1. Topic Description

In recent years, several risk management standards have been developed and established which highlight the “management of opportunities” (MOO), including ones specifically for the public sector. Although risk management is considered to be part of good governance in public administration today, it still focuses mainly on the management of “downside” (or “negative”) risks. Furthermore, the reporting of risks and opportunities towards stakeholders must take into account the specific environment in which public administrations operate.

Possible explanations may be that:
- the standards themselves provide little guidance on how to deal with opportunities;
- there is evidence for a risk adverse culture in public administration;
- reporting on risks towards stakeholders is a difficult task for public managers who are acting in a political environment.

2. Research questions and case study

A conference paper by Brüesch /Kager at IRSPM in Berne 2010 discussed the establishment of a risk culture in a risk adverse public administration, using the city of Zurich as an example. This paper is based on the model presented in the 2010 study that makes a distinction between the following three dimensions of risks:
- the system (aims and general framework, definition of risks etc.);
- the process (establishing the context, identification, analysis, evaluation, treatment, monitoring, review) and;
- the culture (management handling and comprehension of risk, etc.).

The system and process influence the culture of an organization, and at the same time the culture affects the system and the process. This paper, which follows a multi-year research study conducted in cooperation with the City of Zurich and supported by the Commission for Technology and Innovation, will focus on the MOO and the reporting on risks embedded in the systems and processes of risk management. Both aspects are interrelated and important especially in the context of a risk-averse organization, which acts in a political environment. The following questions were asked:

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1 See cf. 4.
2 The term “opportunity management” is used by Hopkin (2012: 36) to describe maximizing the benefits of taking entrepreneurial risk.
What kind of guidelines and principles regarding risk management do the standards and recent literature provide to public administrations for the implementation of MOO as part of risk management?

What are the lessons learned from the case study (city of Zurich) and what are the recommendations for strengthening the MOO in public administration?

What are the expectations and challenges of reporting on risks in the aforementioned case study?

3. Methods

The following methods are used in the research study:

a) review of risk management standards concerning the MOO and reporting in the private and public sector as well as recent literature (see below cf. 4)

b) development and practical application of methods for integrating the MOO into risk management in a public administration, based on the results of the above review (see below cf. 5c);

c) quantitative and qualitative analysis of the opportunities derived in the risk report of the City Council (see below cf. 6a);

d) evaluation of the implemented MOO through the use of structured questionnaires and qualitative interviews with senior executives and risk officers (see below cf. 6b).

e) analysis of the Council of Zurich’s reporting of risks and opportunities in relation to the expectation for information of important stakeholders. (see below cf. 6c).

4. Standards and Literature

a. Background

The collapse of globally acting companies like Enron (2001), Swissair (2001) and Worldcom (2002) – arising primarily from the lack of integrity of financial reporting and compliance as well as operational failures – lead to numerous legislative regulations on corporate governance, risk management and accounting in the years that followed.4 The effective implementation of risk management and internal control systems in enterprises were therefore strongly driven by compliance. At the same time, risk management was no longer seen as an operative process but as one which embraces the entire business. Enterprise risk management (ERM) overcomes the silo-based approach of interdependent risks throughout the whole business and links it to strategic management on board level.5 Consequently, the originally limited approach of risk management to reduce, transfer and avoid mainly financial and operative risks became insufficient.

International, national and professional standards on risk management encourage the creation of value and the embracing of opportunities as part of an entity’s risk management.6 The standards therefore consider the identification, analysis, evaluation and treatment of opportunities to be an integral part of risk management and good governance.7 This change addresses not only private

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5 See Chapman (2011: 5); COSO’s Entity Risk Management Framework (2004: 13): “Enterprise risk management enables management to identify, assess, and manage risk in the face of uncertainty, and is integral to value creation and preservation. Enterprise risk management is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy settings and across the enterprise.”; Branson (2010: 51); Denk et. al. (2008: 64).
6 See for example COSO (2004); INTOSAI GOV 9130 (2007); Hopkin (2012: 13, 177).
enterprises but – as COSO ERM points out – public and non-profit organisation as well.8 The standard by the International Organization of Supreme Audit Institutions (INTOSAI) specifically caters towards the public sector with reference to the COSO’s Entity Risk Management Framework. It acknowledges that “the term value creation and value preservation do not have as much direct relevance as in the private sector” but argues that “it is possible to substitute service creation and preservation for the definition to be fully applicable to public sector entities”9. Therefore, risk management in public administration also has to include the creation of public value through the MOO.

The following part of this paper aims to present and compare selected risk management standards concerning their approach towards the MOO (or the management of “upside” risks).10 The table below summarises national, international and professional standards on risk management, which were considered within this study:

<table>
<thead>
<tr>
<th>Title</th>
<th>Author</th>
<th>Year</th>
<th>Scope</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Orange Book: Management of Risk – Principles and Concepts</td>
<td>HM Treasury UK</td>
<td>2004</td>
<td>(federal) government organisations</td>
<td></td>
</tr>
<tr>
<td>Risikomanagement für Organisationen und Systeme:</td>
<td>Austrian Standard Institute / Österreichisches Normungsinstitut (<a href="http://www.as-institute.at">www.as-institute.at</a>)</td>
<td>2010</td>
<td>organisations of any kind</td>
<td>ONR 49000-ONR 49002 provides guidance for the implantation of ISO 31000 (see above) in practice</td>
</tr>
<tr>
<td>Begriffe und Grundlagen (ONR 49000)</td>
<td></td>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risikomanagement (ONR 49001)</td>
<td></td>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leitfaden für die Einbettung des Risikomanagements ins Managementsystem (ONR 49002-1)</td>
<td></td>
<td>2010</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Leitfaden für die Methoden der Risikobearbeitung (ONR 49002-2)</td>
<td></td>
<td>2010</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

9 See Offerhaus (2009) for the developments in the United States of America (ibid. 104), Canada (ibid. 99), Australia (ibid. 93) and the UK [Chapman (2011: 109); Offerhaus (2009: 82)].
11 AIRMIC/IRM (2002); FERMA (2003).
Guidelines for Internal Control Standards for the Public Sector: Further Information on Entity Risk Management (INTOSAI GOV 9130)  
International Organisation of Supreme Audit Institutions, INTOSAI PSC Subcommittee on Internal Control (INTOSAI; www.intosai.org)  
2007  
any entities in the public sector  
is based on COSO 2004 but integrates other standards as well

Professional standards

<table>
<thead>
<tr>
<th>Risk Management Standard</th>
<th>Federation of European Risk Management Associations – FERMA.</th>
<th>2002</th>
<th>corporations or public organisations and any activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enterprise Risk Management – Integrated Framework12</td>
<td>Committee on Sponsoring Organisations of the Treadway Commission’s (COSO)</td>
<td>2004</td>
<td>Private, public and not for profit entities</td>
</tr>
</tbody>
</table>

Table 1: The standards reviewed (national, international and professional standards)

b. Risks and opportunities

Most standards provide a neutral definition of risk as:

- the “effect of uncertainty on objectives”\(^\text{13}\) of the organisation or as “potential events that may affect the entity”\(^\text{14}\);
- “the combination of the probability of an event and its consequences”\(^\text{15}\) resulting in either potential benefits (upside) or threats (downside) to the success of an organisation;
- a combination of the definitions above.\(^\text{16}\)

The national, international and professional standards worldwide therefore acknowledge the MOO as part of risk management.\(^\text{17}\) In the context of the definition above, the term “opportunity” is sometimes narrowed down to the “opposite of a hazard”.\(^\text{18}\)

The definitions in the standards or the combination mentioned are also widely supported by recent academic literature.\(^\text{19}\) Although the definition of opportunities therefore seems clear, Hopkin describes the definition of opportunities or upside risks as “one of the greatest challenges for risk management”.\(^\text{20}\) The reason for this lies in the range of possible interpretations of “upside risks”. According to Hopkin, upside risks can be understood as:\(^\text{21}\)

- a reward for taking the risk because the benefit obtained from taking the risk is greater than any benefit that would have resulted from not taking it;
- an event that could create a better outcome than expected and which does not necessarily have to be related to a downside risk;
- an influence on the strategic direction of an organisation by targeting a profitable business opportunity which a competitor fails to see;
- a reflection of the benefits of having a robust risk management process.

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12 This framework is currently being updated and the final version will be released in 2017 (www.coso.org).  
16 For a combination of both definitions see: The Orange Book (2004: 49).  
18 For example ONR 49000:2010 (2010: cf. 3.1.3).  
Therefore Hopkin urges the discipline of risk management to provide a more consistent understanding of upside risks.\textsuperscript{22}

c. Stakeholder and reporting on risks and opportunities

Subsequent to the development of ISO 31000 (2009) its principles and guidelines became the most relevant standard for public sector risk management (Drennan, McConnell & Stark, 2015). Established public sector risk management standards, such as the former Australian and New Zealand risk management standard AS/NZS 4360: 2004 ultimately got revised. The succeeding standard AS/NZS ISO 31000:2009 adapted the principles of ISO 31000. Hence, it is not surprising that both standards encompass the necessity of engaging with stakeholders to the same extent. According to those standards, the risk management process comprising of identification, analysis and monitoring of risks should be transparent and inclusive. Effective communication and consultation with stakeholders facilitates the process of familiarization with the internal and external environment, which helps identify opportunities and threats inside and outside of the organisation. The UK’s Orange Book of Her Majesty’s Treasury – a guidance for risk management processes in government organisations – explicitly states that a change of stakeholder expectations and perceptions could pose a socio-cultural risk. The Treasury Board of Canada Secretariats TBS Framework for the Management of Risk also emphasizes that effective risk management should be aligned to the organisation’s external and internal environment, including the organisation’s mandate and priorities, as well as to the interests of stakeholders. Furthermore, the underlying premise of the Integrated Framework for enterprise risk management of the Committee on Sponsoring Organisations of the Treadway Commissions (COSO) highlights the importance of stakeholder involvement, as it assumes that every entity’s reason of existence is to provide value for its stakeholders. Therefore, the primary task of risk management is to determine how much uncertainty should or could be accepted without significantly constraining the value of an organisation’s stakeholders. This decision reflects the organisation’s risk management philosophy. It should be part of the policy statement and therefore communicated to stakeholders, according to the COSO Framework.

Risk communication and reporting is explicitly addressed in the AS/NZS ISO 31000:2009 standard, which demands a continuous and highly visible reporting to all stakeholders. However, the standards do not discuss which formal requirements have to be fulfilled in the reporting of risks. As every public entity or state owned enterprise (SOE) has to show accountability and to produce a year-end general purpose financial statement, accounting standards such as International Public Sector Accounting Standards (IPSAS) or International Financial Reporting Standards (IFRS) postulate the disclosure of financial risks such as contingent liabilities (IPSAS 19 / IAS 37).\textsuperscript{23} Hence, risks arising from past events or actions and having a financial impact with a probability of occurrence less than 50 percent are presented and communicated as part of the disclosures of financial reports. A more holistic communication and presentation of risks towards stakeholders has been enhanced through recent developments in the field of integrated reporting. Integrated reporting not only encompasses communication of risks but also the presentation of an organisation’s present and future value creation ability.\textsuperscript{24} As previously stated, according to COSO (2004) the reason of existence of a public organisation is the provision and creation of value to its stakeholders and risk management determines the level of uncertainty which is acceptable without constraining this value. From that perspective and in the context of this fundamental definition of

\textsuperscript{22} Hopkin (2012: 178).
the risk management task, integrated reporting could be seen as a communication tool of risks, an organisation’s risk management philosophy and practice.

All the aforementioned risk management standards and guidelines (summarized in table 1) explicitly address the importance of stakeholder involvement, especially in the risk assessment process. The scope of stakeholder communication and consultation is highly dependent on the organisation’s mission and mandate, as not all stakeholders are equally relevant and affected by the organisation’s actions. Not only does this underpin the strategic relevance of risk and stakeholder management, but also reveals the strong link between those two management tasks.

Risk management literature on reporting towards stakeholders generally addresses the same issues as those included in the risk management standards and guidelines discussed above. Both the standards as well as the literature, make the essential distinction between internal and external communication (see for example Brühwiler and Romeike, 2010, Vanini, 2012). This is crucial, as internal and external risks can sometimes conflict each other and this should be addressed. While for instance internal reporting must be as comprehensive and transparent as possible in order to provide a good basis for decision making, there is the risk that external reporting may result in a negative or (too) transparent reporting (Vanini, 2012). This could for example affect the credit rating of a municipality negatively. However, credit rating agencies usually also take into account transparency and accountability issues. Hence, it is a balancing act. Depending on the type of risk that is considered, the government needs to prioritize the stakeholders to whom the risk will be communicated (Bhatta, 2008). Stakeholders do not all the same level of influence and interests and the communication of risk should be adapted accordingly. Hopkin (2012) gives some guidelines and outlines the following points for risk communication to internal and external stakeholders:

- „Know the stakeholders, by identifying both external and internal stakeholders and finding out their interests and concerns
- Simplify the language and presentation, although not the content if complex issues need to be communicated
- Be objective in the information provided and differentiate between opinions and facts
- Communicate clearly and honestly, taking account of the level of understanding of the audience
- Deal with uncertainty and discuss situations where not all information is available and indicate what can be done to overcome these problems
- Be cautious when putting risks in perspective, although comparing an unfamiliar risk with a familiar one can be helpful
- Develop key messages that are clear, concise and to the point, with no more than three messages communicated at any one time
- Be prepared to answer questions and agree to provide further information if it is not currently available” (Hopkin, 2012: 121).

However, neither the literature nor the standards provide substantial and well-defined guidance for public administrations in practice, as they are merely of generic nature. Hence, risk management as a strategic task with strong ties to stakeholder management is always dependent on the organisational environment and context. The importance of the consideration of an organisation’s context will be shown in the following subchapter in which the case study of the city of Zurich will be discussed.

5. Case Study

a) Challenges of implementing risk management in the City of Zurich
Zürich is the largest city in Switzerland with a population of 380,000 (2012). There are 330,000 people working in the city, of which 25,000 are employees of the city’s public administration. The public administration is divided into nine departments which lead the 70 divisions. Tasks which are privatised in other cities (such as water and energy supply, waste management, transport services, etc.) are still part of the public administration’s responsibilities. The administration is led by a nine-member City Council which is elected by the people and operates as a collegiate authority. In 2007, the City Council mandated the Ministry of Finance to implement an organisation-wide risk management.

The paper presented at the IRSPM-Conference in Bern in 2010 described three difficulties with regard to the implementation of the MOO in Zürich:

- The understanding of the term “risk” by the interviewees is negative rather than neutral. This corresponds with the general social understanding of risks as a likely threatening event or development in the future. Taking risks means hoping for the opportunity which is the other possible outcome of the action or omission. This is similar to one of the possible interpretations previously mentioned (cf. 4.b). The general definition of risk provided by standards and opportunity as the opposite of a hazard does not match the general social understanding.
- According to a considerable number of the interviewees, the public administration has to operate in a political environment (elections, polls, the media, and parliament) and is bound by legal constraints. The achievement of the organisation’s goals is considered to be the fulfilment of its duties. Exceeding these duties is not prescribed by law and not often recognized in practice, therefore the readiness of public administration to seize risks (including upside risks) seems low.
- Even more critical is that the majority of the interviewees defined risk as the result of a human error. According to this understanding, implementing risk management in the public administration of Zürich would therefore mean implementing “error management”.

b) Search of best practice

Challenged by the task to implement risk management in a risk averse public administration by promoting the MOO, lead to the question whether there are examples of good or best practice in private enterprises or other public administrations in Switzerland.

On November 23, 2009 a workshop was held by the Department of Finance of the city of Zürich and the Institute of Public Management (Zurich University of Applied Sciences). The participants included 24 risk management officers, 6 from private and 6 from public enterprises as well as 11 from Swiss public administrations. They discussed and searched for best practice approaches in the MOO. Although the risk management standards and literature encourage organisations to include the MOO in risk management, all of the represented enterprises and public administrations focused exclusively on the management of downside risks either as part of risk management and/or internal control.

Following this workshop, the Department of Finance and the Institute of Public Management met with several external consultants who advise private and public organisations in Switzerland and

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26 Decision of the City Council of Zurich of 19 December 2007 (StRB Nr. 1587/2007).
27 Brüesch/Kager (2010).
29 See above cf. 4.
neighbouring countries in order to discuss how to implement the MOO. As in the workshop, the result was that there are no good or best practice examples from experts in this field. Consequently, the implementation of the MOO in the administration of Zurich became a first attempt at “a best practice” approach.

c) Conceptual framework

Taking into account the gap between the theory (standards and literature) of risk management and the challenges of implementing the MOO in practice, the Department of Finance and the Institute of Public Management developed a framework. This framework includes methods and tools to promote the MOO in the context of a risk averse organisation. Although the cultural aspects are an important part of the overall study, they will not be included in this paper which focuses on the system and process dimensions.30

Most of the aforementioned standards are generic and therefore have to be adapted to the requirements of a specific organisation or type of organisation.31 Establishing a framework for a risk averse public administration required the emphasis on the guiding principle that opportunities (upside risks) need equal attention as risks (downside risks).

The framework developed for the City of Zurich therefore uses the terms “risks” (as downside risks) and “opportunity” (as upside risks) in all documents, starting with the “policy on opportunities and risks” and the “handbook on opportunity and risk management”, and uses terminology such as “opportunity owner” and “risk owner”, etc. In this context risks are defined as the negative (downside) and opportunities as the positive (upside) effect of uncertainty on objectives.

The policy on risks and opportunities declares that exploiting opportunities is a fundamental task of the administration. The policy reaffirms the commitment of the City Council to accept calculated risks which are associated with it. All agencies which are subject to the City Council’s authority have to report on their opportunities as well as on their risks according to the policy and the framework.

As a consequence of the guiding principle mentioned above, opportunities and risks were given equal attention in the process. Methods and tools were developed and workshops with the top management designed to integrate opportunities equally in the process of identification, analysis, evaluation, treatment, monitoring and reviewing. For example a five-step risk matrix was combined with a five-step opportunity matrix. Instead of likelihood and consequence (impact) the opportunity matrix assess the potential of the implementation and the potential benefit. With a few exceptions, a team from the Ministry of Finance moderated the workshops with the board of the agencies.

In order to assess the potential of implementation the question that has to be answered is: How can the organisation influence the implementation of the opportunity? The following three criteria should be considered when answering this question:

- the existence of legal grounds;
- political acceptance;
- competences of the organisation in general (competences, resources, knowhow).

30 See above cf. 2.
The stronger these criteria can be answered positively, the higher is the potential to implement and embrace the opportunity.32

To assess the potential benefits of the opportunity the question that has to be answered is: What kind of benefit does the opportunity bring? In order to answer this question the same criteria that are considered for the assessment of the consequences of (downside) risks should be applied. The only difference is that in the case of opportunities the outcome has to have a positive effect on:

- the fulfilment, efficiency and effectiveness of tasks general tasks and of projects;
- the reputation of the organisation;
- the financial planning of the organisation;
- persons and the environment.

Contrary to the risk assessment, the assessment of opportunities is currently only of qualitative and not quantitative nature.33

On the basis of the assessment of potential implementation and benefits the following three strategies are formulated (top down):34

- embracing the opportunity;
- strengthening the opportunity;
- observing the opportunity.

These methods are the result of several pilot studies and their evaluation which lead to improvements of the final framework. The reporting and monitoring of opportunities is integrated in an organisation-wide IT-solution. In the report to the City Council the opportunities are consolidated according to the same methods as the (downside) risks.

6. Evaluation

An evaluation of the “Report on opportunities and risk of Zurich 2011” and structured interviews with senior officials and risk managers of the agencies provides first insight into whether the implementation of the MOO in risk averse public administration was successful or not and what further measures need to be adopted to strengthen the MOO.

a) Report of the City Council

The City Council adopted the policy and the framework for the MOO as part of risk management on April 13th 2011 and both were implemented by all agencies within a year. In June 2012, the City Council received the first report on opportunities and risks. Opportunities and risks were categorised (“hazards”, “strategic”, “financial”, “operative”, “environment”) and consolidated. With the exception of “hazards” which is terminologically risk-oriented, all other categories comprised opportunities and risk. The following graphic shows opportunities and risks (not yet consolidated on the City Council level) according to the five categories:

32 See Annex 1 with examples.
33 See Annex 2 with examples.
34 See Annex 3.
Figure 1: Opportunities and risks in categories (not consolidated)

On the level of the City Council, the assessment of risks and opportunities according to the above mentioned approach resulted in a report in which risks (73%) and opportunities (27%) were listed. The number of risks and opportunities was considerably reduced when considering the opportunity-risk matrix on the level of the City Council (top down) and by consolidating and assessing risks and opportunities (bottom up). In the end there were 14 opportunities considered as “high” and 3 opportunities considered as “moderate” on the City Council level.

A qualitative analysis of the opportunities in the risk report of the City shows the following results:

- One opportunity corresponds directly to a risk. Three opportunities are to be seen in a wider context with one to four risks.
- Ten opportunities are not related directly or indirectly with the risks.
- Half of the opportunities are labelled as “strategic” and even some of the operative opportunities have a strong strategic orientation.
- A strategy (embracing, strengthening or observing) has been selected for all opportunities.

The results from the MOO in this case study could allow the following interpretation:

- MOO provides the City Council with additional information. It supports the understanding previously mentioned that opportunities may not always be interrelated with a (downside) risk and that the MOO is suitable for creating public value.
- MOO supports the strategic focus of the City Council.

**b) Qualitative Interviews with Senior Executives and Risk Officers**

Between January and February 2013, the Institute of Public Management conducted twelve confidential, semi-structured interviews with seventeen Senior Executives and Risk Officers from eight divisions out of eight administrative departments, each lasting approximately 1.5 hour. Eight out of twelve interviews were held with at least one member of the senior management resp. one member of the board. To encompass the diversity of a municipality, the administrative roles within the eight departments were chosen according to their function, size, framework and the state of development of their risk management. With one exception, all divisions which were part of the study presented at IRSPM 2010 took part in this evaluation. Using open questioning in the interviews, an integral examination of risk management, covering the dimensions of system, process and culture, was carried out.
This paper will focus on the results concerning the MOO as part of the overall risk management. We were especially interested in how MOO was combined with the existing management processes in the organization.

Figure 2 shows the comparative results of the survey regarding the perception of the current importance of a risk management framework that integrates an evaluation of opportunities. Although it was the first year that the MOO was introduced systematically, 41% or five out of twelve interviewed divisions already considered the internal handling of opportunities as a serious method for gaining important information about the future development. Furthermore, by the same percentage of divisions MOO is seen as an additional motivation for the people involved because it concentrates on positive outcomes.

![Current Importance of Opportunities](image)

*Figure 2: Current importance of opportunities in risk management*

Overall, the MOO is considered as an instrument that is practicable and essential on board level. The awareness of opportunities helps to critically analyze existing strategies and challenge business directions. Furthermore, MOO highly overlaps with the strategic planning of the organization or particularly with the planning of further business segments. The more market-oriented the interviewed division is, the more MOO overlaps with these management instruments. This is also the reason, why seven out of twelve interviewed divisions judged the MOO as currently “not important”. The interviewees pointed out that they integrated MOO in several tools of their management system and see no need for MOO in the risk management process. Their next step is to harmonize the MOO with the existing processes in order to become more efficient and effective.

The implementation of systematic organization-wide opportunity and risk management was labour-intensive. Consequently, in many cases there were no resources left to pay equal attention to opportunities as to risks. In almost all cases the interviewees argued that several years are needed to implement an opportunity-risk management (particularly with the MOO as a fairly new approach) and consequently they expect to improve through experience over the next years. Hence, eleven out of twelve divisions are convinced of the importance of MOO in the future. After the intensive initial effort during the implementation, the divisions will have more resources available to focus on MOO, particularly on the harmonization of MOO with other management processes.

The second reason for the implementation of the MOO is the impact on the mindset of the participants. The additional focus on opportunities seems to be much more motivating than the exclusive consideration of risks. Divisions with more sovereign (ministerial) duties emphasized the positive impact of MOO on their motivation much more than those in near-market segments.
When we take the already existing strategic business oriented processes of the second group into consideration, this is no longer surprising.

The third interesting tendency in the evaluation was the ambivalent interpretation of the applicability of a systematic MOO. There is a need for further considerations about the desired effects of an implementation of MOO. While some divisions try to integrate the MOO for strategic reasons (e.g. enter a new business segment = external orientation), others try to improve their own supply of services or even motivate their employees for a more “positive” approach to risk management (= internal orientation). In this context two interviewees highlighted the difficulty of the compatibility of the MOO with ministerial duties and responsibilities. Although they are positive about the (potential) benefit of MOO for the strategic planning and the daily business, they argued that there is often not much tolerance for it. The “principle of legality” limits the scope for responses to identified opportunities. In their opinion, management boards of a public institution as well as political decision makers have to be cautious about dealing with unpredictable opportunities.

Overall, the divisions of the interviewees realized that dealing with opportunities could lead to a differentiated view of organizational challenges. With the implementation of systematic risk management, the city of Zurich gains important experiences with the MOO. The evaluation of the interviews showed that there are some specific challenges to overcome, particularly the overlapping of MOO with strategic processes and its compatibility with the “law of legality”.

c) Stakeholder expectations and reporting on risks and opportunities by the City Council

The implementation of the risk management in the City of Zurich is based on the “Policy on opportunities and risks” and the “Framework on the management of opportunities and risks”. Both documents are not marked as confidential. In contrast, the report on opportunities and risks, which is submitted to the City Council every second year, is declared strictly confidential. The City Council justified this decision with the danger that otherwise the administration would be reluctant to communicate information on opportunities and risks. Furthermore, the City Council considered the report as a management instrument for itself. This decision conflicted with the expectations of the Audit Committee and the Accountants Audit Committee of the parliament. Both Committees expected full access to the first report and considered the oral report of the minister of finance as insufficient for them to obtain the necessary information in order to fulfil their supervisory duties. In the end, delegates of the Committees were given restricted access to the report by letting them read the report but not giving them copies of it. Any relevant results of the report were integrated in the financial statements and therefore public. Other stakeholders did not ask for access to the report. The reason for this may be that the City Council did not actively inform the public on the existence of the report and that only a restricted number of top managers in the administration had access to the full report.

7. Summary

The majority of the standards and literature describe risks as the effect of uncertainty on an organisation’s objectives. Today risks are generally assessed as a combination of the probability of an event or a development and its consequence or outcome on the organisation. This still leaves a range of possible interpretations of upside risks (opportunities). On the other hand, methods and instruments in the risk management process generally focus exclusively on the (downside) risks.

Consequently, the implementation of MOO in the public administration of Zurich became a first attempt at a “best practice” example in Swiss public administration. By adopting the generic standards in the political and organisational context of Zurich, the guiding principle that opportunities (upside risks) need equal attention as (downside) risks was implemented in the system and process of risk management. The evaluation of the report on opportunities and risk to the City Council in 2011 and qualitative interviews with Senior Executives and Risk Officers 2013 show that MOO:

- provides the political authority with additional information on “upside” risks, especially on strategic aspects;
- is considered as an important part of risk management in public administration;
- is suitable for motivating the management of a risk adverse public organization to discuss risks more openly.

The evaluation also shows that more time is needed for the implementation and the integration of MOO in the management systems.

Furthermore, there seems to be a gap between recommendations by international standards on how public administration should report on risks (which also addresses the needs of stakeholders for information) and the readiness of the public managers and political leaders to inform the stakeholders about these risks. In the Swiss private sector the legal duty to report on risks is limited to the obligation to implement a risk management system and for the enterprises risks to be discussed annually by the members of the board. These legal responsibilities usually do not apply to public administrations. In practice, the recommendations to report transparently to stakeholders on risks conflict with the following interests:

- The interests of the public administration to restrict information on risks because otherwise the risk adverse culture in the administration would make it even harder to openly inform and communicate on risks within the organisation.
- For the government, risk management is part of their management system and therefore not part of their communication to stakeholders, for example to the citizens or the parliament and the media.

The general recommendation to report on risks and opportunities conflicts with the need for a certain amount of confidentiality within the administration. In the case study, the City Council gave the parliamentary Audit Committees full access to the report, taking into account their supervisory duties. This practice can be considered as the minimum reporting requirement on risks and opportunities. Nevertheless, at least the City of Zurich has a full report on their risks and opportunities, which is lacking in almost all cities and communities of Switzerland. Two factors for this success are the commitment of the City Council:

- to address not only the risks but also the opportunities and with this facilitating the implementation of a risk management in a risk adverse organisation and
- to keep its promise that the results of the final report shall be strictly confidential.
Annex

Annex 1: Assessment of opportunities concerning the potential of implementation

<table>
<thead>
<tr>
<th>Qualitative</th>
<th>Interpretation / Understanding</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hardly possible</td>
<td>Resources and competences do not exist in the organisation. Alliances or partnerships to seize the opportunity are not possible. Political acceptance is not to be expected. The implementation is in contradiction to the existing constitutional law and a reform is not foreseeable.</td>
<td>New division of task on federal, cantonal or communal level; Tasks of the administration can be renounced</td>
</tr>
<tr>
<td>Eventually possible in the long term</td>
<td>Resources and competences partially exist. Political acceptance is unsure. Legal ground partially exists but in order to implement the opportunity, further reforms of the law are required.</td>
<td>Policy reform or reform of organisational structure (for example of the government).</td>
</tr>
<tr>
<td>Possible in the medium term</td>
<td>Necessary legal grounds are being implemented or will be in place in the foreseeable future. Political acceptance is to be expected.</td>
<td>Government has the authority and competence for the necessary steps (project, organisational reform).</td>
</tr>
<tr>
<td>Possible in the short term</td>
<td>Legal grounds, resources and competences exist (within the organisation or elsewhere).</td>
<td>Optimizing organisational processes with external organisations or partners.</td>
</tr>
<tr>
<td>Implementation possible at once</td>
<td>The necessary steps are only operative. Legal grounds, resources and competences exist.</td>
<td>Optimizing organisational processes within the organisation.</td>
</tr>
</tbody>
</table>

Annex 2: Assessment of opportunities concerning the potential of benefits

<table>
<thead>
<tr>
<th>Qualitative Assessment</th>
<th>Interpretation / Understanding (potential of benefits)</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>insignificant</td>
<td>The financial benefit as well as the benefit for people and the environment is insignificant. The benefits of reputation, improvement in task execution and the functioning of the organization are insignificant.</td>
<td>Process optimization without external impact.</td>
</tr>
<tr>
<td>small</td>
<td>The financial benefit as well as the benefit for people and the environment is marginal and only short term. The benefits of reputation, improvement in task execution and the functioning of the organization are marginal and rather short term.</td>
<td>Process optimization with external impact. Modification of an order. Participation of the canton to a congress.</td>
</tr>
<tr>
<td>moderate</td>
<td>The financial benefit as well as the benefit for people and the environment is moderate. The benefits of reputation, improvement in task execution and the functioning of the organization are moderate.</td>
<td>New types of cooperation (e.g. „roundtable“ with private people or communities).</td>
</tr>
<tr>
<td>substantial</td>
<td>The financial benefit as well as the benefit for people and the environment is substantial and for the long term. The benefits of reputation, improvement in task execution and the functioning of the organization are substantial and the long term.</td>
<td>Increased attractiveness and degree of brand awareness due to a donation of art objects.</td>
</tr>
<tr>
<td>high</td>
<td>The financial benefit as well as the benefit for people and the environment is high. The benefits of reputation, improvement in task execution and the functioning of the organization are high.</td>
<td>Augmentation of the attractiveness of location due to a significant strategy.</td>
</tr>
</tbody>
</table>

Annex 3: Strategies for opportunities

<table>
<thead>
<tr>
<th>Assessment of opportunity</th>
<th>Balance of opportunity</th>
<th>Strategies in relations to opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>The benefits are much higher than the resources and cost to embrace the opportunity.</td>
<td>Embracing the opportunity as fast as possible.</td>
</tr>
<tr>
<td>Medium</td>
<td>The potential to implement the opportunity can be supported by organisational acting.</td>
<td>Strengthening the potential to implement the opportunity.</td>
</tr>
<tr>
<td>Small</td>
<td>Benefit and costs are not proportionate; political and legal conditions don’t allow embracing of the opportunity in the short term.</td>
<td>Observing continuously the further development of the opportunity.</td>
</tr>
</tbody>
</table>
Literature:


Standards:


