
Risk, Reward, and Today's Corporate Persons.

Introduction

In this first paper we want to introduce the topics of risk and reward in collective enterprise today. We'll be considering these topics from a specifically philosophical point of view, though we will be borrowing a page or two from interpretive sociologists, too. Our first task will be to clarify the concepts of risk and reward, as well as the kindred topics of goal-seeking and the nature of corporate actors. By the time we get into the notion of corporate agency, our discussion will be less terminological and more substantive, and will move rapidly on to issues of responsibility and stake-holding. From there we go on to propose a number of critical corporate virtues for dealing with risk and moving artfully forward in the face of it. We conclude with a brief discussion of BAM's expansion of business continuity and disaster recovery (BC/DR) beyond a defensive posture and into one of skillful advance. In the next paper we will deal with the problems of knowledge and uncertainty surrounding decisions in risky environments.

I. Choice, Risk, and Reward

Let's begin with some concepts and terms. We humans make choices in pursuit of some perceived good: the choices which subserve the basic choice are choices for means: the basic choice is for the end, the goal. Without attempting to consider the arguments of different schools of ethics on the nature of the good we seek, we can say at least that the goal chosen is something not yet had: and its shape can be variable, which means that imagination plays a great role in constructing that shape and the possible routes to it. Furthermore, some goods may be both good in themselves and good as means or instruments to other valuable ends. Playing soccer may be a means to getting healthy; it may also be valuable in itself.

Along the way to the good, there are always threats to it, as well as the loss, imposed by the necessity of choice, of possible options foregone in favor of others. Choosing to be a concert pianist tends to foreclose other vocations one might have taken up. There is thus a loose sense in which one can "lose" what one does not have. What one really loses here, though, is an opportunity or favorable odds of achieving those things left behind.

Imagination likewise plays a great role in conceiving options. One's form of life,¹ the outlooks and practices one takes granted, has an overwhelming bearing on what one is able to conceive of as possible. Envisioning alternative futures is conditioned as much by cultural milieu as by individual creativity, usually more so. To borrow Pierre Bourdieu's phrase, people of different cultural situations will inhabit different "spaces of possibles."² For each of us certain characteristic possibilities will "show up" in imagination more readily than others. How easily such possibles come "on screen," cognitive psychologists call "availability." Growing up as a farm girl on the frontier may be less likely to aid in seriously considering concert piano as a career option (indeed, in considering having "career" at all), than being raised in cosmopolitan New York in a white-collar family. The ability to move inventively beyond the merely expected and the routine is for a few a natural gift; for the rest of us, it is an achievement.³ In either case it is a necessary habit to cultivate in an increasingly dynamic world.

The term "risk" is used in both common parlance and in technical contexts. Technical senses of the term vary from field to field; the engineer's definition may differ from the insurance company's. We'll likely have reason later to touch on some of these more technical senses.⁴ For now, we will be using the terms in a way which we believe captures and tightens common usage, which is admittedly somewhat loose.⁵ What do we mean by risk?

¹ The term is Ludwig Wittgenstein's. See his *Philosophical Investigations*, third ed. trans. G. E. M. Anscombe (New York: MacMillan, 1958).

² *Pascalian Meditations* trans. Richard Nice (Stanford: Stanford University Press, 2000).

³ The topic of invention is an important one we'll be returning to later in Paper Three. For its importance in human thought and political construction, see Ernesto Grassi, *Rhetoric as Philosophy: The Humanist Tradition* trans. John Michael Crois and Azizeh Azodi (Carbondale: Southern Illinois UP, 1980).

⁴ Especially the quantitative sense standardly used in risk analysis, expressed in the formula risk = probability x (dis)utility. We deal with this understanding in Paper Two.

⁵ Our usage is basically congruent with the entry in the *The American Heritage Dictionary, Third Edition* (New York: Dell, 1994): "n. 1. The possibility of suffering harm or loss; danger. 2. A factor, element, or course of action involving uncertain danger. —v. 1. To expose to a chance of loss or damage. 2. To incur the risk of: *'His action risked a sharp reprisal.'*"

There are at least three common senses of “risk” distinguishable. First, “risk” used generally to refer to being under threat; and second, risk as that which puts something under threat. Consider the statement: “The heavy rains have put the levies at risk.” In this scenario, one might simply say either of the following: “The rains are a risk” or “the levies are a risk.” Here, since both things represent danger to goods (either intrinsic or instrumental goods), they are called risks. But note that the levies are both at risk and are a risk—to other goods like continuing to breath.

Third is “risk” used as a verb to refer to endangering activity: the act of putting a good under conditions of possible loss. Risking is the action of putting at risk, as in “risking it all” or “to risk your health”. Sometimes this risking is unintentional. One can unknowingly put one’s health at risk in many ways. But “to risk” is often to jeopardize intentionally some good for the sake of some greater good. Here, then, we are in the realm of venture and enterprise, of gambling and “putting in play”. In trying to steal second, a baseball player purposefully puts his potential run at risk, since he may be thrown out; but he does so in order to advance closer to home plate.⁶ In a related use we can “risk” bad things which are the negation of goods. So our man on first “risks” being thrown out in order to take second base. This use of “risk” as a verb is parasitic on the basic sense of jeopardizing some good, e.g., one’s on-base status.

Occasionally one hears the term used to refer both to the jeopardy of some good put at risk, and the greater good for which that first good is put at risk, as if risk were a synonym for opportunity, or as though opportunity were part of the meaning of “risk”. Similar thinking has been enshrined in popular business lore in the mistaken parsing of the Chinese ideogram for “crisis” as comprising the senses “risk” and “opportunity”.⁷ One is free to propose novel definitions of terms for technical usage, but we believe the common grammar of the term weighs against this proposal; confusion is more likely to result than clarity. It doesn’t make much sense to speak of the greater good sought after (being closer home plate) as itself risk, even where there is danger of not achieving it. That desired good is at risk and something for which one takes risks. Though the act of risking may have possible, even likely, positive outcomes as its goal, they are gotten by way of risking and are not identical to it.

To sum up, unless otherwise noted, we’ll be using “risk” and its cognate forms to denote the state of some good being in danger; something that puts some good in danger; or the act of putting it in danger, often intentionally and for the sake of some desired good.

In the course of our lives and those of institutions, assets and well-being are regularly at risk. In fact, life’s choices are often choices precisely to put those assets at risk, for the sake of some net gain. Sometimes those choices are ill-advised, other times well-advised, and still other times, counter-balanced; i.e., where it is neither the case that one should or should not refrain from the course of action chosen, given one’s goals and the probabilities of meeting them. Leading a life is a form of enterprise in which we are daily confronted with choices to hazard loss for the sake of gain. One cannot opt out of the bet. In the language of William James⁸, to risk is a “forced,” “live” and “momentous” option — one cannot help but hazard some good, for to refuse to put something in play is to put something else in play. The choice is rather what to put at risk and to what end.

Presumably, one tends to increase one’s risk in this business by proceeding blindly, without foresight or “thought for the future”. As any paramedic can attest, the average home is a dangerous place; it is more so in the dark. It will be important as we proceed in the following papers to ask what might correspond to the notion of having the lights on, of advancing with eyes open. Arguably, though, a worthwhile life aims not just at avoiding harm, but at increasing well-being. In fact, successful human beings don’t seem to view these two as discrete departments, but simply as aspects of a whole. So in our reflections here we’ll be asking: what modes of awareness will protect and empower?

II. The Subject of Risk and Reward: the Corporate Subject and its Good

In discussing risk and reward, we need to ask whose risk and whose reward we have in mind: in other words, who or what is the subject⁹ of risk and reward. Whose good is at risk, and whose good is bettered by reward? In the cases handled by risk assessment managers, the subject of risk and reward is

⁶ We owe this example to Lee Granger of BAM (in email correspondence).

⁷ Victor Mair, “Danger + Opportunity ≠ Crisis: How a Misunderstanding about Chinese Characters has Led Many Astray” at www.pinyin.info/chinese/crisis.html

⁸ In his essay “The Will to Believe” reprinted in *The Will to Believe and Other Essays in Popular Philosophy* (New York: Dover, 1956). With respect to the issues of hope in relation to risk, James’ essay is seminal. See also the essay “Is Life Worth Living?” in the same volume.

⁹ By “subject”, then, we are not thinking of a synonym of “topic”, but of the whoever or whatever *stands under* risk or reward.

corporate. “Corporate” here means, at the very least, comprising many members, or collectively constituted, and unified by common purpose.

Law and philosophy have a long history of considering teams of human enterprise, from families to armies to work crews to businesses, as a single person in some respects: it is one of the most ancient and charged of traditional metaphors.

The reason behind the metaphor is fairly easy to see. If two or more persons are engaged in the same work at the same time and with the same purpose, say, clearing a field, and not just generically (say, one in China and one in Germany) but specifically, it is as if one man is doing the work with four hands. As goals become more complex, labor is divvied up: the work assigned to individuals differs more and more: one is a general, one a quartermaster, one an infantryman, and so on. And the degree of global vision of the shared goal becomes much less evenly distributed: a President, as commander-in-chief, has a comprehensive vision of national good and foreign policy whose scope and penetration is not likely to be shared by the infantryman (although it is certainly possible that it might be, and this realization is one of the crucial principles of democratic societies.) Nevertheless, there is presumed to be a hierarchy of interconnected commitment which holds the enterprise together, and allows the entire thing to act as “one”. This kind of human organization was called a *persona moralis* or in the medieval schools, meaning an organization of people united by cause and task such that they constitute together a single behavior-person, a *persona moralis*, engaging in activities attributable to that corporate body.

However, it is crucial to note, as thinkers have noted on this topic from the beginning, that artificial “unities” like these are less one than are natural unities like organisms; lacking the kind of internal principle of cohesion had by organisms¹⁰, they require the practice of “art” to maintain in form (an art akin to politics or generalship). The Greek philosopher Heraclitus (c. 500 BC) speaks of a mixed “barley drink that disintegrates and loses its nature unless it is constantly stirred.” Stirring would be analogous to the skill one must apply in preserving and promoting the unity of a collective body.

The scope of this initial examination compels brevity in considering the history of the status of the corporate persons in philosophy and law, a topic with a long history indeed. The question of what common goal-sharing means for the construction of social and personal identity is much disputed in sociological and legal thought. Whatever one’s opinion about the figuration of corporations as persons in law, or the status of the metaphor it is founded upon, it is clear that there is some sense in which persons sharing a common work and common goal act as one. This realization has commonly been expressed through metaphors of body and health; we routinely hear talk of “dysfunctional” workplaces or of “sick” corporate cultures. These metaphors make some sense. But they have also been the sites of controversy regarding the question of goal-sharing and identity.

Health can only be attributed metaphorically to a corporate person, just as life can only be metaphorically attributed to it. But one can speak more directly of corporate intelligence, since the intelligence of the persons composing it is more directly involved in its direction than their health is in its health. In other words, corporate intelligence is the cooperative intelligence of its members: when speaking of the health of an organization, we don’t mean the cooperative health (which is hardly meaningful) of its members, though it will rely in some degree on the health of its members individually.

What sort of intelligence will promote both the preservation and advancement of a collective body? The virtue of canny self-direction in changing circumstances, as means of attaining the best outcome, was called *phronesis*¹¹ by the Greeks, and *prudentia* by the Romans. *Prudentia* survives in English as “prudence”. Prudence is what is able to handle risk. Aristotle (385–322 BC) would say that prudence involves “deliberative excellence” (*eubolia*): “correctness of deliberation as regards what is advantageous, arriving at the right conclusion on the right grounds at the right time.”¹² If the directors of an enterprise exercise such a virtue, harmoniously cooperate, and coordinate the rest of their personnel accordingly, the corporate *persona* which represents their cooperation in

¹⁰ A representative example of a philosopher who sees organisms as having an internal principle of unity independently of its parts is John Locke: “In the state of living creatures, their identity depends not on a mass of the same particles, but something else. For in them the variation of great parcels of matter alters not the[ir] identity: an oak growing from a plant to a great tree and then lopped, is still the same oak; and a colt grown up to a horse, sometimes fat, sometimes lean, is all the while the same horse. *Essay Concerning Human Understanding*, II, xxvii, 3.

¹¹ Aristotle’s notion is the one we have chiefly in mind here; See his *Nicomachean Ethics*, VI, v. 1–6.

¹² *Ibid.*, VI, ix. 6.

common endeavor may be said to have corporate prudence.¹³

For Aristotle (on one reading at least), prudence is calculative; it involves explicitly, carefully reasoning things through, weighing options for means to one's goals. Calculative reflection on what course to adopt is at times a critical part of proceeding with one's eyes open, and as such it is an activity that rewards both study and practice. We would want to augment it, however, with another practical virtue which we as agents rely on constantly to keep ourselves out of harm's way and to advance in the world. Many of our daily actions take place at so quick a pace, and with such an overwhelming input of information as to beggar on-the-spot analysis and calculation. The Greeks had a number of terms for the skilled, intuitive coping mechanisms that come into play in such situations. *Metis*, or "cunning intelligence" is one; another is *eustochia*, from which we get our term "stochastic", and which may be translated "conjecture". The wayfarer Odysseus, the "all-skilled", is the very embodiment of the quick-wittedness that sizes up a situation immediately and moves ahead resourcefully.¹⁴

We've been talking about virtues that help secure the corporate good. We'll come back to them in Paper Three. Let us turn now to the corporate good itself. The good is either the well-being of the corporate entity — from businesses to states to voluntary societies — or what will causally maintain and maximize that well-being, such as flexible supply chains, and so on. This second type of good is typically instrumental: it is a means to the first. Other times, it may be a constitutive part of the good itself.

The well-being of the corporation is typically understood in relation to its proximity to achieving what it sets out to do, to its purpose, which is not say that its good is wholly independent of or unrelated to the good of the society in which it exists. And one could elucidate "purpose" further by thinking not only in terms of broad aims of a company, but its achieving those aims in a certain manner; i.e., using certain means and not others, where this manner of achieving the broader aims is itself one of the company's aims. It may be that a company sets out to make money, but sets out to do so in accordance with certain ethical principles or cultural standards. A corporation's well-being, then, may by its own decision and self-understanding include more than just the bottom line.¹⁵

Well-being is attained in and through actions, which are made by choices: we decide on means to goals, and aim ultimately at augmenting being. This always involves yes and no, and thus an element of risk, as the Austrian catallactics¹⁶ suggests: choosing one door means not entering another, and so on. This loss might not be absolute: that is, it might not mean having less, but having a different route than otherwise.

The reward is increase and maintenance of being, attaining the object of desire: Aristotle calls it happiness (*eudaimonia*; better translated, "well-off-ness"), but this happiness is made up of aspects or parts which correspond to the elements of a well-lived life. Many things and conditions need to be in place for a person's well-off-ness; and analogically, the same is true of corporate entities.

Risk thus pertains not only to the good of the company defined as its purpose (mission statement), but to all the conditions and elements which must obtain for this to be accomplished. And this, in turn, will include not only the company's own assets, but many assets outside its ownership or control: infrastructure; legal and social institutions, "human resources," and so forth). Threats to these can represent threats to the company. Likewise, of course, risks to a company may threaten the milieu in which it works, where that is dependent on the company, through loss of jobs and services. A company's good is thus bound up with the good of a broader community.

Even if we limit our consideration to the corporate entity alone, reward cannot be reduced to the bottom line, although that might be a reliable index of the many kinds of reward possible and necessary for a company to fulfill its purpose. The role of money in a market economy as signifying all kinds of reward, or

¹³ Prudence itself may be put at risk by an improper regard for pleasure, whether in the form of hedonistic impulses or in the form of insensitivity to healthy pleasures. Since our response to pleasure may distort our ability to see what is the beneficial course of action for us, Aristotle suggests that prudence needs the help of the virtue of temperance or self-control (*sophrosyne*). Temperance, then, is the 'savior of prudence'. *Ibid.*, VI, v. 6.

¹⁴ See Marcel Detienne and Jean-Paul Vernant, *Cunning Intelligence in Greek Culture and Society* trans. Janet Lloyd (Sussex: Harvester, 1978).

¹⁵ We leave aside the important *de jure* question of whether businesses as such have responsibilities beyond the bottom line. See Milton Friedman, "The Social Responsibility of Business is to Increase its Profits," *The New York Times* (Sept. 13, 1970) and Robert C. Solomon's counter in "Business Ethics" in *A Companion to Ethics* (Oxford: Blackwell, 1991).

¹⁶ For a representative sample of the Austrian school in economics and action theory, see Ludwig von Mises, *Human Action: A Treatise on Economics*, many editions.

corporate good, poses a number of problems, even granting a strict Austrian view for the sake of argument: not only philosophical, but practical problems; for example, the bottom line might seem satisfactory from the view of an accountant or an executive with limited imagination, but this may obscure other aspects of corporate well-being which might be weak or missing, and which will eventually have bottom line effects, unless recognized and altered.

The lessening degree of investment and identification — “the tragedy of the commons”— within corporations presents the problem of the less invested members lacking crucial organizational knowledge. As we have seen, artificial unities, such as moral or corporate persons, require maintenance by art. The division of labor poses problems for a social entity pursuing a common purpose: the distinction between business owner and employee, entrepreneur and secondary participant, management and managed, all conceal within their apparently well-ordered arrangement possibilities of diverse interest, disunity, and finally failure of corporate purpose and functioning.

Clearly there have always been varying degrees of investment in collective endeavors, and on the whole the degree of investment has been subject to great historical variability. But in today’s business world, the market premise that workers and employers are all free agents acting to better their situation through exchange is taken very seriously on all sides:

“In this imagery of exchange, the self stands apart from what it does and its commitments remain calculated and contingent on the benefits they deliver. In a calling, by contrast, one gives oneself to learning and practicing activities that in turn define the self and enter into the shape of its character. Committing one’s self to becoming a “good” carpenter, craftsmen, doctor, scientist, or artist anchors the self within a community practicing carpentry, medicine, or art. It connects the self to those who teach, exemplify, and judge these skills. It ties us to still others whom they serve.”¹⁷

The obsolescence of the practice of work as a calling poses problems for companies which will always need some degree of personal interest and commitment in the corporate good and mission from its members.

This is a problem quite aside from “laziness”¹⁸ or the Bartleby complex: it has to do with rhythms of human sympathy, the time it takes to acquire habits and dispositions, and the prerequisite prior disposition which has to be in place from the start it takes to for them to develop at all. As Richard Sennett observes regarding today’s “flexible capitalism”: “No long term’ is a principle which corrodes trust, loyalty, and mutual commitment.”¹⁹ No commitment tends to mean little inside knowledge or concern about corporate well-being. Yossi Sheffi spells out the stakes and the upshot of the issue of employee investment:

“Good labor-management relationships are important not only for avoiding strikes. . . . labor can be the most important asset of a company; it can play a critical role in awareness and prevention. On the other hand, it also represents a crucial vulnerability — representing ‘the enemy within.’”²⁰

We mean to offer no social commentary here: only a frank assessment of the state of affairs as they bear on the question of corporate risk and reward. Disinvested players mean less unity of purpose and communication within the business. Many problems follow from this, for instance: needful information is not always quickly or willingly available to those who might be in a position to be able to direct. Or alienated workers may care so little about the common enterprise that productivity and alertness are seriously compromised.

There are many other problems that exemplify the tragedy of the commons: what no one owns, no one cares for. We cannot enter in any depth into the findings of sociology and psychology of labor, or of historical economics, to examine the question more closely here. It is sufficient to note the fact.

A wide range of opinions about this question of morale exist, from Marxist to libertarian: what they have in common is the understanding that none will work willingly for what he is not invested in. The more diffuse or tenuous the corporate subject of risk, the more susceptible: or so it seems. There may be other

¹⁷ Robert Bellah, et al, *Habits of the Heart: Individualism and Commitment in American Life*, p. 69; see also pp. 83, 336. On traditional practices, see Alasdair MacIntyre, *After Virtue: A Study in Moral Theory*, (Notre Dame: University of Notre Dame Press, 1982) chapter 15.

¹⁸ See Corinne Maier’s *Bonjour Laziness! Jumping off the Corporate Ladder* (New York: Pantheon, 2005).

¹⁹ *The Corrosion of Character: The Personal Consequences of Work in the New Capitalism* (New York: Norton, 1998) p. 24.

²⁰ *The Resilient Enterprise: Overcoming Vulnerability for Competitive Advantage* (Cambridge: MIT Press, 2005) p. 122.

ways of regarding things, given the present inevitability of the conditions of global capitalism which produce these effects.

Few philosophers or sociologists now take the organic metaphor as anything more than metaphor: some deny its use even as that. The problem is an old one, and came to the fore with the advent of classical liberalism, which was extremely wary of the metaphor. On the other hand, phenomenologists and other philosophers, as well as many psychologists, would say that the human person doesn't fully exist outside its social interactions, while not denying that personhood is technically independent. The claim is that its actualization never is; one must be inducted *into* it.²¹ Even so, as persons actualize, they acquire a functional autonomy, which is their normal mature state.²² And these persons pursue policies: how intelligently and with what degree of determination is an open question. It is simply likely that classical liberalism is right in principle, but that the manner in which individual agents carry out their policies is not wholly mappable onto the kinds of relations and activities which constitute the world of business and its legal framework, i.e., contractual relations of self-interest.

Individual persons are primary. This is not simply a philosophical assertion; technically it is the principle of the liberal legal order in which the business world can exist.

The harm or collapse of any business as previously structured is not identical with the harm or collapse of a real person, although obviously, it can be intimately bound up with it, since the destruction of members of a corporate body can precipitate the downfall of that body, and vice-versa.

The liberal legal order represents business relations, including those of employment, as the free transactions of legally equal agents. At present, this understanding is perhaps more thoroughly and consistently applied than ever before. In a right-to-work world, this has two aspects: negative and positive. The negative aspect is the problem noted above of employees having less incentive than necessary to personally invest in a business concern, or the presence of ambient conditions which positively prevent it, e.g., the lack of long-term relations of apprenticing and mentoring resulting in a lack of deep skill acquisition.

Positively, understanding the primacy of persons allows one to see businesses as constructs whose good is relative, instrumental to that of the stake-holders, defined in both the local and the broadest sense. This means that the risk and reward, success and failure, of companies are not absolute, but always refer back to its constituent members, in different ways, and to entrepreneurial vision.

But it also means that since the status quo of a company is only ever a relative good, the persons composing and directing it can redefine that good and adjust the form of the corporation accordingly.²³ The primary reality of individual persons in corporate endeavors enables the possibility of radical adaptability in response to circumstances.

But the risk and reward of corporations are shared beyond the bounds of the corporation. To the legal order which constitutes the conditions of enterprise corresponds a broader social order. The good of this social order is the good of businesspersons as citizens, and indirectly, also as businesspersons.

There is a great deal of debate about this: whether the broader social order is simply the sum of individual engagements and thus is coterminous with the realm of business, or whether society exceeds the realm of commercial enterprise, and further, whether something like the State corresponds to such a more comprehensive order. One need not commit to either libertarian or communitarian positions to admit the insights of either: there is an "at least" kind of judgment regarding the basis of human cooperative endeavor which is pragmatically informative. "Stake-holding", in both the local and wider senses, is indispensable in considering corporate prudence.

²¹In recent decades, there has been an important debate on this matter between "liberal" and "communitarian" political philosophers. See Will Kymlicka, *Liberalism, Community, and Culture*, chapters 4&5; Charles Taylor, "Cross-Purposes: The Liberal-Communitarian Debate" in *Philosophical Arguments* (Cambridge, MA: Harvard UP, 1995); Michael J. Sandel, *Liberalism and the Limits of Justice* (Cambridge: Cambridge UP: 1982). Much of this debate takes the work of John Rawls as its starting point. See his *Theory of Justice* (Cambridge: Harvard UP, 1971) and *Political Liberalism* (New York: Columbia UP, 1993).

²²As in both Aristotle and Immanuel Kant.

²³Eric von Hippel, *Democratizing Innovation* (Cambridge, MA: MIT Press, 2005).

A pertinent example is the recent movement to “green” businesses. Greening, as a goal of business, has an ambiguous character. Is it an act of philanthropy? Or is it an action (either compelled or voluntary or both, in different respects) in which businesses are normed by regulation aiming to protect the commons in which businesses exist? It is outside the scope of this consideration to closely examine that problem. But the fact of the problem is useful to note.

In conversations with the Burton Asset Management (BAM) group, we were given to understand that BAM begins by directly probing their clients about real motives as part of a dialogue-based or “maieutic” method of inquiry (our topic in Paper Four):²⁴ for example, is the proposed overhaul being undertaken primarily for reasons of trendiness and public relations? Or is it being undertaken for more straightforward reasons? Even withholding judgment on the first rationale and dealing with it as it is, one can say that it will be self-defeating unless its agents are honest with themselves. The kind of cosmetic revisions such agents might be willing to undertake will still need to factor ecological questions, since, if the cosmetic revision supposedly “greening” the company actually has unforeseen (though not unforeseeable) effects which are ecologically damaging, even the original ulterior motive of good public relations and prestige will be thwarted upon discovery of this.

Not only does risk and reward exceed neat boundaries of collective entities, but an individual’s engagements exceed any particular corporate engagement. One might work for Toyota, but one’s brother might not, nor one’s friends; and one’s religious and avocational affiliations will be found outside Toyota too. Broader membership in society, which is coincident with corporate membership in the persons involved, is also a framework which allows for creative anticipation of risk and reward in business, since it enables one to take a broader view of things — even if only as “market” — and adjust accordingly. It is crucial to business to be able to think as a customer would, or to think as a competitor would. What any corporate member brings to work of his own ingenuity and broader experience and affiliation can be a strength. In other words, the disinvestment, or rather plural investment, which is characteristic of modern society according to observers from Toennies to Giddens, might be not represent so much a weakness of corporate teams as a possible strength.

III. Business Continuity and Disaster Recovery (BC/DR)

The history of BC/DR long predates the acronym: it has been the practice of human beings from the very beginning; minding the conditions in which the team could thrive, and taking material and psychological precautions in case of threats foreseen or unforeseen. An advancing enemy tribe preceded by rumor of its approach might be an example of the first: also, a seasonal rise of water in the river upon which a community is dependent. With respect to the latter category, the kind of threat would have to be perceived in some degree in order for precautions to be taken: but not its specific shape.

Among everyday endeavors there are differing degrees of thoroughness and vigilance: human goals and action are generally not defensive, not geared toward the anticipation of threat or error. Vigilance cannot be an end in itself. It rather presumes and serves the good of the entity on whose behalf it is exercised, and the positive purpose of that entity. Vigilance requires expenditure; and the cost may be too great for the benefits. Clearly one can be too careful.

A number of problems appear at this point, primarily regarding the subjective perception of risk, appropriate degrees of concern, and the problem of knowing when one has in fact prepared conscientiously enough; they will be treated in subsequent papers.

Historically, BC/DR has been concerned largely with prevention of damage and minimization of damage when it has already begun to occur. But there are possibilities of expanding the paradigm. Given the fact that BC/DR methods can clearly be used as general diagnostic tool to assess the integration, flexibility, and intelligence of a firm, through using structural analyses and scenario games, they can be used, too, to posit new forms of organization which will advance its strengths and identify and remove its weaknesses. In other words, it can be used as a means of diagnosing fitness for achieving corporate purposes, and of

²⁴ We call this method of inquiry “maieutic,” after the term used by Socrates to describe himself as a midwife in discussing his method of inquiry by dialogue.

prescribing means to attain maximum fitness with regard both to dealing with problems, and to advances and gains.

In this way, BC/DR is carried beyond its earlier scope and use as a conservative tool, and becomes a tool of advancement: taking stock of powers and possibilities. Here medicinal and therapeutic analogies are obvious. A twisted ankle may be splinted. Applying the splint gives occasion for reflection and advice on how to avoid twisted ankles in the future. Further, it may become the occasion for a general assessment of health, with more preventative strategies in the offing. It may, indeed become the occasion of extended reflection on one's general standing in life; on one's goals and the strategies for meeting them. And that is an opportunity for revising and retooling, for better jibing the present with the intended future.

The old alignment of BC/DR with management science will necessarily reconfigure itself, especially insofar as the new methods reflect and even encourage less centralized, more cooperative, and more flexible corporate structures. Conceptions and formulations of BC/DR which do not develop accordingly will either remain of only partial use or will eventually fall to problems of obsolescence as the management theories to which they previously were fitted change or vanish altogether in the changing circumstances of the global economy.

In fact, there appears to be evolution in the state of the art. In our discussions with BAM, it has been clear that they conceive of their method as one of taking stock of powers, possibilities, and probabilities with an eye toward advancement rather than retrenchment and mere survival; and this appears to be a forward-looking development in the field, reflecting current needs and advancing institutions about the possibilities and use of BC/DR diagnostics and prescriptions. It also seems distinct from the kind of risktaking involved in financial speculation, due to the fact of commitment to corporate unity and ends, rather than outside gambling on possibilities to which it is related only monetarily, that is, by money staked.

IV. Conclusion

We've been trying in a brief space to provide a working grip on some basic notions and realities regarding risk, reward, and the nature of corporate entities subject to them. Various types of goods, the meanings of "risk," virtues for grappling with and exploiting risk, and the nature of corporate persons have been our central topics. We have suggested that however one comes down on the ontology of corporate bodies, in considering the bearing of corporate beings in the world the organic metaphor of life is useful. Now though it has many aspects and episodes, life is one thing. When asking how best to live it — or how best to achieve our notion of the good life — we are well-advised to consider measures of protection and advance together. For at bottom we simply are considering one thing: how to move forward in well-being. Determining the means to that end calls for attention and care. Even with an answer in hand as to the tricky matter of what constitutes well-being, when reflecting on how to achieve it, we are confronted with not only a welter of data and claims, but also with the limits of our ability to process it rationally and in a timely way. In the meanwhile life continues, eliciting choices moment to moment. These are topics of our next paper.

In concluding this one, however, we highlight the following important queries for risk management raised here:

1. How to use the term "risk?"
2. Who is the subject of the risk and reward of corporate action?
3. What is the nature of a corporate body?
4. How does that nature affect the corporate body's agility in a risky environment?
5. What kinds of capacities of awareness and decision make for both protection from harm and for the ability to exploit opportunity?
6. How might BC/DR be reconfigured so as to enable advance as well as defense?

Contact

Kevin Burton

kevin@thinkbam.com

480.239.9724

Angela McGee

angela@thinkbam.com

480.239.5647