

Book review

The Review of *Public Risk Management: Tome 1: Perspective of Theory and Practice*, edited by Piotr Tworek and Józef Myrczek, Publishing House of the University of Economics in Katowice, Katowice 2016, pp. 258.

Reviewed by Peter C. Young*

Research on the subject of public risk management suffers from what might be called a lack of cohesion. There are several historic and conceptual reasons why this is so. Perhaps one might begin by suggesting that management and leadership in the public sector IS entirely risk management; which is to say that virtually everything that occurs in the public sector might be defined as an application of risk management – health and safety, establishing and enforcing laws, protection from external threats, emergency response, regulating activities that may cause harm, investment in infrastructure, and so on. Because that is at least arguably true, it might be said that any research focused on the public sector is by implication “risk management research”. And thus could it be said that there is both a very large literature on public risk management but also a lack of any sense of a common body of knowledge underlying the study of the subject.

Further, if everything is risk management, are we able to talk about it as a discrete subject of study and practice? Michael Power of the London School of Economics famously coined the term “The risk management of nothing”, which in part was a criticism of the idea that modern risk management aspired to manage all risks. This aspiration to manage everything easily can lead to the paradoxical state of managing (or meaning) nothing. So, let it be noted here that there is a bedrock problem of being able to draw a circle around the topic of public risk management.

This opening commentary might extend for pages on end, so let it just be said that in addition to the aforementioned problem, there are a host of other issues that confound our ability to construct a common – and at least partly integrated – common body of knowledge. Among them:

- How do we define publicness?
- What is meant by a public risk? Is that status just a label that governments/societies/humans confer on certain risks or are there some abiding characteristics that exist beyond human perception?

* Professor of Risk Management and 3M Endowed Chair in International Business, University of St. Thomas Opus College of Business, Minneapolis, Minnesota, pcyoung@stthomas.edu.

- Risk management as a technical practice is fairly well understood, but its actual construction is highly dependent on context – are we considering a municipality, a state-run university, the military, emergency response, regulatory systems, social security systems, health care financing and provision, public-private partnerships, multi-lateral initiatives, and so on?
- Is there a distinction to be made between public risk management and social risk management?
- We use the term “risk” but are we really thinking about “uncertainty?”
- Is the modern effort to integrate risk management efforts antithetical to the democratic conception of separation of powers?
- Is the purpose of risk management to manage threats or should opportunity management fit into the schematic?

The point to make here is simply that the study of public risk management opens the door to a vast field of inquiry and, therefore, probably the single most difficult challenge for scholars and authors is to find a focus of analysis. It is with this cautionary note that attention turns to *Public Risk Management: Perspective of Theory and Practice*, which joins the ranks of recent scholarly writing on the general subject of public risk management.

This book consists of twelve contributions (plus an introductory contribution by one of the book’s editors), with those contributions separated into three Parts:

1. A risk management process in the public sector – theoretical and practical issues.
2. Different areas of risk management in the public sector – methodical approach.
3. Managing risk in the public sector in selected countries – results of empirical work.

I intend to comment on each chapter, but also to provide a collective set of observations on the four chapters within each Part. First, however, a few words about Tworek’s introductory comments.

As noted in this review’s opening paragraphs, the scope of public risk management is wide ranging and the book’s Introduction quite definitely captures the sense that public risk management has a range of meanings, contexts, applications, and contains a number of difficult issues – notably, to what degree are we really in the Uncertainty Management business, with only paltry opportunities to actually deal with Risks? This seems like a rather technical point, but it gives rise to the question of whether public risk management (well, any risk management) is “scientific” or whether is more of an exercise in critical thinking applied to the challenges of understanding human/cultural behaviors under con-

ditions of uncertainty. This seems, to me anyway, to be an essential issue because the answer leads to questions like “what do public risk managers know and what is their value to their organization?” and “how does risk management connect with an organization’s values?”

The Introduction catalogs a number of defining challenges for public sector risk management scholars and practitioners, but underlying all the very important insights is the notion that modern risk management practices seem to be straining against the technical heritage of the field. Yes, risks can be quantified and assessed (and every effort should be made to utilize technical capabilities to do so), but as the Introduction plainly lays out, we only have limited opportunities to work against data-rich risks. Taken as a whole, we struggle to make good decisions in the absence of adequate data. The added factor of “publicness” only raises the level of complexity and challenge of assessing and addressing risks.

Part 1: A risk management process in the public sector – theoretical and practical issues

Part 1, while not an integrated set of papers, identifies four distinct and important issues within the field today: social risk management, the general structure of risk management practices in public organizations, the financing of risk, and the special challenge of managing crises.

Dendura and Flynn focus on an aspect of risk management that has not gotten a lot of attention – risk management as a social and economic development tool. The authors provide a framework for thinking about how development donors apply risk management thinking in decisions to support development activities. Although the authors’ approach relies on a building-block approach to organizing thinking about this issue, a number of useful insights emerge “between the lines”. Notably, the coordination and integration of the management of risks across silos is a particularly pernicious challenge. Many development efforts adopt a silo view of risks and thus miss the problems (and opportunities) in the gaps. How do – for example – multiple aid agencies coordinate their risk management efforts in response to a regional crisis? This question is not easily answered but coordination, integration and collaboration of risk management efforts represent a set of motives that have given rise to the concept of Risk Leadership, which has a cluster of slightly different meanings, but tends to pertain to situations where there is not a clear structure to risk governance. Risk leadership asks individuals and groups to take on a role in leading on risks across the various silos and agencies... not so much through managerial acumen as through the tools of leadership (inspiring, educating, championing, empowering). The second issue that comes out of this chapter is the challenge of sustain-

ing development projects. While it is obvious that the long term success of development projects is utterly connected to the crisis management work at the beginning, there are different issues in play. The chapter does not spend much time on the sustainability side of things, but overall presents a good overview of its subject of focus.

Lypchuk and Voytovych provide a framework for thinking about the structure and application of risk management in public sector organizations. The discussion is thorough and will be particularly useful to newcomers to the subject of public risk management. It does not provide much new detail to our understanding of modern practices, but nevertheless does contain a particularly strong section identifying challenges to risk management that are prevalent in the public sector.

Miller and Hildreth nearly cover the waterfront on the challenging topic of risk financing in the public sector. This has been an area of interesting advances and increasing sophistication, and I believe it is always useful for public managers to have a basic grasp of financing tools and techniques. My only criticism here is that there are many new and innovative risk financing tools that address risks not easily managed through conventional tools like insurance. Notably, financial risk management in banks and other financial institutions have produced many hedging and risk neutralization tools that can prove to be quite helpful in addressing important risks (weather bonds being just a simple example). To be fair to the authors, this is a fast moving field and – let's be honest – contains as much speculation as actual application. I do, however, see the use of capital market and derivative-based tools as gaining further purchase in the world of risk financing.

Part 1 concludes with Mameli's examination of risk and crisis management. I found the chapter to be quite important, and I particularly applaud both the critique of and support for the work of Neustadt and May. Their 1986 book *Thinking through Time* offers both insights and cautions to "analogous thinking", but also to taking care in framing the analysis of problems. Their approach to risk analysis and critical thinking should be much more widely utilized, though it should be noted that their work is not free from limitations. Mameli does a good job summarizing both the challenge of thinking about thinking, and applying that thinking to particular challenges in foreign policy crisis management.

Part 2: Different areas of risk management in the public sector – methodical approach

By implication, Part 2 reveals the difficulty of presenting a reasonably holistic view of public risk management within the confines of a single book. While each chapter has merits, taken as a whole they also illustrate that there are

dozens and dozens of other topics that might be included in a section that aspires to reveal the scope of risk management practices. Of course, any kind of thorough-going effort at capturing the methods of risk management would end up being hundreds of chapters long, so it is no criticism to say that these four chapters provide a useful though narrow look at four topics, while also serving to suggest the true range of methods that might be employed.

Pakšiová provides a good assessment of the important uses of accounting methods in risk identification and assessment, and Labinska and Shevchuk provide a quite interesting application of risk management thinking in very specific context – recent history in Crimea. Mao, Ostaszewski, Wang, and Wen present analysis of the increasingly important topic of public pension funding. Readers will find this chapter to be quite distinct and technical relative to the other chapters of the book, but it will provide welcome detail for readers with interest in or responsibility for pension management. Personally, I believe the Mameli chapter is perhaps the most interesting and compelling as it addresses an issue of public safety/security and the interface with increasingly technologically sophisticated tools. In this discussion we see several classic public issues come to the fore – the tension between freedom and security being only the most obvious.

Part 3: Managing risk in the public sector in selected countries – results of empirical work

The field of public risk management desperately needs more case studies, and Part 3 admirably presents four useful case study-style chapters, all of which could be illuminating and instructive for students in a public management course. Each chapter deserves praise for selecting compelling subjects for analysis. Nemeč, Meričková and Svidroňová raise what many consider a critical emerging topic in the field – the connection of risk management to innovation and innovative practices. Modern thinking on risk management emphasizes the role of risk management in the pursuit of opportunities and this has opened the door to a range of issues around public entrepreneurship, innovation, risk taking, and the risk-reward link.

Ceschel, Hinna, and Scarozza provide a keen exploration of a topic that reflects on a specific aspect of public risk management referenced above – that is, public organizations are, by definition, in the business of managing risks, but the actual practice of managing risks is itself a source of risk for public organizations (and the public at large). Corruption is certainly one of the most nefarious risks to and of the public sector, and is deserving of the attention it receives here.

Knezević, Mitrović and Dmitrović explore the role of internal audit, and like the Ceschel, Hinna, and Scarozza chapter show that audit is both a tool and a source of risk to organizations. The classic question, “who audits the auditors” hangs above this case and presents an interesting topic for further discussion. Nevertheless, substantial evidence exists that risk management and internal audit are highly integrated and collaborative functions within public organizations and this chapter provides many useful insights.

Picazo and Montero, present an extremely interesting analysis of crisis management, anchored in recent earthquake and tsunami activity in Chile. Recent events in the Caribbean and southern United States reveal the serious challenges of getting crisis management “right”. The emphasis the authors place on risk governance is particularly apt. As the World Economic Forum notes in its annual Global Risk Survey, the ranking of risks may change from year to year, but our inability to establish appropriately scaled risk governance structures is – in and of itself – a consistent global risk of significance.

In sum, Tome 1 provides a selection of useful and interesting research on public risk management, and it is heartening to note that a second book (Tome 2) is being prepared to focus on public risk management subjects specific to Poland. The criticism provided herein (that is, that the subject is broad and this book does not approach anything like a comprehensive treatment of the subject) must be laid alongside the fact that any effort to organize research on public risk management must be encouraged and applauded, no matter how daunting. Indeed, while it may ultimately be impossible to offer the “last word” on public risk management within a single book, I do think there is a special value in efforts – such as Tome 1 – to aggregate and integrate subjects of study. While it may ultimately be the case that the field of study is just too wide and diverse to be summarized, efforts to break down silos of specialization will always be important... and in fact, are reflective of the argument that modern risk management rests on the expectation that risk managers/leaders provide critical, wide-ranging, and integrative thinking on assessing and addressing risk and uncertainty.