

## **Risk Management in a Practical Philosophical Perspective: Implications for Organizational Leadership**

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### **Abstract**

This study aims to develop a philosophical reinterpretation of risk management and to examine its implications for organizational leadership. Using a conceptual and philosophical research design, the study is based on a systematic review and integrative synthesis of literature on risk management, leadership, and practical philosophy, particularly Aristotelian ethics and the concept of *phronesis*. The analysis indicates that dominant risk management models are largely grounded in instrumental rationality and are limited in addressing ethical ambiguity, contextual judgment, and moral responsibility in decision-making under uncertainty. As a result, this study develops a conceptual framework that emphasizes practical wisdom, ethical reasoning, and leadership sensemaking as core elements of effective risk governance. The study concludes that risk management is fundamentally a moral and interpretive activity embedded in leadership practice, and that integrating practical philosophy into risk management complements existing technical models while strengthening ethical accountability, strategic decision-making, and organizational resilience.

**Keywords:** risk management, practical philosophy, leadership, ethical decision-making, organizational governance.

### **INTRODUCTION**

In contemporary organizations, risk management has become a core managerial function, particularly in environments characterized by volatility, uncertainty, complexity, and ambiguity (VUCA). The growing frequency of financial crises, corporate scandals, technological disruptions, and systemic failures has significantly increased organizational reliance on formal risk management frameworks such as Enterprise Risk Management (ERM) (Yilmaz & Flouris, 2017; Gleißner, 2024). These frameworks typically emphasize structured processes for identifying, assessing, and mitigating risks through quantitative models, standardized controls, and compliance-oriented governance mechanisms, positioning risk management primarily as a technical and control-oriented function.

Despite their technical sophistication, recent organizational failures indicate that procedural compliance and quantitative risk assessment alone are insufficient to prevent ethical lapses and strategic misjudgments (Lisdiono et al., 2022). Many high-impact risk-related decisions involve moral dilemmas, conflicting stakeholder interests, and profound uncertainty that cannot be adequately addressed through calculative rationality. Leaders are often required to exercise judgment in situations where probabilities are ambiguous and

consequences extend beyond measurable outcomes, highlighting the limitations of purely instrumental approaches to risk management (Eastburn & Sharland, 2017).

From this perspective, risk management should be understood as a form of practical philosophical activity embedded in leadership judgment and moral responsibility. Decisions concerning risk inherently involve normative questions regarding acceptable risk, accountability, and organizational values. Such questions fall within the domain of practical philosophy, which focuses on ethical reasoning and judgment in concrete situations (Sułkowski et al., 2025). However, these philosophical dimensions remain underexplored in mainstream risk management literature, which continues to privilege positivistic and instrumental assumptions (Fourie, 2022).

Mainstream risk management scholarship largely relies on rational choice theory, probability-based modeling, and control-oriented governance mechanisms. While these approaches enhance calculative precision, they implicitly assume that risks are objectively knowable and decision-makers are fully rational (Gleißner, 2024). From a philosophical standpoint, these assumptions are problematic, as risk is not merely a measurable probability but also a socially constructed and morally interpreted phenomenon shaped by organizational culture and leadership mindset (Eastburn & Sharland, 2017).

Practical philosophy offers a compelling foundation for addressing these limitations. Drawing from Aristotelian ethics, practical philosophy emphasizes *phronesis*, or practical wisdom, as the capacity to deliberate well about what is appropriate in specific contexts (Hallo, 2024; Winch, 2024). In risk management, *phronesis* manifests in context-sensitive judgment under uncertainty, ethical discernment in high-stakes decisions, and the balancing of competing stakeholder interests. This reframing shifts the focus of risk management from minimizing risk to determining which risks are morally acceptable and who is accountable for their consequences (Marshall et al., 2024).

Organizational leadership plays a critical role in mediating between philosophical reflection and risk management practice. Leaders do not merely manage risks; they interpret and communicate their meaning within the organization, shaping risk culture and governance practices (Fourie, 2022; Lisdiono et al., 2022). Ethical leadership has been shown to support open risk communication and moral accountability, reinforcing the view of leadership as ethical stewardship rather than technical control (Cakır et al., 2022).

Against this background, this article addresses a critical gap in the risk management and leadership literature by developing a philosophical reinterpretation of risk management grounded in practical philosophy. By integrating ethical reasoning, *phronesis*, and leadership judgment, this study repositions risk management as a reflective, value-oriented, and ethically grounded leadership practice, complementing existing instrumental models (Bhullar et al., 2023; Marshall et al., 2024). The purpose of this article is to develop a philosophical reinterpretation of risk management and to examine its implications for organizational leadership.

## METHOD

This study adopts a conceptual and philosophical research design aimed at developing a normative framework for understanding risk management as a leadership practice grounded in practical philosophy. Rather than employing empirical data collection or hypothesis testing, the study is based on a systematic conceptual analysis and theoretical synthesis of established literature.

The analysis draws upon three interrelated bodies of scholarship:

- (1) risk management and risk governance,
- (2) leadership and organizational decision-making, and

(3) practical philosophy, with particular emphasis on Aristotelian ethics and moral reasoning. Relevant academic works were critically reviewed to identify dominant assumptions, theoretical limitations, and conceptual gaps in prevailing risk management approaches.

The research process involved three analytical stages. First, mainstream risk management models were examined to assess their underlying epistemological and normative assumptions, particularly their reliance on instrumental rationality and control-oriented logic. Second, leadership literature was analyzed to explore how judgment, responsibility, and sensemaking are addressed in decision-making under uncertainty. Third, philosophical concepts such as *phronesis* (practical wisdom), ethical accountability, and interpretive judgment were employed as analytical lenses to reinterpret risk management practices.

Through integrative and interpretive reasoning, the study synthesizes insights from these domains to develop a conceptual framework that links philosophical reflection, leadership judgment, and risk management practice. This framework serves as the primary analytical outcome of the study.

This methodological approach is appropriate because the objective of the research is not to generate empirical generalizations, but to clarify concepts, challenge dominant positivistic assumptions, and propose an alternative normative perspective on risk management. By emphasizing philosophical reflection and conceptual coherence, the study contributes to theory development in risk management and leadership studies.

## RESULT AND DISCUSSION

The conceptual analysis yields three interrelated findings that collectively reframe risk management as a normative and leadership-centered practice rather than a purely technical function.

First, the analysis confirms that mainstream risk management approaches are predominantly grounded in instrumental rationality, emphasizing prediction, control, and optimization (Gleißner, 2024; Yilmaz & Flouris, 2017). While effective for managing operational and measurable risks, these approaches remain limited in addressing moral ambiguity, contextual complexity, and ethical responsibility. In situations of deep uncertainty, leaders must often act without reliable probabilities, exposing the epistemological limits of positivistic risk models (Eastburn & Sharland, 2017).

Second, the findings demonstrate that practical philosophy provides a robust conceptual foundation for understanding risk management as a value-laden practice. The Aristotelian concept of *phronesis* highlights the importance of context-sensitive judgment, ethical discernment, and experiential knowledge in decision-making under uncertainty (Hallo, 2024; Winch, 2024). Risk management decisions are therefore ethical choices shaped by values, institutional norms, and stakeholder considerations, rather than neutral technical calculations (Marshall et al., 2024).

Third, leadership emerges as the central mediating force between philosophical reflection and risk management practice. Leaders play a crucial role in interpreting risks, framing organizational responses, and establishing moral accountability through ethical sensemaking processes (Fourie, 2022). Ethical leadership supports transparent risk communication and fosters a culture of responsibility, reinforcing the normative character of risk governance (Cakır et al., 2022).

Taken together, these findings reinforce the argument that risk management cannot be reduced to procedural compliance or control mechanisms alone. Instead, it should be understood as a leadership practice involving ethical reasoning, responsibility, and

interpretive judgment. This perspective challenges the dominance of instrumental rationality in risk management literature by emphasizing its moral and existential dimensions (Sulkowski et al., 2025).

From a leadership standpoint, the study aligns with emerging views that conceptualize leaders as ethical stewards rather than mere controllers of organizational processes. Effective leadership in risk management requires existential courage—the willingness to assume responsibility and act in the absence of complete certainty—as well as ethical sensemaking, through which leaders construct shared understandings of risk and responsibility. These leadership capacities are essential for navigating complex risk environments where formal rules and quantitative models offer limited guidance.

Furthermore, the proposed conceptual framework positions risk governance as a form of moral architecture that reflects organizational values and normative priorities. Governance mechanisms are therefore not neutral instruments, but ethical structures that influence decision-making behavior, accountability, and long-term organizational resilience. By integrating philosophical reflection into leadership practice, organizations can enhance strategic decision-making, particularly in contexts involving societal impact, sustainability, and reputational risk. This integration contributes to more reflective and responsible forms of risk governance that extend beyond procedural compliance (Bhullar et al., 2023; Lisdiono et al., 2022).

From a practical standpoint, the findings suggest that chief executive officers (CEOs) and boards of directors should move beyond viewing risk management as a compliance-driven or purely technical function. Instead, risk oversight should be treated as a core leadership responsibility that requires ethical judgment and value-based deliberation. Boards are encouraged to explicitly integrate ethical reflection into strategic risk discussions, particularly when decisions involve long-term societal impact, sustainability, or reputational consequences. This implies that board-level risk deliberations should not only focus on risk metrics and control effectiveness, but also address questions of moral responsibility, acceptable risk thresholds, and alignment with organizational values.

For risk committees and senior executives, the proposed framework highlights the need to adopt an interpretive and reflective orientation toward risk governance. Risk committees should be encouraged to function as forums for ethical sensemaking rather than solely as control mechanisms. This involves critically examining how risks are framed, whose interests are prioritized, and how uncertainty is communicated across the organization. For example, in high-uncertainty contexts such as digital transformation or environmental risk, committees may benefit from structured deliberations that explicitly consider ethical trade-offs and stakeholder implications, even in the absence of complete information. Such non-empirical, judgment-based practices can strengthen organizational resilience by fostering responsible decision-making that extends beyond procedural compliance.

## CONCLUSION

This article concludes that risk management is fundamentally a human, interpretive, and moral activity embedded in organizational leadership. A practical philosophical perspective enables organizations to move beyond procedural compliance toward reflective, responsible, and value-driven risk leadership. By integrating phronesis, ethical accountability, and leadership judgment, risk management becomes a normative practice that complements existing technical models.

The study contributes to theory by extending risk management literature with a philosophical foundation and by bridging leadership studies and practical philosophy. For practitioners, it highlights the importance of ethical reflection and judgment in managing

uncertainty. Future research may empirically investigate how philosophical reflection influences leadership behavior and risk outcomes across different organizational and cultural contexts.

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