

Managing risk in new models of collaboration

Most of the projects in our study involved both public and private sector organizations. Governments and private organizations react differently to risks. Firms in the private sector manage risk using a financial logic: most risks necessitate adding more resources, therefore increasing costs and lowering profits. Businesses will cope with risk only up to a certain level of cost. Beyond that point, they will close a project down because it is judged to be unprofitable.

The public sector, on the other hand, is guided mostly by the general interest of its citizens, but also by the need to be perceived as a responsible and responsive service provider. Its risk calculation has more to do with failure in either of these goals than with financial formulas. Thus, when a project has been approved through the political process and is deemed crucial to the public interest, government will very seldom abandon it. Public organizations will usually restructure a project if they encounter significant problems, and will keep adding more resources until the project is completed.

The public-private collaborations in this study had to accommodate both views of risk and risk management. How did they do it? In some cases, the contract between them served as a regulation mechanism since its content included both financial and quality level milestones. In other cases, the business plan specified each deliverable and levels of service required. In still other projects, committees were put in place to resolve problems encountered by the public or the private partner. Overall, open communication channels helped in developing trust and where there was thrust, very few problems remained unsolved.

Increasing responsiveness and maintaining transparency and public accountability are high priorities for public organizations. So is the ability to produce high quality services efficiently and at reasonable cost. Given these goals, and the inevitable complexity of most service environments, risk management has become an essential process to be mastered by public managers.