Chapter 7

Socio-Political Risk–Contingency–Management Framework for Practitioners and Researchers

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ABSTRACT

In this chapter, a new risk and contingency model is developed to articulate emerging global paradigm factors that were not prevalent in the community of practice 5-6 years ago. The generally accepted definitions of risk and uncertainty are clarified and the literature is reviewed to reveal four new categories of global uncertainty that impact risk and contingency planning in the microenvironment, task environment and internal to organizations. Some of the emerging factors include the big data paradigm, fear of global terrorism, economic instability, climate change, international trade agreement changes, along with domestic and workplace violence. After a detailed literature review, the factors are summarized and presented in a visual model. The implications on current and future practice are discussed, closing with recommendations for future research.

INTRODUCTION

A lot has changed since the socio-cultural risk framework was published over five years ago for the risk and contingency management community of practice by Goodwin and Strang (2012). While there have been many studies published in the extant literature during the last five years, the basic risk and contingency management principles have not changed. On the other hand, what has changed dramatically are several factors that risk practitioners must assess within the macroeconomic environment, the industry and as well as internal to the organization. For example, several new factors have emerged including global and domestic terrorism, economic instability, climate change/environmental conservation, non-profit humanitarian rights, international trading/agreements and health wellness/organics food/drug risks. These emerging
risk dynamics are few in number but they are far-reaching in impact on most industries and disciplines anywhere in the world. Therefore, it is necessary to update the community of practice because these issues ought to be considered when developing or maintaining risk and contingency management planning models. Additionally, these factors should be examined when conducting research within or touching upon risk and contingency management.

The purpose of this chapter is to discuss and extend the risk and contingency planning framework. In particular, the emergent literature is reviewed again, and the model is discussed from a critical analysis post-positivist ideology. The literature-driven model is expanded with additional socio-political factors that are intended to guide future research and practice in the field. Risk theories are included as a knowledge meta-model as the foundation of the model. However, the additional socio-political factors add more insight from across the disciplines and industries. This chapter is therefore intended to graphically represent a proposed risk and contingency planning framework for practitioners and researchers across all cultures and industries. For example, a practitioner at a manufacturing plant may wish to estimate reliability in a machine process which is inherently uncertain but there is a relationship to a benchmark which could be estimated using Statistical Process Control using empirical data collected from observation samples of the equipment. The proposed framework would therefore provide reminders to the practitioner or researcher about which factors to consider for collecting data and where to look for theories, equations, techniques, and methods to resolve emerging risk management or contingency planning problems.

BACKGROUND LITERATURE REVIEW

The perception of the terms ‘risk’ and ‘contingency’ vary across disciplines and cultures (Smith & Fischbacher, 2009; Strang, 2015; Korstanje, 2015). It is not often that culture is discussed within risk management but it is a relevant factor (Vajjhala & Strang, 2017). Socio-politics has recently emerged as a dimension which moderates the culture or risk. Interestingly, in Asian cultures, where Buddhism, Confucianism, and Islam religions dominate, risk is often attributed to spiritual governance such as the wishes of Buddha, Confucius or Allah - the equivalent of God from Christian testament (Strang, 2011d). Eastern cultures (notably in the Middle East, Africa and Asia) typically refer to negative events as bad luck instead of unfavorable risk outcomes and therefore the tendency is to avoid risks rather than manage them, while the opposite is true of risk attitudes in the west such as in Europe and North America (Strang, 2010a). This phenomenon can be explained by a dimension in the global culture model known as risk avoidance which refers to a bipolar tendency to either avoid uncertainty if high or at the other low extreme there is a tendency to want to control or leverage risk (Hofstede, 2009; Strang, 2009). An emerging form of national risk avoidance has been described as a ‘fear culture’ primarily as the anxiety of an unknown global terrorist attack coupled with a reduction of human rights (Korstanje & Strang, 2018). A widespread risk avoidance national culture could have a great impact on most disciplines and industries in a region or country and therefore this element must be encompassed into contingency planning.

The socio-cultural mythology of risk impacts business decision making. Certain cultures or groups attribute good or bad value to an event based on myths or superstitions. Strang and Chan (2010) found Asian marketing and design teams avoided ‘unlucky perceptions’ when creating contemporary technology products such as certain colors (white, and red, are spiritual) or names such as “1414” which in Mandarin sounds like “easy to fall to death” while “4” sounds like “death” but on the other hand “8” is lucky as it signifies “prosperity.” The number 10 is considered lucky in China so practitioners across the