IRGC Protocol on Emerging Risk Governance

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Presented at IRGC RoundTable, June 6th, Zurich, 2014

OECD

International Futures Programme (2003)

Emerging Risks in the 21st Century: An Agenda for Action

- Defines risk prevention and mitigation as..

'activities that avoid exposure to hazards or reduce vulnerability to their consequences before they occur'

Distinguishes <u>two types of prevention measures</u>:

1. **Protective Strategies** *(reducing system specific vulnerability)*

2. **Framework Conditions** *(encompassing the way risk prevention measures are implemented)*

Emerging Risks
in the 21st Century

AN AGENDA FOR ACTION

OECD
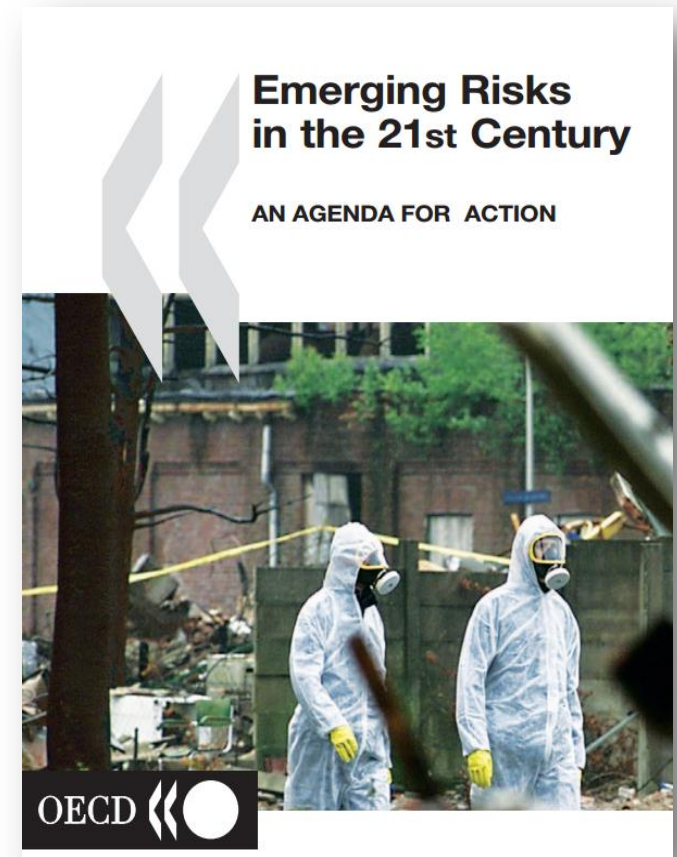
Future Global Shocks (2011)

- Key characteristic of (future) global shocks is the propensity of their effects to propagate through complex systems

- **Mapping complex systems** is useful to identify the hubs that are most likely to serve as *the propagation pathway for large-scale disruptions*

- **Scenarios and network analyses** can be used to depict the structure of a system and draw out the interconnections between its various components

- **Computerised simulation** models can help to understand what conditions and variables make an event more likely to result in propagation effects

OECD Reviews of Risk Management Policies

Future Global Shocks

IMPROVING RISK GOVERNANCE
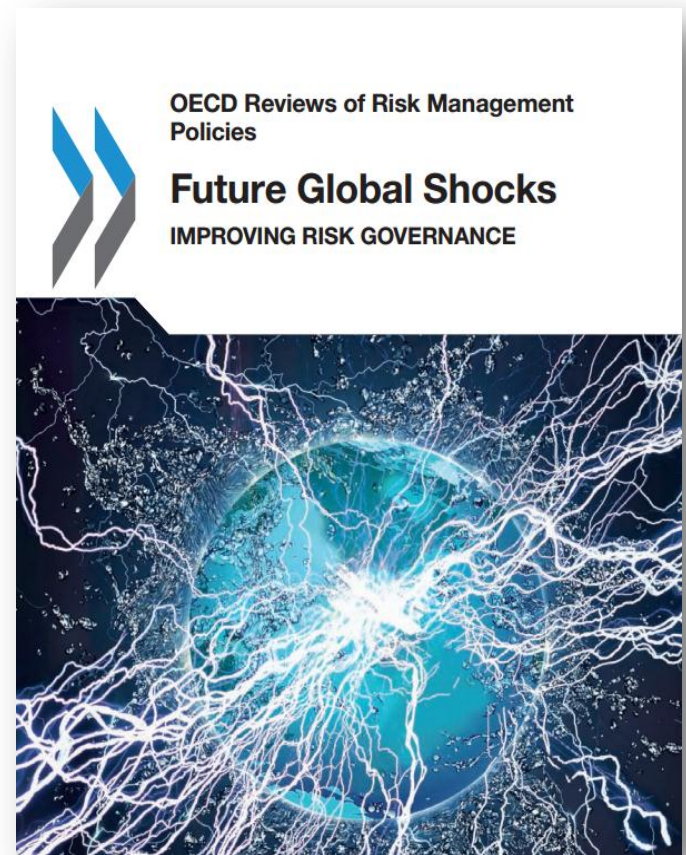
OECD Risk Governance Framework (2013)

The OECD recommends that its Members:

1. Establish and promote a **comprehensive all-hazards and transboundary approach** to country risk governance

2. **Build preparedness through foresight analysis** (*horizon scanning/scenario building*), risk assessment

3. Raise awareness of critical risks to **mobilise stakeholders** and foster invention in risk prevention and mitigation

4. **Develop adaptive capacity** in crisis management: coordinating resources across government and broader networks to support timely decision-making and emergency responses

IRGC Protocol: General comments

- ✓ Sets the scene to the nature of emergence as a ***governance*** challenge
- ✓ Proactive process
- ✓ Foresight that compliments 'usual' risk approaches i.e. combining quantifiable risk assessment with plausibility-based scenarios
- ✓ Embedded in organisational routines and processes – built in, not stand-alone or bolt on
- ✓ Risk conductor who is not the risk owner: a pivotal role

And….

1. Any protocol is only as good as its application in use; prototyping will be the next important step to test and clarify usability, esp. in public sector contexts. Currently the protocol draws heavily on firm-level strategic management and planning but appears to overlook policy-related literatures.
2. Innovation is a key source of emerging risk and should feature alongside the risk, strategy and foresight communities/domains identified in the Protocol
3. The focus on organisational level misses the opportunity to identify the importance of collaborative strategies i.e. role of referent organisations/inter-organisational governance
4. How to attend to emerging upside risk e.g. missed opportunities
5. The pivotal role of the risk conductor - training and skills – is this also the person managing the risk register processes

IRGC Protocol: foresight focussed comments

1. **Iterative process – yes, and...**

    1. Scenarios could be used throughout, not just in step 2 e.g. develop scenarios link to EWS to 'retire' emerging risks from the system

2. **Ontological and epistemological differences abound in foresight**

    ❖ Foresight is focussed on 'actionability' not knowing the future: it is important to reflect if/whether the Protocol is relevant to different contexts of agency

    ❖ Anticipation can mean different things within and across these communities of risk, strategy, foresight, innovation : do deeper ontological and epistemological underpinnings of the Protocol need to be made visible

3. **Developing scenarios based on models <u>and</u> narratives – yes, but...**

    ❖ The emphasis on plausibility-based scenarios is appropriate for emerging threats that are novel and lack any statistically relevant evidence base

    ❖ Clarify the role of scenarios in operating as pre-decision framing and reframing devices, rather than better forecasting tools or visions; as social learning processes that engage uncertainty and help reveal and test deeply held assumptions about socio-technical systems and their evolution;; and in avoiding model ''lock in'/enhancing quality of judgement about choices relevant to the design and use of formal models

    ❖ There are many different ways to build a set of plausible scenarios yet the Protocol appears to assume the deductive building method is most suited to ER governance ?

4. **Strategic Reponses, should attend to dynamic capabilities and include collaborative strategies**

    ❖ The Annex attempts an overview of strategy and its link to risk appetite etc. It might help to clarify which schools of strategy are more suited to ER governance and focus on these e.g. I would suggest moving away from dominant resource based school with its emphasis on efficiency and competition to others that focus on organisations as value creation systems that co-evolve with their wider contexts and require dynamic capabilities, and to the school of strategy-as-practice, since the 'who' is involved and how of effective participation are critical considerations in ER governance

    ❖ Similarly, the link between ER governance in the development and implementation of public policy are not easy to derive on the basis of corporate strategic planning principles.

    ❖ Add something on collaborative strategy , adaptive policy , anti-fragility and similar new approaches etc:. e.g. see Emery& Trist Causal Texture Theory on role of shared adaptive capacity in calming turbulence

    ❖ What is role of regulation in enabling /disabling ER governance?
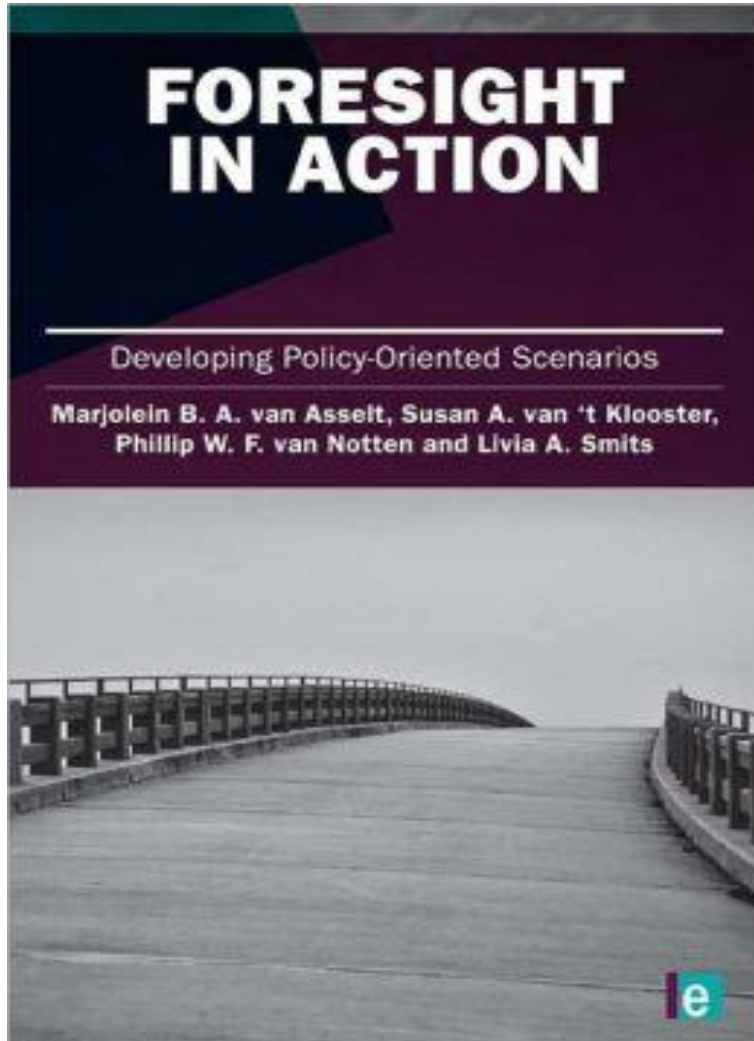
5. **Implementation**

    ❖ How to avoid the challenges listed on page 44?

    ❖ What about safe-fail strategies and the need to maintain organisational capability for agility and be able to effectively improvise given all crisis cannot be avoided? Who will pay for redundancy?

    ❖ Need to link EWS to ever greening of the scenarios to avoid 'lock in'

6. **Reflexive review**

    ❖ Tolerance of inevitable failure – failure is different from mistakes. Tolerance of failure is responses to emerging risk governance need to look beyond the risk appetite of the firm to the risk appetite of the societies on which they depend for markets opportunities
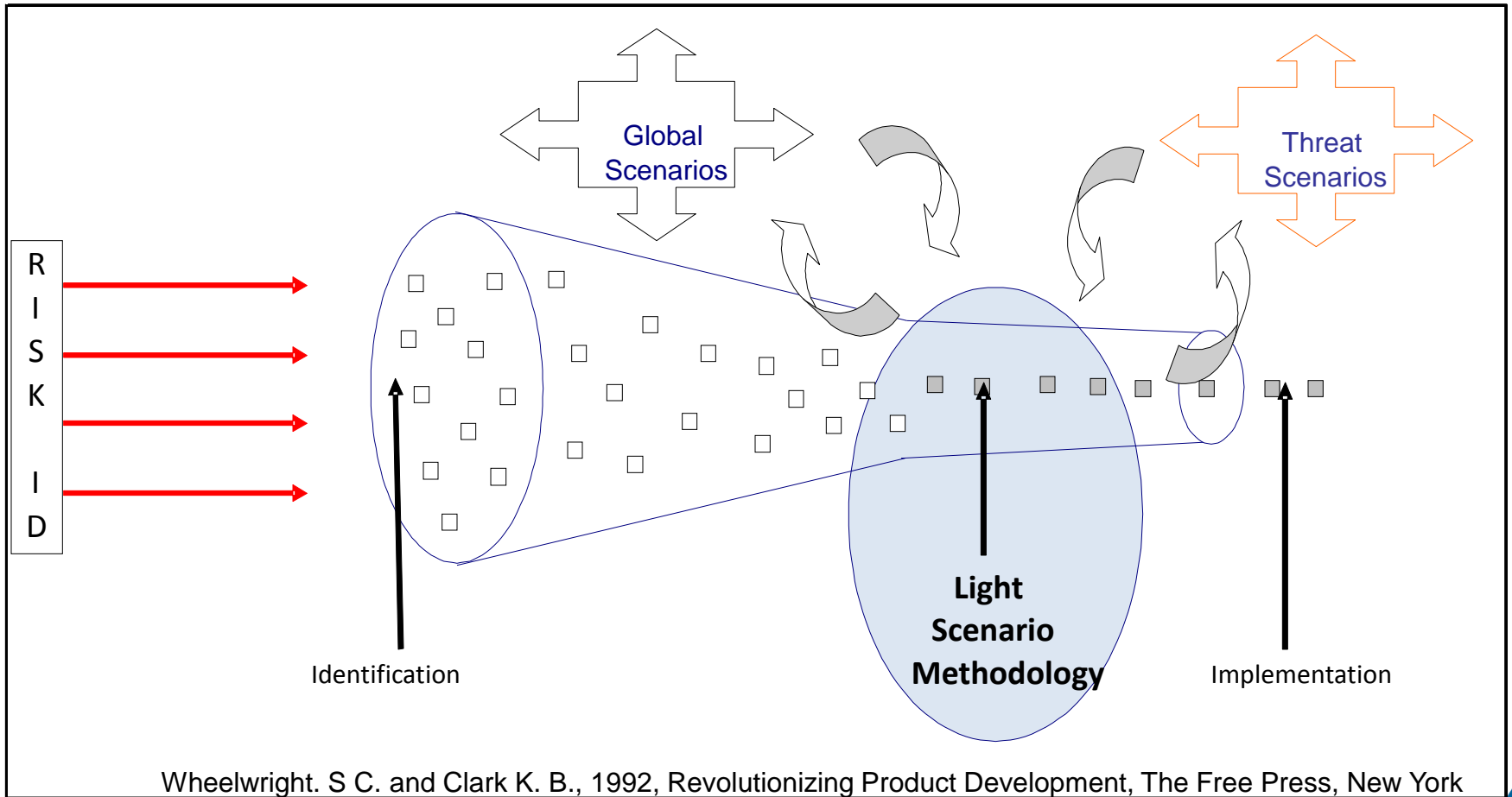
Effectiveness of scenario practices varies by context; design ER governance accordingly

Different sets of scenarios will be useful at different steps of the process

Wheelwright. S C. and Clark K. B., 1992, Revolutionizing Product Development, The Free Press, New York

Global public interest in ER governance: emerging challenges!

1. **Big Data :** an emerging risk?

2. **Shift in wealth and new technology fringes**: bringing China and others on board, public acceptability of technological developments to meet elite needs. How will the protocol help safeguard innovation in the 'public interest'?

3. **Resilience** – How can resilience be measured at the sectoral level? Who will pay for redundancy?

4. **Governing ER under globalisation:** societal needs/acceptability of novel technologies e.g. US-EU differences of GMO/stem cells. Developing precautionary approaches: navigating different national interpretations?

5. **Aligning different frameworks**: e.g. the OECD focussed on ER governance frameworks at the international level rather than the organisation-level of the IRGC Protocol: how to connect across these scales of governance?

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