

Panel 9
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Panel Title:

Innovation in Risk Management in the public sector. Dealing with 'unknown unknowns' and strategic behaviour

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Panel Description:

Governments increasingly seem to have difficulties with anticipating and managing the risks of modern complex society. The reaction of the European aviation authorities to the ash clouds from the Eyjafjallajökull volcano eruption entering the European airspace by prohibiting flights for several days, illustrates that governments find it difficult to deal with unpredicted and unexpected events. The tardy response of the EU member states to deal with the financial problems of EU member Greece provides another example.

Unexpected events seem to defeat the risk management methods that guide public policy making, the construction and maintenance of public works, the operation of public service delivery systems, and the governance of societal activities (cf. Weick & Sutcliffe, 2001; de Bruijne 2006). In response to incidents that threaten society and the public sector functioning at a systemic level, public organizations move in and assume (financial) responsibilities, thus creating new risks and weakening incentives for other actors to take their responsibilities.

At least three reasons underlie this phenomenon:

1. The increasing complexity and volatility of our society and more specifically the way in which the public sector is organized creates more and more risks that do not seem manageable using the classical risk management methods.
2. Furthermore, more unexpected or unforeseen events, 'unknown unknowns' (Longstaff, 2005) seem to take place that jeopardize the functioning of the public service delivery and underlying public infrastructures. Society is increasingly confronted with unknown and more ambiguous risks (e.g. terrorism, diseases), risks that previously seemed highly improbable yet have eventuated (i.e. 'black swans'; cf. Taleb, 2007; Bernstein, 1998).
3. Risks and risks management systems no longer seem to be fully understood due to the complexities and uncertainties that characterize modern day social systems. This allows actors to display *strategic behaviour*, and leads to the externalization of risks and their financial consequences as risktakers employ risk management tools for their own benefits resulting in the capitalization rather than the management of risks (de Bruijne, 2009)

These developments force governments to reassess their risk management strategies: innovative approaches to risk and risk management are needed.

This track aims to address these challenges in risk management and looks for innovative ways of dealing with risks. This track calls for papers that deal with these issues in either a theoretical or empirical way, contributing to our understanding of

- the limits of current risk management approaches in the public sector;
- cases and experiences with new, unforeseen and unimagined crises (unknown-unknowns) and effects of strategic behaviour;
- promising alternatives to current employed management stratagems that contribute to innovations in risk management
- learning curves and transitions in approaches to risk management. How can innovation in risk management be realized in practice?

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