethics, see e.g. Gustafson, 2000. About moral skepticism cf. also Baggini and Fosl, 2007, pp. 235-237, with further references.

⁴⁷ Cf. as "authentic" raw material for a discussion of Luhmann's way of reasoning esp. Luhmann, 1993b, pp. 330-336: "If risks of some kind are ubiquitous and unavoidable, then one could postulate that the problem is not taking responsibility for risks but the likelihood of avoidable mistakes when deciding about risks..." or "Because morality can't deal properly with risk as a problem it behaves risky itself" (by increasing the insult level of political communication, p. 332).

⁴⁸ Cf once more Crane and Matten, 2010, chapters 3 and 4 for a simple but pedagogically convincing presentation of normative and descriptive ethics as more equal partners than in most other introductory textbooks.

Risk and Responsibility: Illustration IV

The COSO checklist which was briefly referred to above represents the essential “components” of enterprise risk management (ERM) which in the same source is defined as follows, as a:

“... process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives...” (COSO, 2004, p. 8)⁴⁹

Consistently with our reasoning above, it looks as if an ERM design takes responsibility, at least ideally, *by* identifying, addressing and managing business risk and addresses responsibility *as* risk.⁵⁰ In practice, ERM often boils down to rules of thumb such as “never take more risk than what you can take responsibility for” (e.g. equal equity for compensating any harmed stakeholders), or “limit your financial-legal responsibility to a low enough ceiling for encouraging entrepreneurial risk-taking.” Or skeptically one can ask to what extent risk management has a built-in self-destroying prophecy, and is risky in itself by pushing the limits for risk taking - either risks are larger and less predictable and less manageable than they look or management behaves rather riskily than carefully or responsibly and thus increases than decreases risk (and responsibility).

Michael Power has raised questions of the third type and drafted answers to them (Power, 2004, cf. also Power, 2007), quoting Douglas and Wildavsky as a point of departure: “Can we know the risks we face, now or in the future? No, we cannot, but yes, we must act as if we do...” (2004, p. 9). Power’s diagnosis:

“Risk management organises what cannot be organised, because individuals, corporations and governments have little choice but to do so. The risk management of everything holds out the promise of manageability in new areas. But it also implies a new way of allocating responsibility for decisions which must be made in potentially undecidable situations... The risk management of everything is characterised by the growth of risk management strategies that displace valuable – but vulnerable – professional judgement in favour of defensible process... (pp. 10-11). As a consequence, “experts who are being made increasingly accountable for what they do are now becoming more preoccupied with managing their own risks...” (p. 14), or in other words, “...expert judgement shrinks to an empty form of defensible compliance...” (p. 42).⁵¹

⁴⁹ Cf. the following additional clarification (ibid.): “Enterprise risk management is:

- A process, ongoing and flowing through an entity
- Effected by people at every level of an organization
- Applied in strategy setting
- Applied across the enterprise, at every level and unit, and includes taking an entity level portfolio view of risk
- Designed to identify potential events that, if they occur, will affect the entity and to manage risk within its risk appetite
- Able to provide reasonable assurance to an entity’s management and board of directors
- Geared to achievement of objectives in one or more separate but overlapping categories

⁵⁰ As a test one could try to replace risk with responsibility in quotations, or with risk-and-responsibility.

⁵¹ Cf also John Boatright’s two papers (2010, 2011) which both use Power’s thoughts (2004) as a point of departure for examining financial risk management ethics and the underexploited potential synergies between ERM and CSR.

Power's suggested therapy reads like this: "... [The] ... challenge is to ... create a legitimate, 'safe haven' for the judgement of the individual within an 'intelligent' risk management capable of confronting complex systems which may be out of control..." (p. 50). Such *intelligent risk management* is then formulated in three points: "(1) "...[it] would not allow control systems, and their advocates, to swamp managerial attention and independent critical imagination", (2) "... a greater degree of disorganisation and ambiguity would be acceptable in risk management processes... [which instead, present author's add.] ... would be characterized more by learning and experiment, rather than rule-based processes", but (3) "intelligent risk management will not throw the baby out with the bath water; not all process and internal control is bad. To the extent that process represents the codification of accumulated wisdom, it should be sustained subject to the possibility of constant challenge." (p. 61).

A parallel therapy consists in the limiting of what Power calls *secondary risk* management (perhaps the most thought-provoking concept in the source, with derived and compensatory reputational risk as the primary example):⁵²

(1) "...explicitly acknowledge that risks are 'selected' by institutions for a mixture of cultural and economic reasons", (2) "... generate legitimacy for the possibility of failure", (3) "...imagine and create 'safe havens' for professional and expert judgement", (4) "... challenge the 'small print' or disclaimer society... In the interests of transparency, small print should be made large and ruled out as a secondary risk management ploy" (pp. 62-64).⁵³

Risk and Responsibility: (A Final) Illustration V

In the introduction to this paper, insurance was mentioned as an inspiring ideal-typical construction of sustainable risk and responsibility sharing in well-designed pools, within clear and well-known limits to coverage, maximizing the greatest economic security and care, for the greatest number, at the best possible prices. So far the relationship between risk and responsibility has been addressed as a *theoretical* challenge - for conceptual clarification, for development of appropriate procedures with more or less grounding in normative (or descriptive) ethics research. For the insurance business, risk and responsibility represent a *practical* challenge - given insurance systems are risk transfer and mitigation systems which need to be responsible by being sustainable, which need protection against self-destruction from inside or outside, from what one could call irresponsible risks and risks of irresponsibility (or moral hazard, more usually).⁵⁴ In

⁵² In his 2004 book, Power offers two illuminating examples related to secondary risk which is essentially responsibility aversion rather than risk aversion (cf. p. 45): insignificant CEO parking fines are paid as reputational risk management (p. 32) or school trips are evaluated in terms of liability risks (pp. 42, 45)

⁵³ A fifth kind of solution formulated by Power is the following (abbreviated): "given the significance of large organisations in economic and public life, the elements of a new politics of uncertainty could be assembled at this level of society and filter 'upwards' into the political domain, just as other ideas have done..." (2004, p. 65)

⁵⁴ About moral hazard equal insurance abuse among consumers see e.g. Brinkmann and Lentz, 2006 or Lesch and Brinkmann, 2011, with further references.

other words, it is suggested here that insurance arrangements represent an almost ideal combination of risk and responsibility (BI forsikring, 2005, p. 17, author's translation): Insurance is an arrangement for compensation of economic losses suffered by an individual, where the losses are a consequence of random and unforeseen events. Insurance functions as a safety net for each of us where losses hitting a few only are shared among a large number of individuals in a group... An insurance arrangement is built on a number of basic principles:

- A group joins
- Losses must be unforeseen
- The risk threatens all group members
- The group needs to have a certain minimum size and a loss must be able to reach a significant size
- The insurance customers can't produce a covered loss themselves
- The loss risk must be measurable (likelihood and size)
- The loss can be expressed in terms of money..." (ibid., p. 23)

A short reference to liability insurance for car owners can serve as an example.⁵⁵ The risk pool (or 'group' in the above quote) consists of a sufficient number of car-owners facing the same type of risk and being covered by the same insurance, for future unforeseen but measurable losses, expressed and compensated in money terms. The fine print of the insurance contract informs us, however, that rather than risky car use as such, only risky *and* responsible car use is covered (while irresponsible car use risks the insurance coverage). There are often various legal limitations, such as responsibility for outdated and under-specified events, judged by lawyers rather than laypersons, perhaps with equal responsibility and guilt sharing among drivers and their insurance and with deductibles as a design for risk and responsibility sharing.⁵⁶

⁵⁵ Cf Brinkmann and Aarset, 2012, with a discussion of findings from a survey among Norwegian car liability insurance customers. A less familiar but better illustration than liability insurance for car owners would have been so-called microinsurance. Cf. for an introductory presentation <http://en.wikipedia.org/wiki/Microinsurance> (abridged by by present author): "Micro-insurance is insurance with low premiums and low caps / coverage..., a financial arrangement to protect low-income people against specific perils in exchange for regular premium payments proportionate to the likelihood and cost of the risk involved..., (often) synonymous to community-based financing arrangements..., the use of insurance as an economic instrument at (the smaller than national) level of society..." For a much broader and deeper presentation see two microinsurance compendia (Churchill, 2006; Churchill and Matula, 2012). In his introductory chapter, Churchill describes *seven key characteristics* of microinsurance for the poor which make it typically different from "conventional insurance" and from "mainstream social-protection programmes": 1) *Relevant to the risks of low-income households*, 2) *As inclusive as possible*, 3) *Affordable premiums*, 4) *Grouping for efficiencies*, 5) *Clearly defined and simple rules and restrictions*, 6) *Easily accessible claims documentation requirements* and 7) *Strategies to overcome the wariness of customers*: "...Microinsurance can be described as an insurance 'back to basics' campaign, to focus on the risk-management needs of vulnerable people, and to help them manage those risks through the solidarity of risk pooling..." (pp. 22-24). In addition see not least SwissRe, 2010 or e.g. Brinkmann and Tak (2011), or Radermacher and Brinkmann, 2011, more specifically addressing the microinsurance business ethics

⁵⁶ See also Munich Re, 2007. Insurance arrangements and insurance as a societal institution are principally interesting, beyond such examples, as a mix of complementary and in part contradictory elements, such as cognitive and normative expectations, between actuarial and legal paradigms - cf. Brinkmann and Lentz,

For more development of these themes, the reader might examine Francois Ewald's (1991) description of insurance as a *technology of risk*⁵⁷ and two of Tom Baker's works (2000, 2002). In his article about "Insuring Morality" (2000) Baker presents a *responsibility versus a risk paradigm* for how the insurance business can handle its heterogeneous customers, the "good" ones and the "bad" ones (2000).⁵⁸ The second article discusses insurance as an institutionalized combination of risk and responsibility, as an organizer of responsibility for risk in society. It feels tempting to use Baker's formulations for concluding this section (2002, pp. 47-48):

"... Insurance is a form of social responsibility and ... insurance institutions shape responsibility in five analytically distinct senses of that term – accountability, trustworthiness, causation, freedom, and solidarity. Insurance shapes accountability through decisions about premiums and benefits, through subrogation and coordination of benefits, and through risk-management techniques designed to reduce the exposure of insurance institutions to loss. Insurance shapes trustworthiness through decisions about whom to insure, what premiums to charge, and whose claims to pay, as well as through risk-management techniques designed to foster responsible behavior. Insurance shapes causation through decisions about whose claims to pay and what kinds of benefits will be offered to cover what kinds of events, and, once again, through risk-management techniques that identify who or what causes loss in order to minimize losses in the future. Insurance shapes freedom through many of the efforts to control moral hazard. Finally, insurance shapes solidarity through decisions about risk classification and underwriting, and through risk-management techniques that alter the structure of organizations. Seen in this way, insurance institutions cease to play only a passive, loss-spreading role and, instead, actively construct (and are constructed by) the world they inhabit..."

2006, using cognitive versus normative expectations as elements for a micro-sociological understanding (p. 179), and for a meso-level understanding of the insurance business, as a mix of paradigms, referring extensively to Baker's literature review article *Insuring morality* (2000). Cf. also the anthology of Ericson and Doyle, 2003, with various articles addressing the same topic. As a point of departure for a risk and responsibility sharing perspective cf. Brinkmann 2007, pp. 96-10, where responsibility sharing in insurance contexts is illustrated and discussed from three angles – as pseudo-sharing, as a question of relative sovereignty of the parties and as conditional responsibility sharing.

⁵⁷ Ewald's thoughts and formulations can be put into a thesis format:

- "The term 'risk'... has no precise meaning other than as a category of (insurance) technology..." (p. 198)
- In insurance contexts, risk "designates... a specific mode of treatment of certain events capable of happening to a group of individuals..." (p. 199)
- Risk in the meaning of insurance has three great characteristics: it is calculable, it is collective, and it is capital..." (p. 201)
- Insurance (can be defined as) "the compensation of effects of chance through mutuality organised according to laws of statistics..." (p. 205)
- Insurance is "an economic and financial technique, a moral technology, a technique of reparation and indemnification of damages..." (pp. 206-207)
- "Societies enter modernity once insurance becomes societal and once the societal contract takes the shape of an insurance contract. Insurance constitutes the very core of modern societies" (p. 288)

"In reality, there are no risks, but everything can become a risk, depending on how dangers are analysed and events are observed..." (p. 295)

⁵⁸ The more old-fashioned responsibility paradigm focuses on "moralized personal attributes and pressures like 'temptation' and 'character'" while the more modern one focuses on 'system efficiency'" (Baker, 2000, p. 559).

An Open Ending: Next Steps?

In its title, this paper promised to suggest *first* steps. To fulfill this promise, the paper has offered conceptual clarification, checklists and risk ethical perspectives as these first steps, together with illustrations. It makes sense to conclude the paper with an open ending, with some suggestions of possible *next* steps.⁵⁹

Next step: Going empirical?

Risk and responsibility awareness have been presented and discussed above as desirable character traits of a decision-maker, with virtue ethics as a primary reference. But one could also take the step from normative to descriptive risk ethics and look for good qualitative or standardized ways of mapping such awareness,⁶⁰ and then even ask how risk and responsibility (as awarenesses) are combined empirically – for example, if and how they are correlated, if they represent one common or two distinct dimensions, and in the latter case, if a simple typology could be helpful, as in the following matrix table:

	Responsibility avoidance	Responsibility acceptance
Risk acceptance	Carelessness	Courage
Risk avoidance	Cowardice	Cautiousness

Exhibit #4: Four types of risk and responsibility awareness

Next step: Going practical?

Health, Safety and Environment (HSE)-related risks are among the primary “practical” responsibilities of business, towards employees and towards the natural environment. In Scandinavia (and in many other countries, but not in all countries across the globe), HSE-responsibilities are highly regulated by legal norms, which typically ascribe both ex ante and ex post responsibilities and which typically focus on specified responsibilities at the expense of vague responsibility (cf <http://www.arbeidstilsynet.no/binfil/download2.php?tid=77839>). Even if employers are legally responsible for developing a risk management routine, so-called “internal control” systems, a next step could be to ask more or less critically and more or less empirically if such a legal compliance focus can have unintended and undesirable side

⁵⁹ Obviously, in addition to a possible extension and further elaboration of illustrations III to V above

⁶⁰ Cf once more Brinkmann and Aarset, 2012. As a pretest for this study (and as an introduction to our course in risk management and governance) a few instruments were tried out among the course participants. Risk awareness was measured with B. Rohrman’s tools (RSQ, RPQ, ROQ, see <http://www.rohrmannresearch.net/pdfs/rohrmann-racreport.pdf>), while responsibility for the time being was measured with Rokeach’s terminal and instrumental values lists (see: http://www.google.no/search?sourceid=navclient&aq=0&oq=rokea&ie=UTF-8&rlz=1T4SKPB_enNO380NO380&q=rokeach+value+survey). After some major revision a survey among insurance customers is planned, most likely for using different combinations of risk and responsibility awareness as point of departure for a cluster analysis.

effects of responsibility avoidance, of furthering secondary rather than primary risk awareness and risk management (cf. once more Power, 2004, pp. 62-64, also pp. 24-28).⁶¹

Next step: Financial risk management?

A few months after an earlier version of this manuscript had been used for a lecture, the financial crisis developed as the global financial markets became self-destructive (as a consequence of bad housing loan risks which increasingly infected the whole investment banking system which had traded and transferred these bad risks as CDOs and CDSs).⁶² This served as a reminder that crises often are signs, of interacting systemic risks rather than independent risks, and of missing or falsified risk management.⁶³ Meanwhile, John Boatright has in two papers examined and discussed the limitations to and the ethics of financial risk management, which neither predicted nor prevented such extra large financial system risks but instead had a primary co-responsibility for the crisis by creating a false sense of security (2010, 2011).

Next step: Positioning within our discipline?

Sooner or later, one should also discuss how to position risk and responsibility perspectives within business ethics as a research and teaching discipline (including its close academic relatives). Schwartz and Carroll have tried to “integrate and unify competing and complementary frameworks” for the “proper role of business in society” and to search for a “common core” (2008). As part of such a project, the authors suggest combining three “core concepts”, value, balance and accountability, to a “VBA-model”, as a common denominator across CSR, business ethics, stakeholder management, sustainability and corporate citizenship “frameworks” (cf as a summary visualization their figure on p. 149). If one’s intention is to examine the potential of a risk and responsibility perspective as an indispensable dimension across the research territory of business and society one should at least try to relate it to the Schwartz and Carroll proposal. A risk-and-responsibility perspective could inspire “value creation” (as risky), “accountability” (as both a consequence and as a source of risk) and “balancing” (especially between risk and responsibility). Furthermore one could discuss if the very core reference, the “proper role of business in society”, would be better understood if one emphasized the risky nature of business and its societal role, and to what extent such risks are inherited from or interacting with society as risk society in the sense of Beck and Giddens.

⁶¹ An example could be properly collected and analyzed burnout risk data among university teaching and research faculty, with coaching, sabbatical and early retirement schemes as main risk control mechanisms. Even with a legal HSE-responsibility, of management together with employee representatives, to prevent burnout there exists a complex sharing of organizational culture level and individual level risks and responsibilities, with golden means of leadership, faculty self-management, work flexibility (cf. Sennett, 1998), eventually work-life balance.

⁶² Collateralized debt obligations (i.e. bundled loan risks) and credit default swaps (i.e. insured then against bankruptcy).

⁶³ Cf two inspiring references instead of many, a Caux round table comment and a NYT article about risk mismanagement: <http://cauxroundtable.blogspot.com/2008/10/global-prosperity-at-risk-current.html> and http://www.nytimes.com/2009/01/04/magazine/04risk-t.html?_r=3&scp=1&sq=nocera%20risk&st=cse)

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