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Risk governance in collaborative public service provision

Risk governance in collaborative public service provision: Comparative study between Scotland, Finland, and Sweden

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Key messages

- Collaboration can be beneficial and plays an important role in contemporary public service delivery. It makes sense to share resources when targeting difficult social problems, and increasingly, single authorities cannot deal with many contemporary problems on their own.
- Collaborating with organisations and across sectors can be challenging and includes an added level of risk than if providing a service as an individual organisation. This research project investigates the types of risks that can materialise in collaborative working, and how this new risk landscape could be dealt with.
- Managing risk is part of good governance. Public sector organisations should strive for good governance, but to achieve it in a collaborative setting, more systematic and joint consideration for risks is required.

Introduction

Since the 1980s, a paradigm shift has been observed in public administration, from a government to a governance approach. Boundaries are becoming blurred between the public, private, and third sectors, and an increasing interdependence can be witnessed with societal problems requiring collaborative and distributed governance, as no single authority can deal with them alone. Partnership working is not a new way to deliver public services, but it is ever more present in the public sector domain, with a wide range of partnership forms in use today.¹⁻²

The sharing or pooling of risk is often included in partnership definitions as a key characteristic or even as a rationale: the risk element is, however, a characteristic more likely to be found in public private partnerships, which have often involved large long-term infrastructure projects. Risk consideration appears to be less apparent, or perhaps considered less important, in contemporary public service partnerships, and evidence of this is also seen in the lack of academic literature on the topic. However, risk should be considered in all forms of collaborative arrangements, as without adequate consideration, public service outcomes can become jeopardised, along with the individual organisations facing significant risks, and most significantly, the service users may suffer considerably. On the other hand, it is unclear what 'adequate' consideration of risk equates to, as little guidance exists on this.

This research briefing gives insight into the author's ongoing PhD research project. The research is an explora-

tory piece of work, where findings have been sought on collaborative practice from six different case studies in Scotland, Finland, and Sweden. Each case study portrays a public service partnership or collaboration of some kind, where some social problem is targeted as a shared effort.

Good governance in public service delivery

Public services and public agencies are naturally complex to govern, but governance is further complicated when the boundaries between sectors become harder to define. Governance as a function is about an organisation fulfilling its overall purpose, achieving any planned outcomes for service users, and operating in an effective, efficient, and ethical way.³ At the heart of the concept lies the idea of “doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner”.⁴ Good governance is a set of principles and values that represent an ideal model for which public managers should strive through defined administrative practices. In a collaborative setting, good governance arrangements are necessary to ensure that the organisation that is contracting out its service is still meeting its responsibility to its stakeholders to the same standard as if the service was delivered by the organisation itself. Some partnership arrangements do not involve legal contractual arrangements, yet they still involve a shared responsibility for outcomes. This enables flexibility in terms of developing services, focusing on the needs of the service users rather than organisations’ structures. While this supports flexibility, it should also enable such governance arrangements to develop whereby stakeholders can still hold the organisations or boards to account, both individually and collectively.⁵

Risk governance in collaborative working

Risk is traditionally associated with the private sector, yet it is present in all organisational activities, no matter which sector. Risk is the effect of uncertainty on one’s objectives, and is often expressed as the combination of the consequences of an event and the likelihood of the

occurrence of that event. Risk management is not just concerned with preventing potential problems, but also with exploiting potential opportunities.

Essentially, risk management is a part of good management, and it is particularly important that risk is considered in collaborative relationships, as risk is understood and tolerated differently by diverse sectors.⁶⁻⁷ Such difference can create problems in collaborative relationships if different parties do not have the same capability or readiness to bear risks.⁶ While risk is often considered from just a financial perspective, in public services the risks and rewards in terms of service delivery outcomes should be of equal importance.⁵ Partnership or collaborative working is just one part of organisational management; therefore, risks should also be managed in collaborations, just as they are (or should be) in individual organisations.⁸ While it is debatable whether simplistic and generic approaches to risk management are effective or sufficient, risk management processes are often under-developed in general in collaborations, with no systematic consideration of risks.⁹⁻¹⁰ Risk governance has been argued to be concerned with managing demanding public service risks, therefore, collaborations should engage in more systematic risk governance activities.¹

Given that collaborative working is a source of complexity and that risk governance is particularly significant in complex situations where more than one authority and different institutional arrangements should be considered, risk governance seems like a natural process to be implemented.¹²⁻¹³ However, it is likely that formalised partnerships that already have institutional arrangements, with roles and responsibilities in place, will find the implementation of risk governance easier than more informal collaborative arrangements. Even so, it might be precisely these informal arrangements that should consider collaborative risk governance due to the lack of clear roles, responsibilities, and trust among partners. For instance, if the level of trust among partners is low, it may be difficult for individual partners to raise potential risk concerns. If a formalised risk governance process has been implemented, some of these issues associated with trust and honest accounts of risk factors might be overcome.

The risk governance literature has been synthesised into three principles: communication and inclusion, integration, and reflection. It has been argued that it is wise for an organisation to comply with these principles. However, at the very least, these principles should receive serious thought when an organisation is arranging its risk governance structures and process. It has been highlighted further that the principles should not be considered as fully separate steps.¹¹ For this research project, communication and inclusion has been divided into two separate principles, as it is perceived to result in clearer understanding, overall.

In terms of good governance, a set of principles has also been established, where one relates to risk (Principle 4), specifically stating: “Good governance means taking informed, transparent decisions and managing risk”.³ In order to achieve this good governance principle, the four risk governance principles should be incorporated

into the collaborative decision-making process and service delivery. Hence, risk governance should be a part of good governance. This relationship is illustrated in Figure 1.

Research method – Case studies

The research consists of two case studies (divided roughly into one urban and one rural municipal area) in each of the three countries. A variety of public service collaborations have been included in the research, where any combination of public, private, and third-sector participants was deemed relevant. Due to the difficulties in defining partnership working and collaboration (as experienced by the researcher and identified as a challenge in the existing collaboration literature), a collaboration continuum was defined, to which the different case study collaborations relate (see Figure 2).

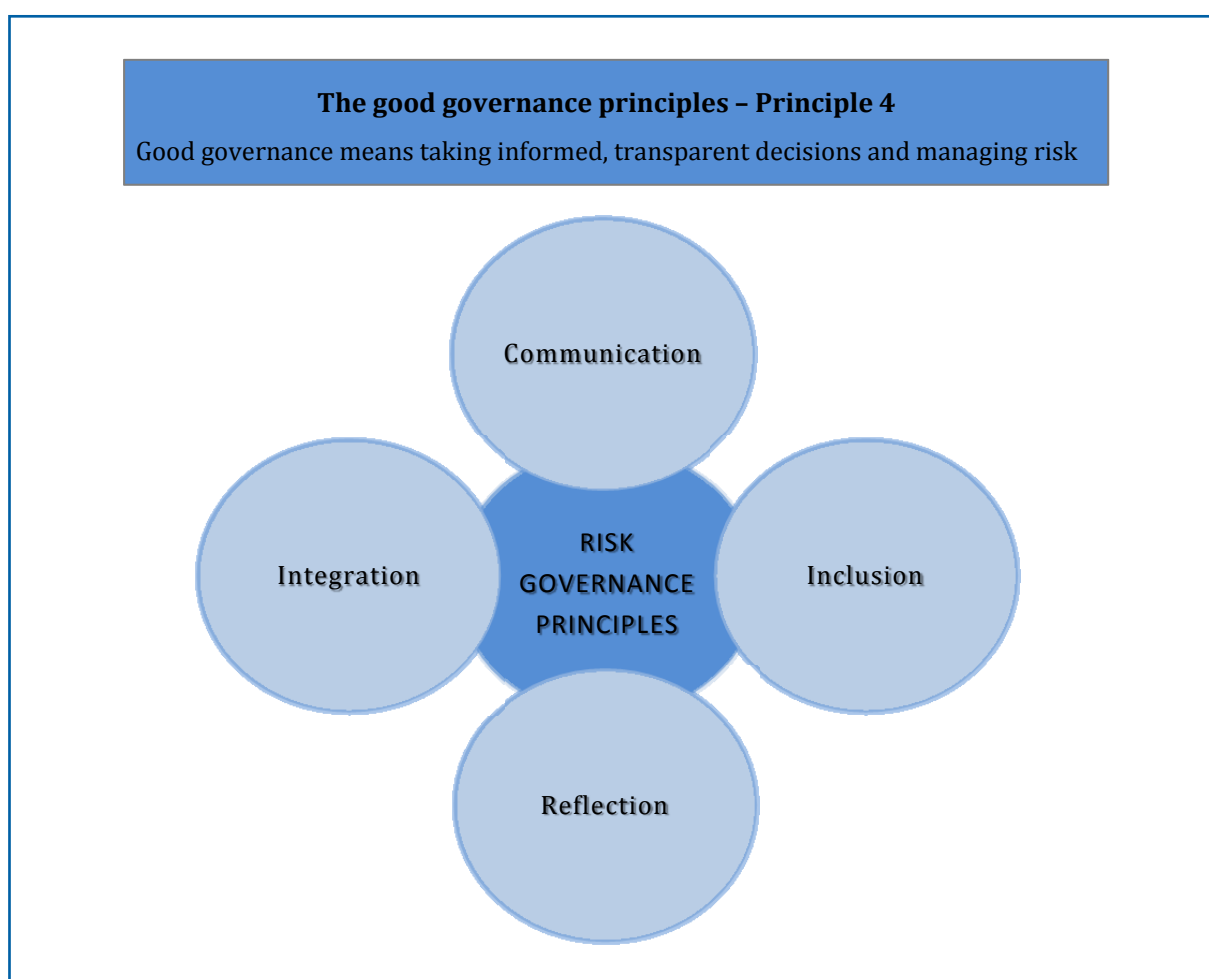


Figure 1. Risk governance as part of good governance.

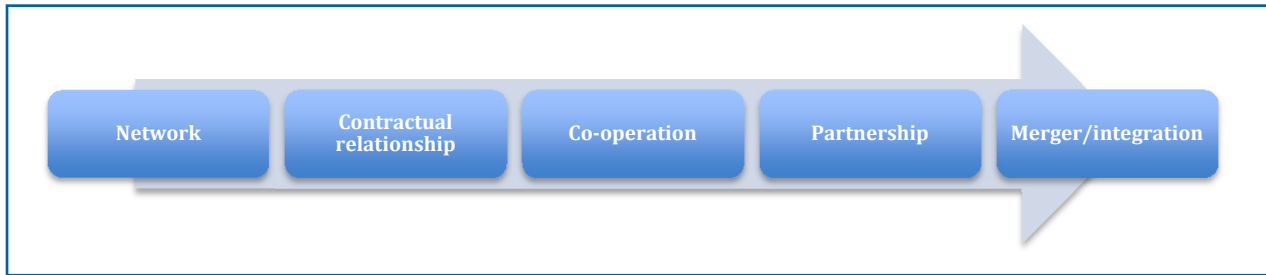


Figure 2. The collaboration continuum.

Due to differences in municipal service provision and local challenges across the three countries, a decision was taken early on that a specific service was not the focus, as long as the service fit within the broad framework of social services.

The case studies consist of in-depth interviews, questionnaire data, and documentary data. Interviews were conducted locally in the native language of each country. Interview participants were selected via the snowball method. As such, the participants consist of all levels of staff (i.e. senior management, managerial level, and operational staff), and the responses should therefore

be comprehensive. In total, 63 participants were interviewed. The completion of the questionnaire took place in conjunction with the interviews. The types of documents selected to support the case-study analysis consist of risk registers, meeting minutes, partnership agreements, and strategic plans, among others, which were provided by interview participants. Further documentary data has been sought from publicly available sources. Table 1 briefly describes the case-study sample characteristics.

Table 1. Case study sample characteristics

Collaboration	Exhibiting collaborative characteristics	Organisation types involved	Municipal area and country	Total number of interviews
Alcohol and drugs partnership	Network Contractual relationship Co-operation Partnership	Municipality Third sector Private sector	Aberdeenshire Scotland	5
Collaboration concerning children affected by parental substance misuse	Network Contractual relationship Co-operation	Municipality Third sector	Edinburgh Scotland	14
Centre for supporting families with small children	Partnership Network	Municipality Third sector	Turku Finland	11
Child protection services via competitive tendering	Contractual relationship Co-operation	Municipality Third sector Private sector	Porvoo Finland	7
Collaborative working with socially excluded young people	Network Co-operation	Municipality Other public sector Private sector Third sector	Trelleborg Sweden	11
Collaboration concerning housing for people with difficult social problems	Network Co-operation	Municipality Other public sector Third sector	Örebro Sweden	6

The link between the collaboration continuum and risk governance

Defining characteristics for the different collaboration types on the collaboration continuum was deemed important, as it would help explain why one type of collaboration might be better at dealing with risk than another. Whilst, at first glance, all case-study collaborations appear to be only exhibiting characteristics of one collaboration type, upon further investigation, multiple collaboration types are represented in each case study. Next, the two Finnish case studies are discussed in more detail.

Superficially, the case study concerning competitive tendering of child protection services (Porvoo) is simply a contractual relationship, characterised by transparency, a clear contractual framework, and rules, with little sharing of knowledge and information, and a low level of trust. However, on some levels, this collaboration exhibits co-operation characteristics such as negotiation and discussion. Although not quite there yet, the collaboration has the potential to move into the co-operation category, and it is likely that this will occur as the competitive tendering is developed further at an individual municipal level to meet local needs in service provision. In this particular case study, there was a clear interest from the service provider perspective in moving from a purely contractual relationship to more active co-operation: it was identified that the collaboration needed to achieve better communication and two-way information sharing for this to succeed. Improving on these would also result in better governance of risk, as the collaborative parties would be more open to discuss risks and challenges existing in practice, whereas currently the risk governance practice in this collaboration is relatively poor.¹⁴

The Turku case study, on the other hand, clearly exhibited partnership characteristics, including: genuine trust and reciprocity; mutual objectives and benefits; sharing of knowledge and information; and having a partnership agreement and a formal partnership board. It is likely that this partnership benefited significantly from its project background, which allowed a trial-and-error ap-

proach at the project stage, possibly eliminating many potential risk issues at a later stage. However, this case study also lacks a formal risk governance approach, although it would have the prerequisite working practices to support this, with the established model of governance that the partnership is exhibiting. At the moment, risks are considered quite informally and in a non-systematic way. A more collaborative and formalised approach could add value and improve the continuity of the partnership, yet this can be done as quite a simple process due to the small size of the partnership.¹⁴

Public sector risk management and its influence on collaborations

Looking at the broader picture, risk management practices seem, overall, to be more mature in Scotland, compared to both Finland and Sweden. While both municipalities involved in the Scottish case studies have a risk manager, only one of the other case studies has a municipal risk manager, and that is in Turku. Interestingly, even where municipal risk managers exist, it is not necessarily deemed to be in their remit to deal with partnership risk management, as partnerships are not considered a corporate concern (with the exception, perhaps, of large-scale infrastructure public-private partnerships). The partnerships in question do not reach the appropriate financial thresholds to be considered as risks for the municipalities.

Thus, even where a risk manager or risk management function exists, there is no direct link between this and the partnerships in which the municipality is involved. This may be problematic if the understanding of risks and their management is poor or lacking at operational level – appropriate support is not necessarily available.

It also appears that the organisation that is in a leading role in the collaboration can significantly influence what approach is taken to risk. For instance, the National Health Service (NHS) is the primary funder of one of the Scottish case-study partnerships, thus effectively leading it. Having had a number of significant failures in their service delivery in the past few decades, the NHS has increasingly made investments in risk management, and

as a result, the process today is fairly robust. The findings of this research suggest that the previous uptake of risk management in the NHS has been an important contributor to how the partnership targets risk issues.

On the other hand, risk management in the partnering organisations in the other case studies (even the other Scottish case study) appears to be absent or in a development stage. From a municipal point of view, the risk management discipline has only developed after 1992 in Scotland as a result of the UK municipal insurance market failure. While public sector risk management has improved since, much focus is still placed on insurance. The situation is similar in Finland and Sweden. This has clear implications for collaborations: if the partnering organisations consider insurance as their sole risk management strategy at an organisational level, then there is no reason why they would consider risks beyond insurable risks in a collaboration.

The challenges in collaborative working

There are a number of challenges involved in collaborative working. Partnerships are sometimes entered into too quickly, as they are considered to be 'a good idea' or because others are doing it. This might lead to having poorly articulated agreements and no exit strategies. None of the six case-study collaborations have considered what will happen if one partner fails to fulfil their responsibilities.

From a risk perspective, the combination of public and third-sector organisations in a partnership presents challenges due to the limited risk management expertise often seen in these sectors, as opposed to private sector organisations, where risk management tends to be more established. Individual organisations may, of course, contradict this sector-based generalisation, and this can depend largely on the organisation size.

One of the significant problems in collaborative working is that power may be disproportionately distributed within the partnership, which can lead to feelings of animosity in the worst case, making the partnership unsus-

tainable in the long term. Power is often associated with (perceived) important resources: money can play a larger role than expertise and skills. This has been a particularly pertinent finding from the case studies. Some partners may lack a voice in partnership decision-making, including the possibility to voice risk-related concerns.

Generally, when financial resources are at stake, competition between partners may increase, which can have a negative impact, with the collaboration no longer being a true partnership: discussions at partnership meetings will likely become less open and honest.

Relevance to research and practice

It is suggested that as collaborative partners move forward on the collaboration continuum from network, through contractual relationships and co-operation, to partnerships (excluding mergers and integrations from the research), the level of risk governance is also likely to improve. This is not to say that risks cannot be governed in collaboration types further to the left of the continuum, but it appears that it might be easier further to the right, as a partnership is likely to be more formalised.

However, considering the implication for the Turku case study, even though it is a formalised partnership, it does not automatically align with the good governance principle related to risk or with risk governance principles, as improving overall risk governance requires a concerted effort on behalf of all partners. Specific areas of improvement in the Turku case study therefore include:

1. Implementation of systematic risk governance, potentially with the help of the municipal risk manager, if operational and managerial staff lack the relevant skills.
2. Risk governance should extend beyond traditional insurable risks, taking into account risks that could lead to partnership failure.
3. Partnership-specific risks should be considered individually by each partner organisation, as well as jointly by all collaborative parties.

The practical applicability of this research project to Turku lies in the good practice model for governing risk

in collaborative working, which will be derived from the research findings when the PhD project is completed. This model will be based on findings from the international comparisons, and it will not just be applicable to the case-study partnership, but to any collaborative practice the municipality will endeavour to undertake

in the future. More broadly, though, learning can be drawn from the different ways that municipalities are working with the public and the private sector in the different countries, and this is a significant aid for generating ideas and new viewpoints regarding one's own current method of delivering services.

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