THE IMPLEMENTATION OF A RISK MANAGEMENT PROGRAMME IN IRISH LOCAL AUTHORITIES

by

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SUMMARY

Irish local authorities and their insurer have experienced increasing liability losses during the past ten years. To combat this situation their insurer requested the local authorities to implement a risk management programme. Risk management is aimed at reducing the cost of risk by identifying, evaluating and handling risk by both physical and financial means. As a management function risk management should form part of the formulation of the strategy of the organisation, strategy being a means of setting direction in the long term. Once formulated a strategy must be implemented. This dissertation reviews the methods used by the insurer and the local authorities to implement a risk management programme and establishes the barriers that were faced during the course of implementation and the attempts made to overcome them. It considers the integration of risk management into strategy and recommends a tentative means of overcoming the problems of implementation.

Key terms:

Strategy; risk management; implementation; public bodies; local government; administration; liability risk; safety; case study; Ireland.

DECLARATION

I declare that 'The implementation of a risk management programme in Irish local authorities' is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

ACKNOWLEDGEMENTS

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CHAPTER 1

THE NATURE OF THE RESEARCH

1.1   BACKGROUND TO THE RESEARCH

Between 1980 and 1992[1] the Irish liability insurance market experienced

substantial underwriting losses indicating that Ireland is part of the international

liability crisis [2] .   During this period the cost of claims, as a percentage of

earned premium income[3], increased from 102.7 per cent to 110 per cent (see

figure 3 and table 3, appendix A), averaging 107.7 per cent each year[4] (see

table 6, appendix A).   Increase in the cost of claims averaged 6.6 per cent per

annum compared with earned premiums which increased by 5.8 per cent per

annum (see table 6, appendix A).   Commissions decreased from 9.9% to 6.7%

and management expenses increased from 16.6% to 18.3% over the same

period (see table 3, appendix A).   Thus the cost of claims is the major

contributing factor to the market's underwriting losses.   The number of

policies issues during this period are not available but premiums, as a

percentage of Gross National Product, rose from 0.45 per cent to 0.58 per cent

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[1]   At the time of writing the Irish Stationery Office had only issued collated figures for the Irish insurance market up until 1992.

[2]   See Valsamakis et al 1992: 196 for a discussion of this crisis.

[3]   All insurance performance results were obtained from the Insurance Annual Reports 1980-1992 compiled by the Irish Stationery Office.   To calculate these percentages the Cost of claims was used after adjustments had been made for incurred but not reported claims and claims reported but not paid and the earned premiums figure obtained after adjustments for reserves had been deducted.   In 1984 the ICI insurance company, due to its insolvency, did not submit an annual report but produced a two year report in 1985.   The results of this company was divided equally between the years 1984 and 1985 so that the effect of the two year report was smoothed over this period.

[4]   All costs and premiums have been deflated to 1991 values using the Consumer Price Index.

and claims from 0.46 per cent to 0.64 per cent, indicating that the rise in costs is not purely a result of increased economic activity (see table 7, appendix A).

The cost of insurance became a political issue during the late 1980s. In 1983 two insurance companies, PMPA and ICI, became insolvent and the cost of motor and liability insurance increased substantially[5]. As a result the legislature took steps to try to reduce the cost of insurance. The first step was the introduction of the Courts Act, 1988 which was aimed at attempting to reduce the severity[6] of claims. In order to try to bring about an element of certainty in the award of damages the act removed the responsibility for awarding damages from juries and allocated it to the judges (Section 1, Courts Act, 1988). The aim of this section was to stop the increasing spiral of damages which were perceived as being awarded by the juries and to make awards more predictable. The Act also gave the Minister power to regulate legal costs (Section 5, Courts Act, 1988). This resulted in an existing bar council rule, requiring that both parties in personal injury actions retain two Senior Counsel, being abolished. As liability and motor premiums are still perceived by the public as being too high, despite the passing of this act, the minister for industry and trade in the 1994 Fianna Fáil/Labour government considered placing a cap on the amount which may be awarded as damages (see, for example, *Irish Times*, 28 June 1994).

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[5] Liability premiums, as a ratio of GNP, have risen from 0.33% in 1984, the lowest since 1980, to 0.66 per cent in 1987 when they began to decrease. Liability claims continued to rise as a percentage of GNP from a low of 0.41% in 1984 to a high of 0.69% in 1991. (see table 7, appendix A).

[6] The severity of claims is their total cost in monetary terms and would include damages awarded by the courts as well as legal fees and cost of investigation.

In order to attempt to reduce the frequency[7] of losses the Irish legislature passed the Safety, Health and Welfare at Work Act 1989 (SHAWAWA). This complied with the requirements of European Community Directives aimed at reducing the number of accidents to employees and members of the public whilst on premises being used as a place of work. This Act applies to all places of work, including those for which a public body is responsible. This is unlike previous statutes which did not apply to public bodies in Ireland and only applied to approximately 20% of the work force (Barrington 1983:1).

One class of organisation which is being affected by the liability crisis is the local authorities. They are governed by the Local Government Acts, 1940-1991 which set out their powers and duties. Section 6 of the act lists the activities which may be carried out in the interests of the community which it serves. These activities, which are discussed further in chapter 2, place the local authority in a position whereby it could be sued by a member of the public in the event of an accident. In 1927 the local authorities formed a mutual insurance company know as Irish Public Bodies Mutual Insurance Company (IPB) to provide insurance protection. This company has since expanded to insure all public bodies. As the local authorities are the largest class of public body insured by IPB, in terms of premiums paid and claims met, the insurer's performance will reflect, to some extent, the local authorities claims experience[8]. Figure 4 in appendix A highlights IPB's performance from 1980 to 1992, demonstrating that they have been experiencing underwriting losses throughout this period. This graph shows the various

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[7] The frequency of losses is the number of accidents which lead to a third party instituting a claim against an individual or organisation.

[8] IPB confirmed this information during the course of an interview but have not provided any figures to substantiate it.

classes of insurance provided by the company, from which it can be seen that liability insurance is the main cause of their poor performance.

At the same time that claims costs were increasing, allocations granted to local authorities by central government were falling (see appendix B)[9]. These allocations are the main source of local authority income. The cutback of central government allocations in 1987 meant that local authorities were forced to control costs. In addition the high cost of claims diverts finances from other areas in need of funding and this, together with the cutbacks, prevents them from fulfilling their objectives. This is significant because if claims can be controlled, and costs associated with them reduced, this will affect insurance premiums favourably, and provide additional resources for more productive usage.

Little can be done by the local authorities, or IPB, to reduce the damages being awarded by the courts, other than by lobbying government, but they can have an impact on the frequency of losses. In 1989, in order to try to reduce their losses, IPB recommended that their clients commence a risk management programme. Assistance in implementing the programme was provided by IPB by means of seminars, lectures and the provision of a risk management manual. This has been effective in at least one case, where Limerick Corporation has publicly announced that savings have been made in claims costs as a result of the risk management programme (*Limerick Post*, 28 November, 1992). If other local authorities achieve similar success this might contribute to a turnaround in IPB's liability underwriting results leading to increased benefits to the local authorities by way of reduced premiums. As their clients are also

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[9] A full discussion relating to financing local authorities is included in Chapter four.

their owners a further benefit would be increased dividends to the local authorities.

Despite the steps taken by IPB to implement the risk management programme losses are still increasing, but at a decreased average rate of 2.7 per cent per annum since 1988. This is better than the market average of 4.7 per cent and an improvement over their own average increase in losses during the period 1981 to 1987 of 30.2 per cent as well as the whole period from 1981 to 1992 of 18.7 per cent (see table 6, appendix A). 1992 saw a significant fall of 5.5 per cent in claims following a poor year in 1991 when claims increased by 12.6 per cent (see table 5, appendix A). Despite the improvement in IPB's claims performance their ratio of claims to premiums is still higher than that of the market as a whole (see table 8, appendix A). The improvements in IPB performance, together with the announcement made by Limerick Corporation, indicates that the risk management programme may be taking effect. IPB's experience is still worse than the remainder of the market and this may due to the failure of the implementation process which is affecting the rate of improvement in the insurer's overall performance.

1.2   THE PROBLEM

The financial performance of IPB remains poor in comparison with the Irish liability insurance market as a whole indicating that barriers have been met in implementing the risk management programme which need to be understood and overcome if an organisation's loss experience is to be improved.

1.3 OBJECTIVES

The primary objectives of this research are to identify impediments which may affect the implementation of a liability risk management programme, and formulate a means of overcoming them. In order to achieve these objectives the following sub-objectives were identified. Firstly, to identify the means by which strategy is set within an organisation and public bodies and to ascertain the barriers met in implementing the strategy. Secondly, to identify the impediments met in implementing a safety programme, an integral part of liability risk management. Thirdly, to ascertain the methods used to overcome the barriers to implementing strategy, risk management and safety programmes and, finally, to establish a liability risk management strategy for a public body which takes into account the problem of implementation.

1.4 METHODOLOGY

To achieve the above objectives literature relating to the formulation and implementation of strategy and the theoretical and practical impediments to implementation and how these may be overcome was reviewed. Particular attention was paid to the literature concerning management in public bodies. As a liability risk management programme involves the introduction of safety measures the literature concerning the implementation of a safety programme was also considered. This literature revealed some of the issues concerning the formulation of strategy, its implementation and the barriers which may be met when commencing a new programme. These concepts were then applied to risk management in an Irish local authority.

The IPB and local authorities were used as a case study to identify the means by which they formulated and implemented strategy for controlling liability losses

by way of a risk management programme. IPB were initially contacted to obtain permission to carry out the research and once this was obtained ten local authorities were randomly selected from the total of twenty seven in the Republic of Ireland as a sample of public bodies requested to implement the programme[10]. When IPB were first approached the programme had only been in place for a short time consequently there was insufficient information to rank the progress of implementation. As a result of this a sample could not be selected on the basis of those who had progressed with the programme and those who had not. A map is included as appendix C indicating the whereabouts of the local authorities chosen. Following selection a letter was written to the County or City Manager[11] asking who was responsible for the implementation of the programme and requesting permission to interview that person. Once a response[12] was received, and authorisation obtained to carry out the interviews, those persons responsible for the implementation process were contacted, an appointment made, and an open ended interview conducted. A guide to the subjects to be covered at the interview and a crude measure to establish the extent to which the programme had been implemented were developed[13]. The interview consisted of a discussion of strategy formulation and implementation in local authorities with particular reference to the risk management programme. The guide was used to check that all the information required to understand the formulation and implementation process was covered. Each interview was taped after permission had been granted and the guarantee given that the replies were confidential.

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[10] A list of all local authorities was obtained from the Irish Public Bodies Association (IPA). These were numbered and ten selected randomly using a random numbers table and a seed number from the Limerick telephone directory.

[11] The Chief Executive Officer of the local authorities.

[12] Six responded, and a further two were contacted with the help of the finance officer of Waterford City, giving a total of eight local authorities interviewed.

[13] A list of the subjects covered is included in appendix F.

Approximately nine months after the interviews with the local authorities had been completed IPB was approached and the person responsible for the implementation of the programme contacted and interviewed. Again an open ended discussion was used and the interview taped. A list of points was drawn up to ensure everything relating to the process was covered[14]. In order to compare the ranking of the extent to which risk management is incorporated in the local authorities IPB were asked to give a score out of ten representing their view of the extent to which the programme is implemented with ten being at the highest end of the scale. The delay between interviewing the local authorities and IPB gave the latter time to formulate a view as to how well the programme was being implemented. This ranking was done subjectively and reasons for the score were established. This was then compared with the research ranking and the reasons for the similarities and differences considered.

It was necessary to interview both IPB and the individual local authorities as they may have viewed the programme from different perspectives and also have different expectations. IPB would be acting as an external agent in the implementation process and their actions in instituting the programme may have affected the perceptions of the local authorities concerning the programme. Furthermore, the two types of organisations are from different sectors of the economy and may have different objectives which would affect their view as to the success of the programme.

On completion of all the interviews the tapes were reviewed and notes taken relating to the methods used to implement the programme in each local

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[14]   See appendix F for the list of points.

authority and impediments identified. This was compared with the concepts referred to in the literature to see if they apply or whether there are other considerations. The tapes were also reviewed for tactics or strategies aimed at overcoming any possible impediments. The nature of the barriers which were met or expected by these parties and how they were overcome or affected the implementation of the programme were examined. The steps taken by these bodies were compared with the literature to see whether the actions taken by the implementors complied with the theory and if this affected the programme. From this a strategy was developed to implement a liability risk management programme.

1.5   LIMITATIONS OF THE RESEARCH

Owing to time constraints this research was limited to reviewing the perception of strategy and the barriers that were faced by the person appointed as risk manager and did not consider the reactions of employees and managers in the hierarchy. This severely limits the research to one person's perceptions which will differ from other employee's views as to how the programme was implemented. In order to review different approaches to the process of implementation it was considered necessary to obtain the views of the person involved in the implementation programme in a number of different local authorities. This was expected to indicate whether the culture of the local authority affected the implementation and whether there were common factors applicable to this type of organisation. Due to the geographical spread of the organisations and time limitations the local authority representatives were only interviewed once so that the effects of any action taken by the implementor could not be measured by comparing the state of the organisation at one point in time followed by a review of the position at a later point in time. Thus the

research provides an account of a particular moment in time in each of the local authorities in implementing the programme and considers only the views of the person responsible for implementing the programme. This provides a biased view of the process as other participants views were not obtained. Despite these limitations the research is an exploratory approach to implementation problems experienced in local authorities.

1.6   THEORETICAL FRAMEWORK

Through the disciplines of strategic management and risk management it is assumed that an organisation is able to predict and control the effect of future events on its operations. The former involves setting strategies for the future after carrying out an organisational, industrial and environmental analysis (Pearce & Robinson 1991:2) whilst the latter is concerned with identifying, evaluating and controlling risks (Bannister 1989:1). Strategic management is considered by many writers (see, for example, Pearce & Robinson 1991:2) as an effective approach to ensuring that an organisation is able to respond to its environment and achieve its objectives. Risk management is seen as a means of identifying unforeseen events which could impinge on the ability of an organisation to achieve its objectives (see, for example, Head & Horn 1991:5).

Management literature often refers to risk and risk/benefits trade-offs but little concern is given to considering the nature of risk[15]. Baird & Thomas (1990:45), after reviewing the literature relating to risk and strategy, conclude that there has been little work carried out in dealing with risk in the context of strategic management. Despite reviewing references to risk-taking in the management literature they came to no conclusion as to the nature of risk. The

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[15]   See Baird & Thomas (1990); Barton (1990); and Hertz & Thomas (1990).

risk management texts have reviewed the nature of risk and have come to different conclusions as to its nature (see, for example, Valsamakis et al. 1992:17; Vaughan 1989:4). The meaning of risk in this discipline has mainly been restricted to insurance related risks (Valsamakis et.al. 1992:17). As there is no conclusive definition of risk in the literature Bannister's (1989:1) opinion that risk is a future uncertain event will be used for the purposes of this research without further discussion.

Risk management is a function which has developed from insurance management as a means whereby the increasing cost of risk could be controlled. Fayol was the first writer to recognise risk management as a separate managerial function by enumerating security activities as one of the essential tasks of management (Valsamakis et al. 1992:2-3). This indicates that risk management is not a new function but one which was considered an integral part of management theory as early as 1916. Fayol's view takes risk management beyond insurance to include all elements of security. Head & Horn (1991:6) consider risk management as a managerial or administrative process which may be defined as a process of planning, organising, leading and controlling the activities of an organisation in order to minimise the adverse effects of accidental losses on that organisation at a reasonable cost. As a decision-making process it consists of: the identification of risk; examining alternatives for dealing with risk; selecting the best risk management technique; implementing it; and monitoring the result (Head & Horn 1991:6). The reference to accidental losses in this definition is a limiting factor to the nature of risk management as it appears to limit its connection to insurance, which is a means of financing accidental loss. Because of its historical roots the discipline seems to have become oriented towards insurance management,

although it is argued by some writers that risk should be managed in its entirety (Valsamakis et al. 1992:12). This view was also supported by Zajdlic (1984:5). There are indications that risk management is extending beyond insurance to other areas[16].

Risks can affect an organisation at different levels. It is argued in strategic management that strategy is formulated at two or three levels in a organisation, depending on the size (Pearce & Robinson 1991:5). Each of these may be affected by an uncertain event. At the summit is the corporate level where decisions are made by boards of directors, chief executive officers and administrative officers; the business level where they are made by corporate or business managers and finally the functional or operational level where the persons responsible for formulating objectives are the managers of product, geographical and functional areas (Pearce & Robinson 1991: 5). In smaller organisations there may be only two levels, the business and the corporate levels being combined, leaving the business and operational levels. The organisation's overall goals are achieved by its grand strategy, set at corporate or business level, whilst the functional strategy is formulated within the general framework of the grand strategy (Pearce & Robinson 1991:14). Policies are set at the lowest level to achieve the functional strategies. If risk is present in all three levels of strategy then a means of dealing with risk at each of these levels should be established.

Strategy, at the corporate level, is concerned with the overall direction of the firm including its very survival. Risk is a factor which can prevent the

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[16] See, for example, Lastavica (1985:9-30) and Eve (1984:15-116) on financial risk management and Boehm (1989) on software risk management.

achievement of these overall goals and therefore action needs to be taken to reduce the possibility of an event occurring which will affect the overall operations of the firm. At business level strategies are formulated for the different businesses or divisions of the organisation, these are formulated in conjunction with the overall objectives. These strategies will be formulated by heads of divisions in conjunction with top management. A failure of a strategy at this level may not affect the survival of the organisation as a whole but could affect the existence of the division or subsidiary. It would also prevent the organisation from achieving its objectives either at business or corporate level. Operational or functional managers set functional strategy for their departments, they '*translate grand strategy into activities for the firms' units'* (Pearce & Robinson 1991:297). Strategies at this level are aimed at fulfilling the overall goals of the organisation as well as those set at business level. The failure of strategy at this level may not be as disastrous as if a grand strategy should fail but it will affect the operations of the organisation. There are a number of instances where firms have been affected adversely by unforeseen losses such as liability claims, fires or other incidents[17]. Its very survival can be threatened, as when a small firm is decimated by a fire and is unable to continue trading, or other events may occur which reduce the capacity of the firm to achieve its objectives either at corporate or operational level. If these risks can be identified and managed then the likelihood of the uncertain event occurring and affecting the operation of the business will be diminished.

Risk management is a means whereby these uncertain events may be handled. As Head and Horn (1991:6) suggest

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[17] See, for example, the results of Union Carbide following the accident at Bhopal in 1984 as set out in Cannon (1994:192).

"Risk management, as a decision-making process, involves identifying exposures to accidental loss that may interfere with an organisation's objectives"

Risk management entails more than just the identification of possible losses, it is a function which involves the management of the risk once it has been identified. A risk management strategy will contribute to the organisation's overall goals by reducing the cost of adverse, unforeseen events. As risk is present throughout the organisation then risk management should be involved in setting strategies at all levels and across all functions. Its own strategy will have to be integrated into the strategy of the remainder of the organisation to ensure that all risks are identified and handled. Thus there should be an interaction between risk management and strategy, the latter being aimed at achieving the organisation's objectives and the former to deal with factors which may adversely affect the achievement of these objectives.

In addition to formulating functional strategies, policies are set by functional managers to achieve their strategies. Thus risk managers, as part of their function, should, once risks have been identified, establish policies to examine feasible alternative risk management techniques for dealing with exposures; select the apparently best risk management techniques; implement the chosen techniques; and monitor the results (Head & Horn 1991:6).

The risk being considered in this research is the possibility of a legal action being instituted against the local authorities by a third party or an employee as a result of an accident. In the event of an accident occurring the defendant may have to pay damages to the injured party and/or meet legal costs following the defence of an action. The aim of the risk management programme is to identify and analyse the factors which affect this risk so that action can be taken

to prevent, or reduce, the possibility of it happening or make financial provisions should the risk occur.

Not only is it necessary to design strategies to manage these risks but these have to be implemented so that they can be effective. There are a number of factors which affect the implementation of a strategy. Resistance to change has been identified as an impediment to successful implementation (Quinn 1989; Frick 1990; Dwyer 1991). In 1993 Sedgwick, a firm of London insurance brokers, sponsored a research report by Graham Bannock & partners in various aspects of risk management. From this it was established that the installation of a risk management system had led to the departure of *"dyed in the wool"* insurance managers as well as *"resistance and scepticism being found even at top level"* (1993:24). Other factors which would impede the successful implementation of a strategy are the lack of resources, such as additional personnel and funds, being made available within the organisation.

One model which may be used to consider the success of implementation of strategy is McKinsey's 7-S framework. This identifies key components which should be considered when reviewing the implementation of a strategy. These seven factors are the strategy itself; systems; structure; shared values (culture); style (leadership); staff (management); and skills (management) (Pearce & Robinson 1991:326). Once the strategy has been set the remaining six factors have to be considered. Systems are the methods used to fulfil the strategy; structure is the way an organisation is organised; shared values is the culture of the organisation; style refers to the style of leadership necessary to effectively implement the strategy; staff refers to the requirement of adequate staff to fulfil the strategy; and skills are the personnel and management skills which

are required for the purposes of the strategy. Pearce & Robinson (1991:326) have reduced these six factors to four basic elements. Firstly the way the firm's activities are organised which he calls structure; secondly leadership which includes management style, staff and skills; third is culture and finally systems.

Implementation of strategy may occur in a different ways. Quinn et. al. (1988: 671) is of the view that managers develop strategies and implement them by 'logical incrementalism' and Wiseman (1993:155) expresses the opinion that local government develops strategy in this manner. This view is also supported by Johnson & Scholes (1993:35). Rarely, in these writer's view, is a strategy formulated out of formal planning systems but from management developing an awareness of the need for change and then step by step implementing that change. Other writers on the other hand, for example Pearce & Robinson (1991), advocate a rationalistic approach to the implementation of strategy by developing objectives, setting strategies to achieve those objectives and development of policies. In this research the way that the local authorities develop there strategy will be considered in the light of these opinions.

1.7   SIGNIFICANCE OF THE RESEARCH

The review of the literature is aimed at considering theory which may be applied to the formulation and implementation of a strategy which could control the liability losses of the local authorities. The poor performance of the liability market and the high cost of claims, has been a cause of concern to both industry and government with questions being raised in both the Dáil[18] and the

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[18]   The lower house of the Irish Parliament

Seanad[19] (*Irish Times,* 26 April and 24 June 1993). For example, a report by

the Small Firms Association shows that the cost of liability insurance in Ireland

is three times higher than in any other European country (Small Firms

Association 1989:24; Irish Business and Employers Confederation (IBEC

1993). The high cost of insurance in Ireland may be due to both the high

severity and the high frequency of losses.

With regard to severity damages awarded in the Irish courts are higher than

elsewhere in Europe (Collins 1992:8). For example, the Chairman of the

Motor Insurers Bureau reports that the average third party claim in UK in 1989

was £3,000, compared with the average size of claims in the Republic of

Ireland of £17,500 (Collins 1992:8). The Director General of the Irish Health

and Safety Authority, estimated that on average there were 60 fatalities in the

Irish work force per annum and an absentee rate of 12000 workers per annum

in the case of employees being away from work in excess of three days. These

figures are confirmed by the European Foundation for the Improvement of

Living and Working Conditions (1994:34), where fatal accidents were

estimated between 60 and 70 per annum. These figures relate to a work force

of 1.126 million[20].

If these losses can be managed this will reduce human suffering and costs to

industry as well as to Ireland as a whole. Local authorities have a particularly

high exposure to the public and seem to have experienced a high claims

experience as discussed in section 1.1. These losses diverts limited funds from

community related projects to meet these costs. If these costs can be

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[19] The upper house of the Irish Parliament
[20] See the report by Walsh 1991:4.

controlled local authorities will be able to fulfil their objectives more efficiently. It is expected that this research will assist other insurers, organisations and local authorities considering implementing a similar programme by bringing to their attention the possible pitfalls which may be met and suggest means by which they may be overcome.

1.8 PLAN OF THE STUDY

Chapter one of this dissertation has provided an overview of the research. Chapter two provides an introduction to the local authorities in Ireland and their insurer. The peculiar legal position of the local authorities will also be considered. In chapter three a review of the relevant literature concerning the formulation of strategy will take place and this will be related to local authorities and risk management. Literature concerning the risk management process and the nature of risk management will also be discussed. In chapter four the literature concerning implementation of a strategy and the barriers to successful completion is considered. As a liability risk management programme concerns safety particular attention is paid to literature relating to the implementation of a safety programme. This again is related to risk management and local authorities. In chapter five the methodology used in carrying out the field research is discussed and in chapter six the results of that research provided. In chapter seven conclusions which can be drawn from the research relating to the implementing of a risk management strategy, the barriers faced and the means by which these may be overcome will be discussed.

1.9   SUMMARY

This chapter reviewed the nature of the research to be undertaken and how it is organised.   An introduction to the Irish liability market during the period 1980-1992 has been provided showing the overall results of its members.   IPB has been shown to be a member of the market which has experienced worsening results during the period 1980-1992 and has decided to attempt to reduce the flow of losses by requesting its members to implement a risk management programme.   The integration of risk management into the strategy of an organisation was discussed as a means of successfully formulating and implementing a strategy for the handling of risk.   IPB and eight local authorities are used as a case study of an attempt to implement a risk management programme as a strategy to reduce losses.   The research explores how the person responsible for implementing the programme proceeds and the barriers which are met and how they were overcome.   This is then considered in the light of risk and strategic management concepts and a tentative means of overcoming barriers developed.   The nature of the organisations involved in the case study will be considered in the following chapter.

CHAPTER 2

IRISH LOCAL AUTHORITIES

2.1 INTRODUCTION

In order to be able to understand the part strategy and risk management plays in

Irish local authorities it is necessary to consider the nature and objectives of

these organisations. This chapter will provide a brief background to local

authorities together with a consideration of their structure, functions and means

of financing. As this research is concerned with liability risk, the legal

relationships between third parties and local authorities will be considered, as

will the means used to finance losses arising out of actions at law. This will

provide a foundation for understanding the implementation of a risk

management programme in this type of organisation.

2.2 BACKGROUND TO LOCAL AUTHORITIES

The Irish system of local government was inherited from Britain but has, during

the course of this century, changed, taking on the characteristics of the

American system. In particular, the emphasis being on county and city

management. This has led to the abandonment of the principle of direct

committee administration of services favoured in the United Kingdom to a

method whereby a single individual is responsible to council (Chubb

1992:265).

County councils were established by the Local Government (Ireland) Act, 1898 to deal with concerns relating to law and order and to administer state regulations. Public health functions were allocated to rural district councils by the same act. The largest towns (Dublin, Cork, Limerick and Waterford) were created county boroughs divorced from the county councils. Finance was obtained by means of levying rates and tax on fixed property as was common in the United Kingdom (Chubb 1992:269). Between 1922 and 1942 the structure and procedures of Irish local government was transformed to a unique system of managerial government and central supervision (Chubb 1992:270). In 1925 the rural district councils were abolished and their powers were taken over by the county councils.

As a result of the failure of certain councils to fulfil their duties in the 1920s and the successful replacement of these by bureaucratic commissioners, the Report of the Department of Local Government and Public Health for 1928/29 recommended the appointment of managers to perform the duties of local government (Chubb 1992:275). The management system was first introduced to Ireland by the Cork City Management Act, 1929 and was extended to other county boroughs during the next ten years. In 1942 the principle was extended to the whole country through the County Management Act, 1940 (Chubb 1992:276).

The object of the management principle was to divide the legislative function from the executive in local government. A chief executive, called the city or county manager, was appointed who was vested with legal responsibility for executive functions. On the face of it, the person is appointed by the City or County Council but, in actual fact, he or she is appointed by an independent

body, the Local Appointments Commission in the Department of the Environment, which makes recommendations concerning who should be appointed. This recommendation by central government has to be accepted by local government (Tierney 1982:27). The county manager cannot be dismissed by the local authority, he can only be suspended and then a request made to the minister of environment for his removal. Thus the county/city manager can neither be fired nor hired by his employers[1].

On the other hand, councillors are elected by the populace of the district which they represent. Each area is divided into electoral wards, the inhabitants of which elect their representative using proportional representation by means of the single transferable vote (Coakley & Gallagher 1993:67). The term of office of the councillors is five years, after which they have to present themselves for re-election. Central government, through the responsible minister, at present the Minister for the Environment, has the right to delay these local elections or suspend the councils, and have done both on a number of occasions (Coakley & Gallagher 1993:23). Councils, once they have been elected, meet at regular intervals to make policy decisions which are put into effect by the city or county manager.

2.3   ORGANISATIONAL STRUCTURE OF LOCAL AUTHORITIES

It is the task of the city or county manager to implement policy decisions taken by elected members. They are also entitled to issue orders which have legal sanction and which cannot be countermanded by council. The manager is in a position to veto

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[1]   For a full discussion see Chubb (1992:277) and Tierney (1982:28).

resolutions of the council if he considers them to be improper or *ultra vires*.

With these powers and day-to-day decision making responsibilities they are able

to control any initiatives taken by the local authority. Recognising this the

manager is made responsible personally for expenditure which the Department

considers has been wrongly appropriated. Thus much of the powers and

responsibilities of the local council are in fact vested in the manager (Chubb

1992:276-278; Tierney 1982:27).

The city or county managers are employees of the members of the council

acting as a corporate body but are essentially a servant of the Department of the

Environment although quite independent of it. Thus their responsibility is to

the Department rather than to the local electorate. The fact that they are

independent of the Department allows the managers to carry out the wishes of

the councillors provided they do not clash with the needs of central

government. Provision is made for the dissolution of the council by the

Department should they consider it necessary and control is then left in the

hands of the managers (Tierney 1982:11-17). In 1955, in order to provide the

councillors with more power, the City and County Management Act

empowered the councillors to pass resolutions which could not be vetoed by the

manager provided the councillors accepted personal liability for any surcharge

which may arise from their actions. This transferred responsibility for any

wrongful appropriation of money to councillors who voted for such action

(Chubb 1992:277). Despite this move to strengthen the hand of the

democratically elected representatives the manager has increasingly become the

major source of initiative in a local authority (Chubb 1992:278). Thus, in the

context of risk management, it would have to be the

Figure 2.1. Structure of the local authorities showing risk management related tasks

POSITION

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                    ┌──────────────┐
                    │ County/City  │
                    │   Manager    │
                    └──────┬───────┘
                    ┌──────┴───────┐
                    │  Assistant   │
                    └──────┬───────┘
   ┌───────────┬──────────┼──────────────┬──────────────┐
┌──────────┐ ┌──────────────┐    ┌──────────┐    ┌──────────┐
│City      │ │Town Clerk    │    │Finance   │    │Personnel │
│engineer  │ │County        │    │Officer   │    │Officer   │
└──────────┘ │Secretary     │    └──────────┘    └──────────┘
             └──────────────┘
```

RESPONSIBILITIES

| Investigates claims | Administers Insurance Policies and Claims | Budgets and negotiates premiums | Safety of employees |
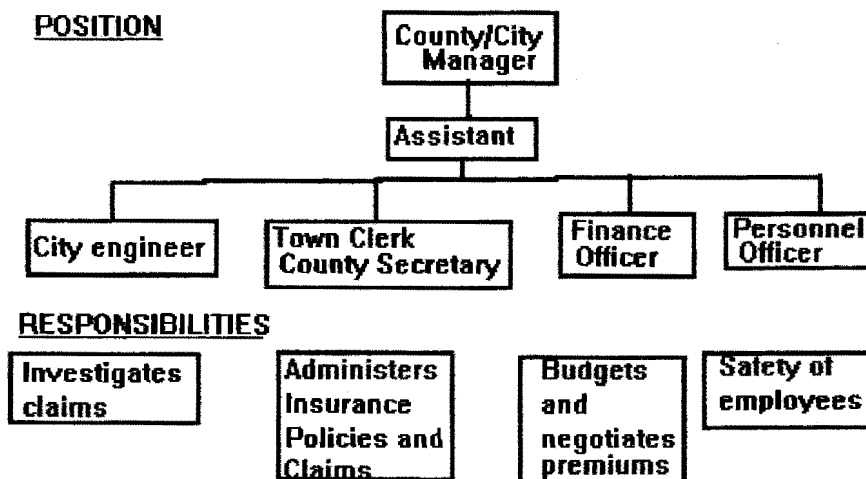
county or city manager's decision whether such a programme should be implemented and not that of the local representatives.

Subordinate to the city or county manager are a number of officers who are responsible for various aspects of the administration. In the larger councils an assistant manager is appointed to relieve the county or city manager of some of the workload. The administration is the responsibility of the Town Clerk in the cities or the County Secretary in the counties. This department deals with, amongst other things, the administration of the council's insurance portfolio. This would include the clerical work involved in submitting claims to insurers. The city or county finance officer is responsible for ensuring that the finances are in order and is involved with the payment and negotiation of insurance premiums. The personnel officer is responsible for the people in the organisation and for their safety and health. In some local authorities he may also be responsible for dealing with liability claims made against the authority, more particularly if the claimant is an employee. The largest department is that of the city or county engineer who is responsible for all technical matters including the safety of the public using facilities or works provided by the local

authority. In some local authorities the legal department may also deal with liability claims (see figure 2.1). Thus risk management tasks are decentralised amongst the various functionaries within each local authority.

2.4 FUNCTIONS OF THE LOCAL AUTHORITIES

Local authorities are creatures of statute and have no inherent powers. They are at present governed by the Local Government Acts, 1940-1991. Section 5(1) of the Local Government Act, 1991 describes the functions of the local authority

> *"as representing (sic) the interests of the local community in such manner as it thinks appropriate. "*

Section 6(1)(b) defines the promotion of public interest as:

> *" a measure, activity or thing shall be deemed to promote the interests of the local community if it promotes, directly or indirectly, the social economic, environmental, recreational, cultural, community or general development of the functional area (or any part thereof) of the local authority concerned or of the local community (or any group consisting of members thereof). "*

This is a wide and nebulous definition of the functions of the local authority but it does provide an overall aim or mission for this type of organisation in Ireland. Section 6(2)(a) lists activities which they may carry out. These are:

> *"(i)   carry out and maintain works of any kind,*

> *(ii)   provide, maintain, preserve or restore land, structure or facility for particular purposes,*

> *(iii)   fit out, furnish or equip any building, structures or facility for particular purposes,*

*(iv)   provide utilities, equipment or materials for particular
purposes,*

*(v)   provide assistance in money or in kind, upon and subject
to such terms and conditions as the authority considers
appropriate, to persons engaging in any activity that, in the
opinion of the authority, benefits the local community;"*

These sections provide an insight into the wide ranging activities of the local

authorities in Ireland.

2.5   POWERS OF THE LOCAL AUTHORITIES

The Department of the Environment has divided the powers of local

government into eight different areas as guidelines for financing purposes.

These provide further clarification of the activities of this type of organisation.

The areas are:

1.   *Housing and buildings.*   This gives local government the power to

provide housing for residents within the community and provide

loans for the construction and renovation of such property.

2.   *Road transportation and safety.*   This concerns the maintenance of all

roads and bridges within the area of the local authority.   This

involves a vast number of major or minor roads all of which have to

be maintained and signposted to control traffic.   Those local

authorities which are next to the sea, navigable rivers or loughs[2] also

have responsibility for beaches, lough side amenities, quays and

harbours.

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2   Irish lakes.

3. *Water supply and sewerage.* It is the responsibility of the local authorities to supply water for use domestically and industrially as well as the disposal of domestic and commercial sewerage.

4. *Development incentives and controls.* This involves the planning of the use of land within the area of the authority and providing advice to developers concerning urban development and other schemes. It also involves providing facilities and advice for tourism.

5. *Environmental protection.* Under this heading local authorities are responsible for water, air and waste pollution. They are charged with the duty of carrying out and promoting environmental improvement and awareness measures in their areas. The local authority also has the responsibility for providing a means of disposal for both industrial and domestic waste. It is allocated the duty of supervision of all waste disposal sites and burial grounds as well as fire protection and civil defence.

6. *Recreation and amenities.* The local authority has responsibility for providing recreational centres, swimming pools, parks, open spaces, libraries, art galleries, museums and similar institutions.

7. *Agriculture, education, health and welfare.* Local authorities have a financial responsibility to make contributions towards the education, health and welfare of the populace within their particular area. They are also charged with looking after the interests of agriculture.

8. *Miscellaneous services.* Power is given to the local authority to carry out a large number of transactions. They are entitled to acquire land and deal commercially. They are charged with consumer protection and the maintenance of markets, fairs, abattoirs and courthouses. In

the event of malicious damage to property the local authority has to

make certain agreed payments.

(Chubb 1992:326-327)

As can be seen the local authorities in Ireland carry out a wide range of

principally environmental functions in which they have direct contact with the

public. They are responsible for, *inter alia*, roads and footpaths, amenities,

tips and playgrounds, which can be sources of danger to the public. If the

local authority fails to carry out its charges, and this leads to injury, an award

of damages may be made against them. As the areas of most local authorities

are very large and their responsibilities wide, this leads to a problem of

monitoring the risks that they face and controlling the possible financial losses

arising from third party claims[3].

2.6   THE FINANCING OF LOCAL AUTHORITIES

The area of financing is an example of the centralisation of control over local

affairs. At the time Ireland gained its independence the method of financing

local authorities was similar to the British system. Rates were payable by

persons who owned property in the area governed by the local authority based

on the rateable value of the land. In 1977 this system was changed with local

authorities no longer being held responsible for collecting domestic rates. This

task was transferred to central government for a number of reasons[4] (NESC

1985:27).

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[3]   Appendix D, table 9, provides data relating to the size and configuration of the various local
authorities in Ireland

[4]   See NESC (1985:27) and Chubb (1992:274) for a discussion of these reasons.

At the same time as abolishing the payment of rates by the domestic property owner income taxes were raised. In order to provide funds to local authorities central government instituted a new grant to be paid out of central funds which was aimed at replacing domestic rates. Other receipts of local authorities are from commercial rates which are still their responsibility. These rates are formulated annually and collected by the local authority. During the second half of the 1980s central government finances became constrained owing to poor economic conditions which led to a reduction in the allocations to the local authorities. In view of these economic problems powers were granted to local authorities whereby they were allowed to make charges for services which they provided to the community. This raised a number of political issues as some saw the raising of charges in this way as double taxation. The objectors were of the view that income tax already covered the new charges being imposed by the local authority (NESC 1985:28). As a result of the strong objections of the electorate to the raising of money by charging for services this was a failure. The amounts collected were small and the political issues raised put pressure on the local politicians which some authorities could not handle and others would not (Chubb 1992:274).

The local government grants are paid by central government based on a deficiency in commercial rates[5] as well as payments for specific projects. These grants are in the place of domestic rates and are not allocated to any particular expenditure. Further grants are awarded which are tied to specific projects. Thus, for example, central government pay local authorities in respect of work done on national roads. Forty to sixty per cent of the cost of

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5   The budget of the local authorities is approved by central government and the difference between commercial rates and the budget is provided for out of central funds.

sanitary services, swimming pools, libraries and other amenities are also met.
No payment is made in respect of minor roads despite the fact that road tax is
payable to the government by vehicle owners. Any deficiencies that arise in
funding these projects have to be met by the local authority. These
responsibilities are sources of possible third party claims yet local authorities
have little control over the funding available for maintenance purposes.

Local authorities act as agents for the national government in respect of public
housing. They are refunded all of the debt charge on new house building but
the local authority has to meet the cost of upkeep. Rents only meet half the
management, maintenance and repair costs consequently there is a shortfall to
be met by local authorities (NESC 1985:55). Rented housing is another
possible source of liability if the property is not maintained adequately.

Thus, overall, the local authorities are in a difficult position with regard to their
finances and any saving in costs that can be made would reduce this burden.
Risk management is concerned with the management of the cost of risk. This
would include insurance premiums; the cost of providing physical protection to
property and personnel, repairs or replacement of property damaged by the
operation of a risk and damages arising from the breach of a legal duty. If an
effective risk management programme could be implemented it may be possible
to reduce the costs experienced by local authorities. Unfortunately, it is
impossible to ascertain from publicly issued figures the cost of insurance or
liability claims to the individual local authority, as these charges are spread
across the eight categories of expenditure listed in paragraph 2.4[6]. An

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[6]   A graph of the funds received from central government for use by local authorities is included in
       appendix B, figure 4.

example of the size of the problem of claims costs is given by IPB, who advise

that in Dublin Corporation the cost of claims was equivalent to the income

received from the commercial rate during 1992[7]. The cost of premiums and

claims during this period would make an inroad into the local authority budget;

any money which could be saved from these sources could be channelled into

more productive areas of expenditure. Claim payments under a liability

policy, which form a substantial part of the insurance premium[8], depend on the

legal liability of the insured.

2.7   LEGAL LIABILITY OF LOCAL AUTHORITIES

Claims under a liability insurance policy arise out of an allegation that a third

party has been injured as a result of a breach of the civil law. If liability is

proved and there is a causal connection between the occurrence and the injury

the defendant is required to pay damages, together with legal fees for both

parties. If the plaintiff fails in the action there is still the cost of a defence to

be met by the defendant. Usually the party against whom judgement has been

awarded meets the legal costs, but this is at the discretion of the presiding judge

who may award a portion of the costs to either party. Furthermore, there is

the risk that if the local authority do succeed in defending an action the other

party is unable to meet the legal costs involved. This means the local authority

will have to meet their own costs despite obtaining an award in their favour.

At the time of independence the new Constitution of Ireland stated that the law

of Ireland was to be that of England as it stood at that time. Thus liability is

mainly governed by the Irish law of tort which developed from the common

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[7]   This information was obtained from the Clients Services Manager of IPB durin the course of the
interviews..

[8]   See appendix A, figure 4.

law system originating in England as it stood in 1922 when the new

Constitution was written. Local authorities are considered to be legal entities

at Irish law and therefore can be held to be liable in tort or contract.

In tort, local authorities hold a peculiar position in that a distinction is drawn

between misfeasance and non-feasance. The latter occurs when the local

authority fails to carry out a task. Thus if a pot hole appears in the road and

they do nothing about it this is considered non-feasance. In this case local

authorities cannot be held responsible for any damages that occur.

Misfeasance is when the local authorities do something but do it wrongfully.

An example is attempting to repair the pot hole but doing it inadequately. In

this case local authorities can be held responsible (McMahon & Binchy

1981:478)[9]. Section 60 of the Civil Liability Act, 1961 provides that a road

authority, which includes a local authority, will be held liable for damage

caused as a result of their failure to maintain the road adequately. This section

of the act has not yet come into operation. When this does occur the

distinction referred to above will effectively disappear where roads are

concerned thus widening the liability of local authorities in respect of accidents

arising out of the use of roads and pavements. In practise this may not be so

traumatic as the IPB and local authorities perceive that the courts are inclined to

the view that any deterioration in roads or pavements is as a result of a fault in

the original design or construction and would be a case of misfeasance[10].

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[9] This is the latest edition but there has been no change in case law relating to these concepts.

[10] The IPB manual states that "*[i]n the recent past court awards amounting to substantial six-figure sums have been given against authorities in circumstances where works had not been carried out or design altered for many years.*"(IPB manual 1988:10) According to IPB this illustrates the tendency for victims of road accidents to blame the state of the roads, rather than any other cause, for an accident despite the fact that these roads have not been worked upon by employees of the council for years. Unfortunately these cases are not reported in the law reports and the principles of law used to support the award of damages in these cases cannot be verified.

There is little case law to support this contention. In fact, in *The State (Christopher Sheenan) v. The Government of Ireland (1988) ILRM 437,* the prosecutor attempted to gain an order of mandamus to force the government to implement section 60 of the above mentioned Act foreseeing that a claim being made would fail on the basis of non-feasance.

Apart from the peculiarity of mis-feasance and non-feasance local authorities can be held responsible for their acts in the same way as any other legal entity. In addition to the law of torts there are a number of statutes which impose liability on the local authority. These include the Water Pollution Act, 1977, the Air Pollution Act, 1987 and various European Union directives[11].

2.8   THE INSURANCE OF LOCAL AUTHORITIES

In order to obtain an indemnity arising out of a breach of their legal duty the local authorities require liability insurance cover. As a result of the passing of the Local Authorities (Mutual Assurance) Act, 1926 the Irish Public Bodies Mutual Insurance Company Ltd. was formed as a mutual company to provide insurances for local authorities. In 1932 the company's remit was extended to providing cover for the Vocational Education Councils (VECs) and, in 1961, to the Health Boards and other public bodies[12], thus its only clients are public bodies. As a mutual company it has no shareholders but is owned by its policyholders and all profits earned by the insurer are distributed to them. IPB is registered in terms of the Insurance Acts, 1909 to 1990 to provide 15 classes

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[11]   A list of these is provided in chapter three of the IPB manual published in 1988.

[12]   According to IPB there are 27 county councils, including 5 city councils and 6 boroughs, 49 urban district councils (these make up a total of 87 local authorities in Ireland), 49 VECs and 8 health boards. The boroughs are co-ordinated by the city councils whilst the urban district councils are co-ordinated by the county councils. The other public bodies would be small in number such as the Electricity Supply Board and Telecom Eireanne (the Irish Telephone company).

Table 2.1. Percentage of claims outstanding against local authorities as at 1 September 1988

County Councils	Potholes	20%
	Roadworks	12%
	Footpath	11%
	Surface Dressing	9%
	Road markings/Sign Posts	8%
	Flooding	8%
	Third Party Reinstatement	4%
	Manhole	3%
	Parks	3%
	Housing	3%
	Gulley Trap	2%
	Stopcock	1%
	Playground	1%
	Miscellaneous	15%
Corporations	Footpath	25%
	Pothole	10%
	Housing	10%
	Manhole	8%
	Roadworks	7%
	Third Party Reinstatement	5%
	Road Markings/Signposts	5%
	Stopcock	5%
	Parks	5%
	Playground	3%
	Flooding	2%
	Gulley Trap	2%
	Miscellaneous	13%

(IPB Manual 1989: 34)[13]

of non-life business[14], including liability insurance. In terms of earned

premium income the company is the eleventh largest in Ireland having a market

share of 2.69 per cent and is third in the liability market with a market share of

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[13] This information is provided by IPB in the risk management manual given to local authorities. The figures relate to claims outstanding against all local authorities on the 1st September 1988.

[14] See Insurance Annual Reports 1980-1992. The only insurances it is not registered to underwrite are sickness, credit and assistance.

11.4 per cent[15]. The claims experience has been discussed in chapter one and is depicted in appendix A. Traditionally the insurances of local authorities, together with those of other public bodies, has been held directly by IPB, without the intervention of intermediaries, but due to the high increase in premiums one authority has dispensed with insurance and is funding losses themselves[16].

A liability insurance programme covers the risk of being sued following accidental injury to persons or property plus the cost of any legal expenses that may be incurred. The claims that arise against local authorities affect their insurance premiums as these are based on the cost of losses which form a major part of the costs of the insurer. A classification of claims experienced by local authorities is included in table 2.1 showing that the majority of cases refer to roads and their usage. This is a problem for local authorities as the areas for which they are responsible are usually very wide spread and involve hundreds of miles of roads. The local authorities would be able to take action in respect of providing safe means of repairing roads, if finances were available to carry out this work, but there would be some difficulties in policing the formation of pot-holes.

According to IPB local authorities are perceived to be vulnerable, by certain members of the public, to actions for damages as a result of personal injury and this is considered by them to be one of the reasons for the increased cost of claims[17]. This perceived vulnerability has increased with the rise in

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15   Information compiled from the Irish Insurance Reports 1991.
16   Information provided by the Cork City Finance Officer in the course of a telephone conversation in September 1991.
17   Information supplied by a representative of IPB during an interview in 1991.

unemployment to unprecedented high levels over the last ten years[18]. In addition, decreasing funds in real terms being received from central government to fund local authority's activities has led to the deterioration in facilities such as roads and parks and thus increased likelihood of accidents. This has reached such proportions that it is considered by IPB that action must be taken. This led to the formulation of a risk management programme by IPB in 1988 to attempt to reduce their losses.

The person responsible for the formulation and implementation of the risk management programme is IPB's Clients Services Manager who is directly responsible to IPB's CEO, the General Manager. Prior to the inception of the programme various actions had been taken by IPB to improve their claims experience. Premiums were increased, warranties were placed on the policies limiting cover and excesses were imposed. These actions had little effect and strong objections were raised by IPB's clients as most of the action taken increased their costs. After a dramatic increase in claims in 1986 (appendix A, figure 4) it was decided by IPB that, in order to reduce claims costs, a risk management programme should be implemented by their clients. Seminars and lectures were held to inform the public bodies about risk management and to explain its advantages. As the biggest losses were being incurred by the local authorities these were the first public body approached to implement the programme. After discussions and negotiations between IPB and the City and County Managers it was eventually agreed that a programme would be implemented and IPB would provide guidance for its implementation. In 1988 a risk management manual was published containing policies and strategies for

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[18]   Central Statistics Office unemployment figures 1980-1992.

risk management.   This was distributed by IPB to the local authorities and the

implementation of the programme commenced.

2.9   SUMMARY

The activities of the local authorities are, in the main environmental, and their

aim is to provide services to the public within the terms of the relevant acts of

parliament.   The County or City Managers are the holders of most of the

power in the running of the local authority and as corporate managers have the

task of ensuring that their organisation achieves its overall objectives.   Risk is

a factor which could contribute towards a failure to achieve these objectives

consequently it needs to be managed.   This may be achieved by a risk

management programme.   One of the methods of stabilising the cost of risk is

by effecting insurance through a registered insurer.   In order to achieve this

IPB was formed as a mutual insurer to underwrite the risks of local authorities,

and, eventually, the other public bodies.   During the decade of the 1980s IPB

have been shown to have performed poorly so that the cost of insuring has

risen, on average 14.2% per annum as compared with the market average of

5.8% (see appendix A, figures 3 and 4, table 6).

The local authority is the largest class of public body, in terms of claims costs

and premium income, insured by IPB.   If their claims costs can be reduced this

will affect the loss ratios of the insurer.   The local authorities are not required

to insure with IPB and may obtain cover elsewhere, although they do not avail

themselves of this right.   In fact, there is no legal requirement for them to

insure at all leaving the option open for self-funding of losses.   Thus the

fortunes of the local authorities and IPB are intertwined.   If a risk management

programme can be implemented effectively in a local authority this will reduce

the cost of risk within that organisation as well as improve the performance of IPB. If the performance of the insurer can be improved this would reduce the cost of insurance premiums to their clients and also increase dividends for their insured and make more money available to provide for the fulfilment of the local authority's objectives. A means by which this may be achieved is by making a risk management programme an integral part of a local authority's strategy. In the next chapter the formulation of strategy and its connection with risk management will be discussed.

CHAPTER 3

THE FORMULATION OF STRATEGY

3.1   INTRODUCTION

In this chapter the literature relating to strategy will be examined in order to gain an understanding of its nature and its relationship with risk management. This will be applied to local authorities, and then to liability risk management. As this research deals primarily with liability risk management implementation of health and safety programmes will also be considered as this is an integral part of any action aimed at reducing losses.

3.2   AN OVERVIEW OF THE NATURE OF STRATEGY

Strategic management has been defined as

> *"a set of decisions and actions that result in the formulation and implementation of plans designed to achieve a company's objectives"* (Pearce & Robinson 1991:3).

The word *"plan"* implies a static approach to the management of the company thus this definition does not take into account the fast changing nature of the world in which a firm has to operate.   As the environment changes the firm will have to formulate and implement new strategies or adjust its old ones so that it can cope with the new situation.   The definition is also limited in that it refers only to companies which are usually perceived to be related to

commercial and industrial activities. This omits other types of organisations such as charities and local authorities and implies that they cannot be managed strategically. Bozemann & Straussman (1990) and Johnson & Scholes (1993) do not consider this to be the case. The former suggest that public bodies should be managed strategically, whilst Johnson & Scholes (1993) refer to local authorities and charities on a number of occasions as organisations which can be managed strategically (e.g. 1993:25, 29, 178, 179, 222).

Johnson & Scholes (1993:16) are of the view that strategic management has three main elements. These are (i) strategic analysis, where management attempt to understand the strategic position of the organisation; (ii) strategic choice involving the formulation of possible actions, their evaluation and the choice between them; and (iii) strategy implementation, which is concerned with how strategy can be put into effect and managing the changes required. Pearce & Robinson (1991) seem to encapsulate this view in their definition. Without strategic analysis recommended by Johnson & Scholes (1993) management would be unaware of the company's objectives referred to by Pearce & Robinson (1991). Thus strategic analysis is implied in the first definition. The fact that strategic management is considered to be a set of decisions and actions by Pearce & Robinson (1991) implies the existence of choice referred to by Johnson & Scholes (1993). Both writers refer to the necessity to implement the strategy. Thus these two views are similar in effect except that Johnson & Scholes (1993) extend strategic management beyond the commercial environment. Pearce & Robinson (1991:3) clarify their views of the nature of strategy by describing the critical tasks of strategic management as being :

*"1.   Formulate the company's mission, including broad
statements about its purpose, philosophy and goals.*

*2.   Develop a company profile that reflects its internal
conditions and capabilities.*

*3.   Assess the company's external environment, including
both the competitive and general contextual factors.*

*4.   Analyze the company's options by matching its
resources with the external environment.*

*5.   Identify the most desirable options by evaluating each
option in light of the company's mission.*

*6.   Select a set of long-term objectives and grand
strategies that will achieve the most desirable options.*

*7.   Develop annual objectives and short-term strategies
that are compatible with the selected set of long-term
objectives and grand strategies.*

*8.   Implement the strategic choices by means of budgeted
resource allocations in which the matching of tasks,
people, structures, technologies, and reward systems is
emphasised.*

*9.   Evaluate the success of the strategic process as an
input for future decision making. "*

(Pearce & Robinson 1991:3)

These tasks imply that once they are completed the organisation will be able to

implement the strategy, little attention is paid to the issue of successfully

embedding the strategy in the organisation.   Task eight refers to

implementation as a task by means of budgeted resource allocations without

considering the effect of the strategy on the people within the organisation

except to match the tasks of people etc. through the budget. Each of the steps included above are rather idealistic and seem to ignore the possibility of resistance to them within the organisation.

Johnson & Scholes' (1993) definition encapsulate these nine tasks in the three elements referred to earlier. They emphasise strategy implementation by including it in one of the three main elements instead of one of nine. They consider that it is important to consider how to effect the strategy and manage the changes involved. The view submitted by these writers seems to be less idealistic than the opinions submitted by Pearce & Robinson (1991).

Quinn (1989:20) reports that management does not follow these highly formalised textbook approach to strategic management by means of long range planning, goal generation and strategy formulation. Instead, they use formal analysis together with behavioural techniques and power politics to achieve broadly defined ends which are gradually refined. Thus they would disagree with the approach taken by Pearce & Robinson (1991).

Strategy is defined by Johnson & Scholes (1993:10) as:

> "the direction and scope of an organisation over the long term: ideally, which matches its resources to its changing environment, and in particular its markets, customers or clients so as to meet stakeholders expectations "

This definition of strategy emphasises its long term and dynamic nature. The definition given by Pearce & Robinson (1991:3) is:

> "large-scale future-oriented plans for interacting with the competitive environment to achieve company objectives. "

Johnson & Scholes (1993) emphasise the changing environment whilst Pearce & Robinson (1991) seems almost to imply that there is a static competitive environment rather than one that is changing. The former writers extend the meaning of strategy to take into account that the operation of an organisation is not only affected by its environment but also affects it. In their view the direction and scope of the organisation is aimed at a variety of factors which are changeable to which the organisation should react rather than there being a static set of objectives as implied by Pearce & Robinson (1991). The aim of strategy is extended beyond achieving a company's objectives but should also be aimed at meeting stakeholder's expectations[1]. Thus there is an emphasis on a dynamic environment which is constantly changing meaning that the organisation should react to the changes. Thus Johnson & Scholes (1993) definition of strategic management is more dynamic than that of Pearce & Robinson's (1991).

Local authorities are organisations which have goals to achieve within their own environment as well as stakeholders to appease. The goals of local authorities was discussed in chapter two, sections 2.4 and 2.5. The stakeholders of a local authority include the local electorate, tourists, the public in general, and central and local government. The strategic management process is a means through which the objectives of the local authority may be attained, and their stakeholders expectations met, taking into account the environment in which it is performing. If the local authorities' aims and objectives are clearly understood by management they are more likely to be achieved than if they are unclear or not formulated. In order to successfully fulfil their objectives, and meet their stakeholders expectations, an analysis of the environment in which

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[1]   Stakeholders are persons affected by the operations of the organisation.

they are operating should be carried out so that they are able to understand the factors affecting their objectives. This analysis would also assist in maintaining contact with the needs of the stakeholders. Both Pearce and Robinson (1991) and Johnson & Scholes (1993) are of the view that the process of strategic management, as envisaged by them, may assist in the achievement of their objectives.

Johnson & Scholes (1993:xxii) emphasise the importance of strategy to the public sector and non-profit organisations . This would seem to be a reasonable argument as a local authority's main goal would be to meet stakeholder's expectations as part of their overall objectives. This is due to their political nature. Local government is appointed by the voters residing within the area which they represent and would therefore be more susceptible to the actions of stakeholders. Because of this, the aim of meeting stakeholder's expectations would be more strongly reflected in their objectives than in the case of a profit making organisation. This is also emphasised by the provisions of sections 5 and 6 of the Local Government Act, 1991 which describes the function of a local authority as representing the interests of the local community. In view of the foregoing arguments Johnson & Scholes (1993) view of strategy seems to be preferable because of its wider application and less formalistic approach and will be used for the purposes of this research.

Both sets of writers reach similar conclusions concerning the process of strategic management. Pearce & Robinson's (1991:13) consider this process to consist of:

1. the setting of a company mission which is the unique purpose that sets it apart from other companies of its type;

2. reviewing the company profile and the external environment;

3. setting long term objectives and the grand strategy through which these are achieved;

4. setting annual objectives which are achieved by the operating strategies;

5. setting policies which are broad, precedent-setting decisions to guide repetitive managerial decision making;

6. institutionalising the strategy;

7. and finally controlling and evaluating the strategy.

This seems to capture the process which management should ideally go through in order to strategically manage their operations. In practice the actions taken by management will not be so clear, the process is an iterative one which may involve moving from one step to another and then back again. Despite this the process set out above does provide a model which explains the components of strategic management.

Generally strategy is written about as though it is always intentionally formed by management in terms of the above process but this is not necessarily how strategy is realised[2]. Johnson & Scholes (1993:35) are of the view that there is a tendency towards momentum of strategy in that once an organisation has adopted a particular strategy it tends to develop from and within it rather than fundamentally changing direction as a result of a change in the environment. Mintzberg (1978:934-48) shows how strategy formed incrementally over many

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[2] See, for example, the work of Pearce & Robinson (1991).

decades amongst a number of organisations and this is supported by Quinn (1989:20). Johnson & Scholes (1993:38-39) accept this view and have characterised strategy as being emergent, opportunistic or imposed. An emergent strategy occurs when a strategy develops over time; opportunist strategies develop if an organisation decides to take advantage of an opportunity which arises; imposed strategies may be inflicted on an organisation as a result of a change in the environment, for example government action may have a direct affect on the strategy of a local authority. Thus strategy can be seen as a means by which an organisation matches its resources to the environment and in this way achieves its objectives which may develop formally by means of the strategic management process or emerge informally.

The responsibility for setting strategy is with management (Johnson & Scholes 1993:xx) and is set at a number of different levels. Both Pearce & Robinson (1991:5) and Johnson & Scholes (1993:11) refer to three levels corporate, business and operational. Corporate is strategy set at top level by the board whilst business strategy is set by the business units and operational is set by the various departments. In smaller organisations there are only two levels with business and corporate levels being combined.

3.3 STRATEGIC MANAGEMENT IN LOCAL AUTHORITIES

The discipline of strategic management has mainly been applied to business organisations but it is submitted that it can be just as well applied to a non-business organisation, such as a local authority, as both types of organisations have reasons for being, albeit different. It has been argued by a number of writers that strategic management will benefit a business[3]. If this is the case

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[3] See, for example, Pearce & Robinson (1991:9).

then the application of this concept should be able to assist in the more effective and efficient running of a local authority. Johnson & Scholes (1993:27) consider that many of the concepts included in strategic management are just as important in the public sector as the private (1993:25, 29, 178, 179, 222). There will be differences in approach and goals when compared with business but it would be up to the management of the public body to identify the focus of attention in considering strategic development in their organisation. Local authorities are similar in some respects to a business organisation in that they have, for example, a labour market from which they obtain a supply of workers and a money market from which they obtain financial resources. It also has other suppliers, users or customers but the fundamental difference is that at its heart lies a political market which approves budgets and provides subsidies (TenDam 1986:78). It is this political dimension which distinguishes local authorities from businesses[4]. The former still have to supply a service in the same way as the private sector but this has to be provided in accordance with the requirements of the local and national representatives. The functions of local authorities are quite diverse and in some cases are considered difficult, if not impossible, to supply through the market mechanism or, even though it is possible to provide the service through this mechanism, it is considered socially undesirable to do so[5]. The services are diverse and therefore the local authority is unable to specialise or concentrate on a particular area and may not be able to generate surpluses to invest in development. This lack of focus could lead to mediocrity of service. Managing a local authority strategically could provide the required focus and improve the level of service.

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[4]   See, for example, the discussion in Tendam (1986) and Bozemann & Straussman (1990).
[5]   See, for example, Roche (1982:7) and the reference to the Macrory Review Body (1970) which wrestled with the problem of distinguishing between the types of work appropriate to central departments, statutory boards and elected local authorities and also Byrne (1986:3) which deals with the issue of the tasks of local authorities in the UK.

The role of competition in the public sector would also differ from that found in business. Competition in the public sector is usually for resource inputs which leads to the need to demonstrate value for money in outputs to show that the resources received are being put to proper use. In Ireland local authorities are competing with other government bodies to obtain resources from central government as they generate very little for their own requirements. This leads to a strong emphasis on obtaining resources to achieve their objectives.

In Ireland the manager has most of the power in the local authorities but over the years the councillors have gained considerable influence over the manager's functions. The clear distinction between the executive and legislative powers intended in the formation of the management system has become cloudy and this has led to political influence in the goals of the council (Roche 1982:113). This makes the aims of the local authority and their implications less clear than in a business organisation where political opinions and policies, in the sense of party politics, are less important. Thus it would be more important to concentrate on the process of strategic management rather than the result oriented content of decisions (Wiseman 1993:146). Process is focused on the actions that lead to and support strategy and deals with planning methods, decision making and the impacts of individual and group characteristics and structure on strategy (Wiseman 1993:146). Wiseman (1993:147) argues that the strategic planning process should be attractive to small government units as accurate planning and good planning procedures are significant elements in improving their productivity. Jensen (1982:158-160) sets out a six step process which is similar to those used in strategic management texts concerned with profit making organisations. That is:

1. a review and redefinition of the core mission;

2. a description of current condition;

3. environmental analysis;

4. description of improved conditions;

5. expected key accomplishments; and

6. expected key decisions.

This is similar in effect to the process referred to by Johnson & Scholes (1993) and Pearce & Robinson (1991) discussed above. Jensen (1982) takes a rational approach to management and writes in a similar vein to Pearce & Robinson (1991). He, like them, ignores problems of implementation of strategy and organisational culture. Despite this the process is useful in assisting top management in formulating strategy. During the course of this process implementation and the barriers that may be faced should be kept in mind. A discussion of the implementation of strategy will take place in chapter 4.

Local authorities are able to formulate a core mission but this will have to be in the context of policy set by government at local and national level. Thus a mission could be (1) to fulfil the requirements of the Local Government Acts in the most efficient and effective manner; or (2) to fulfil the expectations of local residents in the most effective and efficient manner. Either of these could be a mission which can be used to drive a local authority in the direction in which it intends to go. As strategy is aimed at achieving a favourable relationship with the organisation's environment in order to achieve its ends a review of the environment in which it operates is also necessary. In the past this environment has been considered stable and devoid of threats but this is no longer the case. For example emphasis is being placed on local authorities'

responsibility for the environment as the green lobby becomes stronger[6]. A further change is the increase in the number and value of liability claims being instituted against local authorities[7]. Response to these changes will require to be built into the strategies of the local authorities.

Setting long term objectives are also possible within the local authority despite the fact that politicians are elected every five years. Continuity is maintained by the system of managers and officers used within local authorities who deal with any changed circumstances following a by-election. The objectives may be affected by the ideology of the party in power at both central and local level. In some instances these could conflict as the party in power at local level may be in opposition at central government level. In addition there would be competition within the council concerning objectives to be achieved which would affect the operation of the local authority. In government itself there may also be conflict concerning the goals to be achieved within Ireland as governments and the constitutions of government changes. In recent years Irish governments have been coalitions of parties with different views of the long term. This will affect the formulation of strategy due to differing political ends[8]. Despite this, long term goals can be set which are flexible and take into account the changing political environment. Thus flexible, long term objectives in excess of one year may be set and strategies established to attain these objectives. In order to achieve these long term objectives short term

[6] Recent elections (1992) have shown a greater awareness of green issues with two members of the Green Party in Ireland being elected to the European Parliament. In addition local and national government seems to be becoming more aware of these issues.

[7] IPB confirmed in an interview in October 1993 that the number and value of claims against local authorities have risen substantially over the past ten years but did not provide figures to substantiate this.

[8] See also Coakley & Gallagher (1993:151) where 'brokerage ' is discussed. This may be another impediment towards the formulation of a strategy

ones to be completed within one year or less will need to be formulated together with the necessary operational strategies. In setting these goals the different stakeholders will have to be considered. Unlike businesses there are no board of directors or shareholders but there is national government, the electorate, users of the facilities provided and the local politicians who have an interest in the activities of local authorities. Once these objectives have been set policies may be written, the strategy institutionalised and control and evaluation procedures put in place. Throughout the process management should be aware of how the environment is changing so that the effect of this on strategy can be analysed and the necessary steps taken to match strategy with the new environment. This model has been developed to provide an idealistic understanding of the strategy process. Quinn (1989:20) argues that this process is not carried out as management develop strategy incrementally yet it would seem within this incrementalism there may be the elements of the above process.

The levels of strategy differ from those found in business organisations, although it can be argued there are still three levels. At corporate level the main issues about the overall scope of the organisation are set by an act of the Oireachtas[9] and central government. Local representatives are able to make decisions concerning implementation of the overall mission. They may lobby central government for resources to achieve their perceived priorities in a similar way to profit making organisations at business level. Resources, once they have been obtained, will have to be allocated by the management of local authorities in conjunction with the requirements of central and local public representatives although the final power of allocation lays with management.

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[9]   Irish parliament consisting of the Dàil and the Seanad.

Thus the local authorities would represent the point where the second level of strategy is formulated.

The third level in a business organisation is operational strategy where consideration is given to the different functions of the enterprise. This is also the case in local authorities where there are a number of different functions such as finance, engineering, etc. which are at departmental level. One of the functions of management is to manage risk and this would apply equally to public sector management. The risks faced are different to business organisations and are more diverse but they still exist (Bozemann & Straussman 1990:34) In local authorities there is the risk that if a budget is not agreed by the members of the council that council will be suspended[10]. This risk could be brought about by the high cost of liability claims, thus a strategy will need to be formulated at local authority level to deal with this issue. The formulation of this strategy will assist the local authority in achieving its overall mission of fulfilling the requirements of the local government acts in the most efficient and effective manner or the meeting of the expectations of its stakeholders.

3.4   THE NATURE OF RISK MANAGEMENT

Strategic management and its application to local authorities as a method through which they can achieve their objectives has been considered above. It is possible that an uncertain event could occur which would prevent them from achieving their aims. This risk can be analysed and effectively dealt with by using methods advocated by the discipline of risk management. In this section it is intended to consider the nature of risk management and its place in the overall strategy of a local authority.

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[10]   For example the Dublin city council was suspended in 1969 (Coakley & Gallagher 1993:23).

A measure of whether a strategic option is worth pursuing is the rate of return on that strategy, but according to Johnson & Scholes (1993:289-294), a further measure of acceptability is risk, that is to say the two can be evaluated seperately rather than referring to combining risk with return[11]. Thus if the risk of failure is high, despite the possibility of high return, the option may not be pursued and a less risky option implemented. Johnson & Scholes (1993:289) argue that risk should be assessed as part of an evaluation of specific strategic options. Thus, for example, financial risks of a particular strategic option should be considered as part of the evaluation of a strategy, as there is a clear link between risk and strategy when considering the financing of a particular project. The financing of the project could change the capital structure, if long term loans are used, as finance can affect the gearing of the organisation adversely. The analysis of the risks involved in the assumptions made in considering future markets or other uncertain variables is recommended by Johnson & Scholes (1993:292) as part of the process of evaluating strategic options. This recommendation covers all organisations, including public bodies (Johnson & Scholes 1993:290).

Risk is a normal part of the life of an organisation. Baird & Thomas (1990:35) consider that the basic conceptualisation of risk in particular times and environments could lean towards risk as innovation, risk as variance, risk as disaster, risk as entrepreneurship, risk as failure to achieve targets, risk as loss probability and/or risk as lack of information. Vaughan (1989:17) considers risk to be:

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[11] See Johnson & Scholes (1993:374) where he discusses the effect of using quantitative methods on risk behaviour and the avoidance of failure.

> *"a condition in which there is a possibility of an adverse deviation from a desired outcome that is expected or hoped for"*

This would seem to include risk as: variance; disaster; lack of information; and loss probability and also involves the concepts of uncertainty and the possibility of the occurrence of an untoward event which are an inherent part of risk when discussing risk management[12].

There seems to be differences of opinion amongst the writers on risk management as to the nature of the risks to be handled by the discipline. The wide view, which includes all types of risks in the risk manager's remit, and a narrow view, which includes only risks which may be insured. In between there are a number of varying opinions as to the extent of the risks which are covered by risk management (see Carter et.al. 1994; Claes & Meerman 1991; Dickson 1991; Grose 1989; Head & Horn 1991; Valsamakis et al. 1993).

The outcome of a strategy is uncertain in that the assumptions made in the formulation of the strategy may be incorrect or the expected results not forthcoming. This may be caused by various events including, in the case of local authorities, a reduction of the amount of money made available to them by government, the advent of privatisation or a large liability claim which increases the cost of insurance in the future or decimates their budget. Thus strategy and risk are interwoven which leads to the conclusion that risk needs to be managed as part of the strategy of an organisation.

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[12] For a fuller discussion concerning a definition of risk in the context of risk management see Valsamakis et al. (1992:24), and Vaughan (1989:3).

When a strategy is being formulated by local authorities there is the risk that their overall goal may not be achieved, that they may not be able to meet the expectation of their stakeholders or match their resources to the changing environment. In order to reduce this possibility a strategy should be developed which takes into consideration these concerns. Risk management is a process which allows management to identify, evaluate and control the events which could possibly affect adversely the achievement of their objectives[13]. There are many factors which may detract from an organisation achieving its goals. One such factor is the possibility of legal action being pursued by an employee, or third party[14], injured in an accident or suffering ill-health due to conditions emanating from the operations of the organisation. This leads to unforeseen costs being incurred by way of compensation. Further expenses such as legal fees and other costs in both financial and human terms, some of which are difficult to quantify, will also be experienced. These would contribute towards a reduction in organisational achievements and also, possibly, loss of reputation. In some cases the cost could be large enough to affect the survival of the organisation or lead to a failure in overall strategy. Resources are needed to achieve the objectives of an organisation and if some of these have to be diverted to meet the cost of a third party claim, or increased insurance premiums, this could lead to failure in the strategy through lack of resources. The discussions in Cannon (1994:193-199) of the performance of various organisations following a disaster shows the extent to which its affect can impinge on the operations of the organisation[15]. If the organisation is a small one with few assets a large third party claim could mean that these assets have

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[13] See for example the discussion in Valsamakis et al. (1992:54).

[14] A third party is some person or body who is external to the firm who has not entered into a contract of employment with the organisation.

[15] For example the sales growth of Perrier water fell from 40% to less than 5% following the problems of purity experienced by this firm's product. (Cannon 1994: 198).

to be liquidated to meet the requirement to pay damages thus preventing the organisation from trading.

Liability risk and health and safety of third parties and employees are linked. Compensation is awarded in respect of bodily injury or disease as well as property damage. If these costs are to be controlled a health and safety policy would have to be implemented and this should form part of a risk management programme. An overall organisational strategy which is aimed at meeting stakeholders expectations would involve the reduction of risk of injury to them and a strategy would have to be formulated to achieve this aim. This strategy would involve the implementation of a risk management programme aimed at reducing liability risk.

Traditionally the risk of injury to an employee or deterioration of his or her health as a result of the operations of the firm have been dealt with by the personnel department. This has been achieved by technological and behavioural means, and deals only with accidents affecting employees and gives little consideration to the possibility of third parties being adversely affected by the organisation's activities. Neither does this function become involved in the provision of finance following a loss as this is dealt with by the department handling insurances. A further activity following an accident is the investigation of the incident with a view to establishing legal liability. This is not usually incorporated into the health and safety function, although causes of accidents may be investigated for other purposes. Investigations following a claim are usually left to insurers and may therefore be outside the control of the organisation.

Insofar as liability risk is concerned these aspects are interrelated. Accidents will affect the cost of insuring and also the possibility of obtaining insurance as well as the overall functioning of the firm. If care is not taken to carry out investigations following an accident unnecessary legal and compensatory costs may occur. These activities therefore need to be co-ordinated and this should be the task of risk management. Thus the risk management function encompasses the tasks of a safety officer, as well as the purchasing of insurance, but extends further to include a more comprehensive approach to liability risk. Third party safety has to be maintained, environmental issues taken into account, claims investigated and negotiated.

This means that the risk management function transcends departmental boundaries. For example, in the case of local authorities, the engineering department is responsible for maintenance of roads and footpaths and for the safety of members of the public using their facilities. The insurance programme is negotiated by the finance department and administered by the clerical department. Thus the risk manager will have to find a way of co-ordinating these various duties which are the responsibilities of managers who may be senior to him or have the same level of authority. In order to achieve a strategy of risk reduction and control the person responsible for risk will have to develop a risk management programme taking the above factors into account.

3.5   THE RISK MANAGEMENT PROCESS

Risk management may be considered a process involving a number of steps aimed at identifying, evaluating and handling risks. Claes & Meerman (1991); Dickson (1991); Grose (1989); Head & Horn (1991); Valsamakis et al.

(1993), amongst others, have all considered the constituents tasks of risk management and these will be discussed below.

3.5.1 IDENTIFICATION OF RISK

This task is an integral part of a risk management programme. It is only by identifying risks that action can be taken to control them. In order to carry out this task systems should be established which are aimed at determining the nature of the risks being faced by the organisation so that action can be taken to provide for their occurrence and lessen their impact on the organisation.

3.5.2 EVALUATION OF RISK

Once the risks have been identified they will need to be evaluated so that they can be prioritised. Once risks have been prioritised decisions can be made concerning how to handle them.

3.5.3 RISK CONTROL

Once the risks have been identified and evaluated decisions are made as to how these risks are to be controlled. This could be achieved by physical or behavioural means. The control of costs following an accident is also important and forms part of risk control. This is particularly true in the case of liability risk. The payment of compensation revolves around the existence of legal liability which will depend on the facts of the accident and how they are presented in court. Time will erode any witnesses memory and also provide room for embellishment in the event of sympathy lying with the injured party. Thus an immediate investigation following an injury can improve the chances of obtaining accurate details of the circumstances surrounding the accident.[16] This will be essential if it is decided to defend the action. Investigations

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[16]   See Rokes (1981:55)for a full discussion of these points.

should be carried out as soon as possible, statements and photographs taken and essential evidence retained. This will establish liability quickly so that, in the case of the injured party being entitled to compensation, a settlement can be negotiated without incurring the additional cost of lawyer's fees thus saving further expense.

3.5.4 FINANCING RISK

Financing risk is a means of providing funds to meet the costs incurred following the operation of a risk. In the case of liability risk this will involve compensation for injured parties if legal liability can be proved or funding the defence of an action, including investigation costs, if necessary. A decision will have to be made as to whether the organisation is going to provide financing internally or externally. The normal method is by means of insurance which is an external method of funding. Funding internally could be carried out by setting up a fund or paying claims out of revenue.

3.5.5 MONITORING THE RISK MANAGEMENT PROGRAMME

The programme, once implemented, must be evaluated and monitored. This is to ensure that the objectives of the programme have been attained. If this is not the case the person responsible for risk management will need to take action to rectify the situation.

3.5.6 CRITICISM OF THE PROCESS

The above process is criticised by the risk management roundtable[17] (Burlando, et al. 1990:50). They refer to the five step decision making process in similar

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[17] In early 1989 the risk and insurance management society (RIMS) in America formed the risk management roundtable to advance the theory and practice of risk management. It consists of experienced risk managers whose aim is to meet regularly to identify trends and issues and develop mechanisms to address them in order to broadly disseminate views and concerns (Burlando et al. 1990:50).

terms to the one above. In their view the process does not adequately describe how risk managers make decisions. This criticism seems unwarranted as the process is not a decision making one but a model showing how the risk management task operates. They also criticise the model because they consider that the tasks as set out are time ordered but this is not necessarily the case. They are in fact iterative, the identification of risk will involve measuring and monitoring and these steps also involve identifying risk as new ones arise. Risk management is a continuous and iterative process and as long as this is remembered the steps model the risk management task, albeit imperfectly as is the case with any depiction of reality. Thus it is argued that the steps referred to above adequately represent what a risk manager does.

3.6   FORMULATING FUNCTIONAL STRATEGY

In the view of Pearce & Robinson (1991:295) the setting of functional strategy is part of the implementation process. It consists of formulating annual objectives which guide the organisation towards the achievement of its overall mission and functional strategies, which operationalise the unit's objectives and translate grand strategy into action plans. On the other hand Johnson & Scholes (1993:311) consider that operational objectives are distinguishable from corporate objectives in that the former relate to the individual units of the organisation in the same way as Pearce & Robinson (1991), but are of the view that these strategies are part of the formulation process. Thus there is a difference of opinion between the two sets of authors as to the place of setting functional strategies in managing an organisation strategically.

Formulation and implementation of strategies are integrally linked. Once strategy has been formulated it has to be implemented and this should be borne

in mind whilst deciding on strategy. It seems reasonable to argue that in order to achieve the firm's overall mission the functionaries must institute strategies to achieve this goal therefore it is part of the implementation process of the mission and grand strategy. Despite this it is intended to deal with risk management strategy in this section rather than in the chapter dealing with implementation of strategy.

The formulation of strategy at operational level consists of devising functional objectives which are normally set for a period of one year or less and setting strategies to achieve these objectives. This is followed by drawing up policies which are aimed at directing managers in making their every day decisions (Pearce & Robinson 1991:297). These factors will now be discussed as applied to risk management.

3.6.1 RISK MANAGEMENT STRATEGY

Section 3.5 sets out a process which forms part of a risk management programme and is a means of achieving the risk management strategy. This strategy is formulated in terms of the overall goals and objectives of the organisation. It is doing the right things as opposed to doing things right (TenDam 1986:79). To set strategy risk management must remove itself from the day to day running of the company and take an overall view of the organisation and environment as a whole to see how the function fits within the overall scenario. The long term view of events should also be taken rather than a short term fire-fighting approach. Risk management is inherently long-term as steps taken to reduce risk will have to deal with events that may never happen, or may possibly occur many years in the future. If there is a fall in risk management vigilance this could lead to losses which may well have been dealt with if a long term view had been taken.

Bannister (1989:11) is of the view that all members of management are involved in managing risk and that the ultimate risk manager is the chief executive officer who, through his or her team, manages the risks of the company. The extent of risk management, according to Bannister, will depend on the CEOs broad view, his allocation of responsibilities and the determination of priorities of the various executives. There is a link between the style of the company and the pattern and degree of risk management. Some companies tend to be aggressive risk takers others excessive risk avoiders[18]. At business level and corporate level an acceptable level of risk will shape the outline of risk strategy. The style of the company in accepting risk will depend upon the risk profile of the chief executive and the board. These are the team that lead the company and from which its overall profile is formed. They shape the overall direction of the organisation. Thus risk management should be in a position to understand the acceptable level of risk and formulate a strategy that takes this into account (Bannister 1989:11).

Burlando et al. (1990:50-52) point out that the mission of risk management generally focuses on

> "the preservation of assets and continuity of earning power"

generally coupled with the steps in the risk management process. They consider this to be unacceptable in the 1990s . What is more important, according to them, is the ability to co-ordinate interdisciplinary skills rather than the skills inherent in identifying, evaluating and handling risk. In their view this latter approach is more in line with the ways in which organisations

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[18] See for example the discussions in Peters (1992: 145, 176, 584-5).

are developing. As risk affects every part of the organisation, whether it be engineering or treasury, there may be some conflict between line managers in the setting of risk management strategies (Smith & Williams 1991:58) Thus the formulation of policies requires the co-operation of managers of other functions who may see the efforts of a risk manager as an intrusion into their sphere of operation. Uncertain events can and will cross traditional functional boundaries. Roskopf & Aiello (1991:58) quote Moss Kantor as stating that in the future organisations will resemble a matrix rather than a hierarchy and managers will have to cut across all functions. Specialisation will still be important but emphasis is placed on building coalitions and soliciting support from other areas. This statement applies in particular to risk management. Burlando et al. (1990:52) are of the view that the mission of risk management should be to select, co-ordinate and efficiently apply interdisciplinary skills to harmful uncertainties which may diminish the future value of public, private or personal resources. This seems to comply with the views of the other writers in referring to using interdisciplinary skills and the reference to 'co-ordinate' implies the use of other managers skills to achieve risk management objectives.

The views of the above writers are also applicable to risk management strategy in a local authority. These organisations are fixed in their structure and a newly appointed risk manager must take into account the crossing of these immutable functional boundaries to achieve their strategy thus the co-ordination of interdisciplinary skills will be essential. As has been shown in chapter two and earlier in this chapter the ingredients of risk management are spread throughout the various departments within the local authority thus the risk manager's task will be to co-ordinate them to achieve the overall objective.

Risk, in the sense of a failure to achieve the organisation's mission, should be considered at both central and local government level when setting the local authority's mission. At the second level, that is the level of the local authority, each organisation should have its own mission and strategies which are aimed at fulfilling central and local government aims. The goals of each local authority may differ depending on the make up of the council and the style of management. It would be the task of the City or County Manager to set these goals taking into account policy considerations. It can be argued that risk should form part of the key elements in the strategy to be discussed. Before setting strategy an internal and external analysis (see for example Cole 1985:26) should be carried out which would reveal key elements of the local authority's aims and the factors which would inhibit these goals. Risk managers, along with all departmental managers, should be involved in the setting of strategy. Management's task would be to consider the factors in the environment which would prevent the proposed strategy from being achieved and bringing this to the attention of their peers.

The inhibiting factors which are inherent in the chosen strategy and accepted by management would be dealt with by risk managers when setting their own strategy. The setting of risk management strategies is accomplished at operational level. The risk manager should be able to obtain a general view of the risk profile and main hazard areas involved in the overall strategy and then make decisions concerning how the risks should be handled (Kakis 1990:20; Zajdlic 1984:4). This will mean reviewing the operating, risk financing, organisational and regulatory aspects of the environment; consider the strengths and weaknesses of risk management; derive optimum resource allocation models after taking into account several different possible outcomes

following the environmental analysis and then monitor the environment and the strategic plan as the future unfolds (Cole 1985:26). The risk manager is responsible for ascertaining the exposure to adverse events. This knowledge would be brought to bear in the forming of organisational strategies as well as risk management functional strategies. This analysis should be followed by prioritisation of the risks faced and setting objectives and strategies to cope with these risks. This will involve the setting of short term objective and functional strategies to implement the overall strategy as part of a risk management programme.

3.6.2 OPERATIONAL OBJECTIVES

Broad annual objectives should be set which are in compliance with the organisation's overall strategy. According to Pearce & Robinson (1991:222-223) these should have the following attributes: be achievable by the organisation; measurable so that management are aware when the objectives have been achieved; acceptable by persons who are required to achieve the objectives; flexible so that they can take into account a changing environment; motivating so that the persons responsible for carrying them out are encouraged rather than discouraged; suitable in that they tie in with the broad aim of the organisation; understandable to those who are going to implement them. These are attributes which would ensure that the objectives set can be achieved at all three levels of strategy. Johnson & Scholes (1993:190) accept these requirements except that of measurability. In their view some very good objectives are not measurable, these are generally at the corporate or business level. In the case of liability risk management some of the aims of the organisation concerning risk and of the function could be nebulous and difficult to measure. An example is the impact of a new safety strategy, such as the installation of roundabouts or traffic lights, as their are no means of comparison

between the existing situation and the new one. If this should arise the constraint of measurability should not be pursued too far if the objective seems to contribute towards the achievement of an overall goal. The difficulty of not knowing precisely whether an objective has been achieved arises in this case but this should not be allowed to offset the value of pursuing a suitable goal merely because it cannot be measured. Thus the installation of traffic lights at all roadworks may be considered to be safer than employing a person with a flag to control the traffic yet the possible effect of this change may not be measurable. Despite this the objective should not be abandoned.

In the past risk management has been most closely connected with finance having evolved from insurance management (Snider 1990:38). This is still an important aspect of the function but should not be considered the only one. The risk manager will have to derive objectives to deal with the financial aspects of risk management and this could involve insurance or some other means of funding losses. The other tasks of risk management should not be ignored and risk management should set objectives which will take these into account. These objectives are aimed at the overall direction of the risk management department as opposed to the tactical level where the day to day events are planned.

3.6.3 OPERATIONAL STRATEGIES

Operational strategies are a means by which the annual objectives and grand strategies are achieved. They follow on from the clear articulation of functional objectives. Strategies at this level have three basic characteristics which differentiate them from the other strategies (Pearce & Robinson 1991:304).

First they are formulated for a different time horizon; they are normally achieved within one year as opposed to grand strategies which are aimed at three to five years. This shorter time horizon ensures that functional management, including risk management, are focused on what needs to be done immediately to make strategy work. The second point of differentiation is that operational strategies are more specific than grand strategies. They show operational managers how a grand strategy should be achieved by identifying the requisite action for their functions. Third, different people participate in setting strategies at functional level. Business level strategy is normally set by the general manager, or in the case of Irish local authorities, the county or city manager. The setting of operational strategies is carried out by the heads of department such as engineering or finance. Risk management is considered a separate function of business and therefore should be involved in setting its own strategies at operational level.

Risk management would have to set strategies across functional boundaries to achieve their objectives. For example, to achieve a goal of reducing the cost of insurance, a local authority's claims experience would have to be improved as premiums are calculated mainly from past claims[19]. A strategy for achieving this aim could only be formulated with the consent of the engineering department as they are responsible for the different sites operated by the authority. If an injury occurs to a third party at a local authority facility, which may be caused by poor maintenance, certain steps will have to be taken. The loss will need to be investigated, reported to insurers, the matter handled by lawyers if a claim is forthcoming, witnesses provided for court if necessary,

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[19] Information supplied during a discussion with a representative from IPB at his office in Dublin in October 1993.

and any payments which may be made will have to be financed. These steps would involve the engineering department, which will advise on the cause of the accident, the legal department to deal with the third party lawyers, the town clerk's department which will institute the claim against the insurance company and the finance department which will ensure that the claim is paid by the insurer. Thus all departments will be affected by risk management strategy.

3.6.4 RISK MANAGEMENT POLICIES

Once objectives and strategies have been formulated the next step is to draft policies. A policy statement should be drawn up which sets out the aims and objectives of risk management and provides guidance to all managers and employees concerning risk. This should be approved by top management and specifically adopted by them (Snider 1990:58). The aim of the policy statement is to ensure that all members of the organisation are aware of the aims, objectives and strategies of risk management. In addition to the general statement of the aims, the policy statement will contain details of the procedures which need to be followed in certain circumstances. Thus, the person responsible for the safety of a particular area may be nominated in the policy statement, as well as the name of the individual responsible for ensuring that all accidents are reported. SHAWAWA requires that an individual be nominated as safety officer and the name of this person should be included in a safety statement. Thus, the risk management policy statement could incorporate the legally required safety statement, but might take this further to include all risk management aims, objectives, strategies and procedures. This policy should be written and be made accessible to all staff so that everyone is aware of the action to be taken in specific circumstances. The provision of a policy document will assist in achieving the aims of the risk management department in that useful information on what to do in a variety of

circumstances is provided to employees. It should be available and readable so that all members of staff have access to ensure that the required tasks are carried out.

Pearce & Robinson (1991:317) consider that policies are designed to control and reinforce the implementation of strategy in a number of ways:

1. They establish indirect control over independent action by stating how things are to be done. Thus action can be taken by individuals quickly without reference to top management.

2. They promote uniform ways of handling similar activities. This ensures that all tasks required by risk management are handled in such a way as to conform with, for example, the requirements of insurance policies. These may contain certain conditions which have to be complied with before the organisation can achieve the benefit of the policy in the event of a loss.

3. They ensure quicker decisions when necessary by standardising requirements. The example of the requirements of an insurer for validating an insurance policy or claim apply here as well as standardising action to be taken following an accident for investigative purposes.

4. They institutionalise basic aspects of organisational behaviour. Again this is aimed at consistency and making the requirements of risk management second nature to employees.

5. They reduce uncertainty in repetitive and day to day decision making.

6. Policies counteract resistance to or rejection of chosen strategies by organisation members.

7. They provide predetermined answers to routine problems.

8. They provide a mechanism for avoiding hasty and ill-conceived decisions in changing operations. Prevailing policy can always be used as a reason for not yielding to emotion-based expedient or temporarily valid arguments for altering procedures and practices (Pearce & Robinson 1991:318). There is a danger that management or employees may still make decisions based on what they feel to be right in the circumstances and may justify the decision afterwards with reference to the policy statement.

These factors would assist in communicating risk management's aims and objectives to the rest of the organisation thus facilitating the control of risk and reinforcing the implementation of their strategy. Advice is provided by the policy document as to how risk should be handled as well as what to do after a loss. This facilitates the control over the action of other personnel affected by the risk manager's strategies. Also it ensures that claims handling or loss prevention activities are handled uniformly and makes for quicker decisions. The provision of a written policy document on its own does not provide a means of overcoming resistance by peers to the aims of the risk manager as will be discussed in chapter four.

3.7 SUMMARY

In this chapter strategic management has been discussed as a way of enabling the organisation to cope with the changing environment. It has been argued that this method can be applied to public bodies such as local authorities. Risk management, as a means of dealing with uncertainty, has been considered, and it has been advocated that this discipline may be integrated into the strategies of the organisation to deal with the possibility of the occurrence of uncertain,

adverse events. A means of formulating such a strategy has been discussed and it has been argued that by doing this the organisation will be better able to achieve its overall mission.

A possible overall goal at central and local government in Ireland could be to reduce costs and a means of achieving this, insofar as risk management, is concerned is to reduce exposure to liability claims. In order to achieve this overall objective risk management will have to formulate strategies and policies. These have been discussed above and suggestions made as to the nature of policies and strategies which may be set by risk management. Formulation is the initial part of managing strategically but once strategy has been developed it needs to be implemented. This is the subject of the next chapter.

CHAPTER 4

IMPLEMENTATION OF A STRATEGY FOR MANAGING RISK IN A LOCAL AUTHORITY

4.1 INTRODUCTION

In this chapter the literature relating to the implementation of strategy will be assessed and applied to local authorities and risk management. Despite the formulation of a strategy barriers may be erected during implementation which may prevent the achievement of the strategy. Literature concerning strategy implementation will be reviewed with the aim of ascertaining the nature of any impediments and means of overcoming them. These will then be applied to for application to a liability risk management programme. Barriers to the implementation of a safety programme will also be considered as such a programme would be an integral part of risk management. Finally the chapter develops a conceptual model which may help to overcome barriers to the implementation of a risk management programme in a local authority.

4.2 INSTITUTIONALISING THE STRATEGY

The making of strategic decisions are likely to give rise to significant changes which need to be managed. Johnson & Scholes (1993:311) consider the problem of implementation as one of how resources should be managed in the light of change, and the way in which people are to be reorganised and managed to achieve the overall strategic change. They consider different explanatory models of change, means of diagnosing blockages and different

models of managing change in order to achieve implementation. This approach acknowledges that change is always present when strategies are being implemented and that people are the means of implementing any part of the firm's operations.

The importance of the management of change in the implementation process does not seem to be accepted by Pearce & Robinson (1991:326). They are of the view that for strategy to be successfully implemented not only must annual objectives, functional strategies, and specific policies be formulated but it must be institutionalised. These writers suggest that a framework developed by Peters and Waterman, known as the McKinsey 7-S Framework, provides a means by which the key factors to implementation can be viewed. This framework consists of seven key factors and suggests that once strategy has been designed managers focus on six components to ensure effective implementation. These are: structure, systems, shared values (culture), skills, style and staff. Pearce & Robinson (1991) have reduced these to four having combined staff, style and skills under the heading of leadership. They also refers to shared values as culture. The amendment does make the framework appear less contrived and the factors more meaningful although some of the content is lost. The 7-S framework, as amended by Pearce & Robinson (1991), will be used as a framework for discussion as it includes the various factors established by a number of writers as being the key elements to successful implementation[1]. This amended framework will be used to consider the institutionalisation of strategy.

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[1] Pearce & Robinson (1991:327) discuss the formulation of the McKinsey 7-S framework showing how it has been compiled from the work of various researchers.

4.2.1 THE STRUCTURE OF THE ORGANISATION

Structure is considered by Pearce & Robinson (1991:32) and Johnson &
Scholes (1993:345) as a factor which affects the implementation of strategy.
Structure identifies the key activities in the firm and the manner in which they
will be co-ordinated to achieve the organisation's purpose (Pearce & Robinson
1991:32). There are a number of different types of structures which have been
identified by the writers. In the case of local authorities the structure is
standard throughout Ireland and can be termed a functional structure[2]. An
organisation which has a functional structure divides the tasks required to
achieve its objectives into functional specialities[3]. This enables personnel to
concentrate on only one aspect of the required work. This type of organisation
has the following advantages and disadvantages:

"Strategic advantages

1. *Achieves efficiency through specialisation.*

2. *Develops functional expertise.*

3. *Differentiates and delegates day-to-day operating
decisions.*

4. *Retains centralized control of strategic conditions.*

5. *Tightly links structure to strategy by designating key
activities as separate units.*

Strategic disadvantages

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[2] See the discussion about the structure of local authorities in chapter two section 2.3.

[3] According to Pearce & Robinson (1991:328) there are five primary structures in an organisation.
These are functional, geographic, divisional, strategic business units, and matrix organisations.
The structure of the local authorities seem to more readily fit into the functional model as the
tasks required of personnel are split into financial, engineering, personnel and administrative.

*1.   Promotes narrow specialisation and functional rivalry
       or conflict.*

*2.   Creates difficulties in functional co-ordination and
       interfunctional decision making.*

3.   Limits development of general managers.

*4.   Has a strong potential for interfunctional conflict -
       priority placed on functional areas, not the entire
       business. "*

(Pearce & Robinson 1991:329).

It is argued by strategists that a particular structure will suit a particular strategy

(Chandler 1962; Johnson & Scholes 1993:345; Pearce & Robinson 1991:335).

Because of the statutory nature of local authorities their structure is not capable

of being changed to any great extent therefore it is possible that the

disadvantages inherent in this type of organisation may well surface during the

implementation of a risk management programme.

Structure is a factor in Johnson & Scholes (1993:61) cultural web[4]. These

writers are of the view that the less formal part of an organisational structure is

as important as the formal part in that it is more likely to reflect power

structures and to delineate important relationships and emphasise what is

important in the organisation. March (1988:101) views organisations as

political systems where both individual and role power are relevant to the

achievement of goals. These roles arise out of the structure of the organisation

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[4]   This is a concept developed by Johnson & Scholes (1993:353) for understanding the way in
       which beliefs and assumptions, linked to political, symbolic and structural aspects of the
       organisation, guide and constrain the development of strategy and is considered in more depth
       under the heading of culture.

and this will affect the distribution of power (Bolman & Deal 1991:144; March 1988:118). The distribution of power may affect the implementation of a risk management programme as an individual or individuals may have the power to prevent the risk manager from completing his or her task.

If a local authority wishes to implement a risk management programme this function should be included in the existing structure of the local authorities. This may be achieved either, by appointing a new function, or including the necessary tasks as additional work for an existing functionary. Without the appointment of somebody to take responsibility for the programme it is unlikely that it could be implemented. The allocation of a new function to an individual or department will affect the formal and/or informal structures of the organisation. As the local authorities are structured on a functional basis the new function will affect the tasks of the other persons within the organisation who are already involved in the separate tasks which make up the function. For example, engineers may be affected because they are involved in safety on site. If a risk manager accepts this task as part of his or her function the tasks of the engineers may be diminished. This could affect the power that the engineers have in the organisation through the control of these tasks. This would affect the effective implementation of the programme as the persons affected by the change in structure may not accept the new programme.

4.2.2 LEADERSHIP

This is considered by Pearce & Robinson (1991:341) to be an essential element of effective strategic implementation. CEOs are key persons in effecting strategy, they are a symbol of the strategy in that their attitude indicates a commitment or otherwise to the required change to facilitate the new approach. Key managers will also have to be assigned to the right positions to implement

the strategy. The two questions which are fundamental are: who holds the leadership positions that are especially critical to execution of the strategy, and have they the characteristics needed to ensure effective implementation of the strategy (Pearce & Robinson 1991:341).

Bennis et al. (1994:294) argues that people will complete tasks effectively if they are valued by their leaders. Managers will also have to value the task in itself in both the sense of philosophical and ethical values as well as the more specific values involved in the prioritisation of tasks. If managers get their values right then the other factors relating to leadership, style and personality will fall into line. Bolman & Deal (1991:388) argue that changing an organisation creates division and conflict among competing interest groups and successful change means that the change agent requires the ability to frame issues, build coalitions, and establish arenas in which issues can be negotiated. Employees within an organisation have their own values which are applied to the task in hand as well as their own goals and these factors will need to be taken into account when effecting a new programme.

Johnson & Scholes (1993:61) do not specifically consider leadership in their discussions of the factors affecting the implementation of strategy. In their view power structures are key constructs and the most powerful managerial groupings in the organisation are likely to be the ones most associated with core assumptions and beliefs about what is important. This will include the key managers and the CEO referred to by Pearce & Robinson (1991:341) as they would be part of the most powerful management grouping in the sense of their control of the organisation. Johnson & Scholes (1993:394) refer to a change agent as the person responsible for instituting the necessary strategy and in this

context discuss the style and tactics of managing change. They suggest three types of change styles: the first is education, communication and participation, which are most likely to be used in cases of incremental change; coercion and edict, which are likely to be effective only if there is a crisis or need for rapid transformational change and; finally, intervention, which provides an intermediate style of management in which more transformational change can be achieved with less risk but is a style which can also be effective in incremental change.

In addition to the element of style, Pearce & Robinson (1991:340) include skills and staff under the heading of organisational leadership. This seems to imply that these factors are unimportant. Certainly the skills and style of management is a factor in implementing a strategy but the necessary skills of staff should also be available otherwise the organisation may not be able to fulfil the required tasks. This will be dealt with under the heading of resources. The failure to include reference to staff skills seems to imply a top down approach to strategy by Pearce & Robinson (1991), that is to say management set strategy and this will automatically be carried out by staff. Johnson & Scholes (1993) are of the view that both a top down and bottom up approach are necessary for the implementation of strategy. They seem to consider that both management and employees have power to effect the change and leadership is not the only component which achieves this effectively.

4.2.3 ORGANISATIONAL CULTURE

Culture is 'the collective programming of the mind which distinguishes one human group from another' it is to a human collectivity what personality is to an individual and includes systems of values (Hofstede 1982:21). The organisational culture is the set of beliefs and values (often unstated) that

members of an organisation share in common. It is these which shape the content, and account for the strength of, the organisation. These values and beliefs are gained from the environment in which the organisation is operating. They derive from the society out of which the members of the organisation are chosen. Thus the culture of an organisation will reflect society's values. It will also reflect the values and beliefs of the sub-culture of the types of organisations of which the firm in question is a part. Thus local authorities will reflect Irish values and beliefs as well as those values and beliefs which arise out of contact with other public bodies and local authorities. In addition the founders, leaders and employees of the business bring different assumptions to the organisation which contribute towards the formation of the culture. Culture has a crucial role in institutionalising a strategy (Pearce & Robinson 1991:347). Johnson & Scholes (1993:158) also emphasise the importance of culture throughout corporate strategy.

Pearce & Robinson (1991:348) discuss the need to manage culture when implementing strategy and have formulated a matrix which assists management in managing the strategy-culture relationship. This is reproduced as figure 4.2. This matrix may be used as a model for examining the situation which the local authorities face in implementing a new strategy. The top north-west corner marked cell number one represents the case where a new strategy requires several changes in certain aspects of the organisation but most of the changes are compatible with the culture. In this case strategy should be linked to the basic mission of the organisation; emphasis placed on the use of existing personnel; care taken to amend the reward system; and attention paid to the changes compatible with the current culture. Cell number two requires only a

Figure 4.2. Managing the structure-culture relationship.

		High Low
Changes in key organisational factors that are necessary to implement the new strategy	**Many**	Link changes to basic mission and fundamental organisational norms 1	Reformulate strategy or prepare carefully for long-term difficult change 4
	Few	2 Synergistic - focus on reinforcing culture	3 Manage around the culture

High   **Low**
Potential compatibility of changes with existing changes

Source: Pearce & Robinson (1991:348)

few organisational changes which are broadly compatible with the
organisation's culture.   To implement a strategy in this case the firm should
reinforce and solidify the current culture and remove any organisational
roadblocks to the desired culture.   Cell number three typifies the case where
there are few changes to be made but they are potentially inconsistent with the
firm's current culture.   In this case the organisation will have to manage round
the culture.   Cell four is a case where there are many changes and opposition is
high and it is recommended that the strategy be reformulated.   This matrix is
useful as a guide to understanding the problems of implementation but the
writers give little guidance on how to manage round the culture or reinforce a
strategy (Pearce & Robinson 1991:348-352).

Johnson & Scholes (1993:393) idea of a cultural web is a tool which provides
assistance in understanding the barriers to change which may arise out of
cultural issues.   They suggest that managers draw heavily on frames of

reference which are built up over time and which are especially important at collective organisational level. The beliefs and assumptions which form the existing paradigm of the organisation are hedged around by a number of factors. These are the **routine ways** that members of the organisation behave towards each other, that is "the way things are done around here" - the taken for granted parts of organisational life. **The rituals**, such as training programmes, and promotions, which point to what is important in the organisation. **The stories** told by members embed the present in organisational history. **The symbolic aspects**, the logos, symbols and language used are a short-hand representation of the nature of the organisation. The **control systems**, measurements and reward systems emphasise what is important and focus attention and activity. **Power structures** are key factors in the organisational paradigm. The formal organisational structure, as well as the informal one, are likely to reflect power structures and delineate important relationships and emphasise what is important in the organisation (Johnson & Scholes 1993:60). These factors provide useful guidelines to facilitate the discovery of barriers within a particular organisation. In order to use this tool a person responsible for the change, known as the change agent, would have to be involved with the organisation for some time before the more symbolic aspects, rituals, routines and stories which would affect the change could be discovered. Despite this, these factors are shown to be an important part of the organisation, which could work either for or against the implementation of a new programme.

4.2.4 ORGANISATIONAL SYSTEMS

Pearce & Robinson (1991:352) use the term organisational systems to refer to reward systems but do not include control systems. Johnson & Scholes (1993:393) refer to both reward and control systems in the cultural web.

Reward systems are used to encourage the attainment of the organisational objectives and may be more than monetary but may include recognition or prizes. Control systems are important for monitoring the strategy to ensure that the intended strategy is being attained. Although Pearce & Robinson (1991) deal with this aspect under a separate heading (monitoring the system) it seems more suitable to consider it under the heading of systems as suggested by Johnson & Scholes as both rewards and controls are similar in that they are mechanical systems to achieve particular ends. Both sets of authors are referring to systems in this mechanistic way.

4.2.5 RESOURCES

This is not discussed by Pearce and Robinson but is considered a relevant factor in implementing a strategy by Johnson & Scholes (1993:313). They consider that changes in strategy will require careful planning of resources. This includes financial resources and the provision of labour able to carry out the tasks required of the new strategy.

4.3   BARRIERS TO STRATEGY IMPLEMENTATION

The above section has considered the factors which are necessary for the effective institutionalisation of strategy. Although objectives have been set and strategies designed to achieve these objectives, this does not necessarily mean that the strategy of the organisation will be achieved. Policies may be set to overcome resistance by communicating the requirements of the organisation but there may still be barriers to achieving what risk management has set out to do. These barriers may come from the external environment as well as from within the organisation itself.

4.3.1 GENERAL DISCUSSION

A number of factors are identified by writers as being barriers to implementation. One of these is resistance from management and workers to the change as a result of a new strategy (e.g. Dwyer 1991; Guth & MacMillan 1989; Quinn et al. 1988; Sedgwick 1993:24). This can be identified with the leadership and cultural issues referred to above. If top level management is not committed to a strategy then it will not be implemented. The same applies if relevant management is not committed to their new role. Thus in Sedgwick's (1993:12) research it was reported that there was a failure in implementation as the CEO had not accepted the new programme neither have the key managers. The research also revealed that several finance officers and risk managers who had attempted to implement a risk management programme encountered resistance internally. Formal leaders have the power to prevent change but so do persons who may not be in a formal leadership position. Sedgwick (1993:12) reports that people in specific management areas claim that a proposed risk manager would usurp their speciality and an example is given of a legal department. Those persons affected by the programme are key people in the implementation process but may not be leaders in the Pearce & Robinson (1991) sense but do have the power to inhibit the implementation of the programme. If this is the case then it is necessary to extend the enquiry into the affects of leadership beyond who has the formal power to affect the programme and to include those people who may be able to inhibit or enhance the implementation process. In this way the implementor of the programme is aware of how his or her plans may be affected by a third person and to what extent.

Nadler (1980:90) suggests that there are three major problems which managers fail to recognise that can lead to failure of an organisational transition. Firstly, there is resistance to change by members of the organisation. Secondly, control within the organisation is important. Manager's see their task as one of control within the organisation and a change may lead them to perceiving that they are losing control of the parts of the organisation for which they are responsible. Thirdly, politics, that is the positions of power that managers hold in the organisation and their interaction with senior and junior managers. Power issues are considered by Johnson & Scholes (1993) under the cultural web and have been included in the discussion on leadership. Control is also an important part of the institutionalisation of strategy and the barriers referred to here could be considered under leadership or power structures and systems. This needs further clarification to see whether it could fit under any of the headings referred to above. It would seem, on the face of it, that the resistance to change in this instance would be as a result of not only the culture of the organisation but the values and beliefs of the individual within the organisation. This involves the power of the individual to prevent change and may be considered under leadership and power structures.

Owen (1982:145) argues that strategies do not materialise in organisations for the following reasons:

1. *Implementation of their chosen strategies cuts across traditional organisation units.*

2. *Information for monitoring implementation is not adequate.*

3. *The organisation resists change.*

*4.   Payment systems are geared to past achievement rather
       than future goals.*

Nadler's (1980:30) reference to management control and consideration of
leadership and power seem to include Owen's (1982) view that implementation
cuts across traditional organisational units.   Operational management may see
the encroachment of a new strategy into their territory as threatening and
leading to a loss of control thus these two factors are similar.   Owen (1982)
does not specifically mention political issues of power but this could also be
linked to the concern with strategies cutting across functional boundaries.   This
would be a political issue about managerial responsibilities and any erosion of
this may be seen as cutting into a power base.

If implementation is to be seen to succeed it must be monitored.   Often
information is not available that will provide a sufficient means of measurement
to enable management to gauge whether a strategy has been successful.   This
will be particularly evident if objectives have been loosely formulated without
any means of measurement or not conforming to the other requirements of well
formulated objectives.   This relates to thesystems of the organisation and can
be considered under this heading.

Resistance to change has been considered above and it is argued that this could
be a power issue to be included under this heading together with the leadership
issues.   Owen's (1982) reward system may also be a factor to be considered.
Strategic and risk management are both aimed at achieving uncertain future
goals thus if reward is for past achievements this could affect performance as
personnel will be clinging on to what they know has worked in the past, and
there would be no impetus for change.

From the above discussion it would seem that in order to consider the successful implementation of a strategy the following factors need to be considered: people and their values, beliefs and skills; financial and physical resources; power structures including leadership issues; the mechanistic systems of the organisation and the cultural web. The literature relating to the barriers to implementation in public bodies will now be considered and compared with preceding discussion.

4.3.2 BARRIERS TO STRATEGY IMPLEMENTATION IN PUBLIC BODIES

Wiseman (1993:153) categorises the impediments to implementing strategy in public bodies as both institutional and environmental. These impediments are discussed below.

4.3.2.1 Institutional impediments

1. *Structural inadequacies.* This involves turf protecting and fragmentation in the approach to management of services. This seems to be similar to the point made above concerning the political and control issues. Management in public bodies would see a new strategy which cuts across departmental borders as impinging on their authority within the organisation. This could lead to political issues and loss of control. These are factors which are related to power issues and therefore would fall under this heading.

2. *Professional and staff inadequacies.* This refers to the capabilities of management and staff. Due to the 'cut backs' in most public bodies and also to the perceived longevity of employment with such an organisation there would be difficulties in obtaining new staff to fulfil the requirements of the strategy. This is a resources issue which has been discussed above.

3. *Limitations of "in house" technology.* An example is the lack of data processing capability. Again this is a resources issue in that computers may be required to achieve the required strategy as well as individuals who are able to work with them and interpret the information that is supplied.

4.3.2.2 *Environmental impediments*

1. *Intergovernmental disagreement.* Local politicians or officials may disagree with policy initiated from central government or outside and behave in such a way as to ensure that these policies do not succeed. This is a power issue involving the external and internal stakeholders of the local authorities. Local politicians are internal stakeholders to the local authorities, whilst national policy will be effected by external stakeholders.

2. *Impediments of local political culture.* Changes may involve providing a service in a different way which could cause the local constituents to object and make them feel less able to obtain responses locally. Again this is a power issue where external stakeholders attempt to affect the operating of local authorities and in doing so will affect the strategy.

3. *Goal disagreement among actors.* Local policy makers perform a balancing act. State policy makers are interested in furthering state policy objectives through the use of local government. Constituents demand that the accustomed service continue, that others be added and that all services be improved yet taxes should remain the same. This leads to resistance to any change and again is a power issue in which internal and external stakeholders are involved. These factors were drawn from research into American local government units and no similar research has been carried out in Ireland.

The first factor referred to under institutional impediments is similar to that found in a profit making organisation in that power and control issues are important although this factor may be stronger in a political organisation such as a local authority. As was discussed in section 4.2 of this chapter the next two factors would also apply to profit making bodies but perhaps not to the same extent as in a local authority and may also appear in a different form. Business organisations may make their own decisions concerning the allocation of resources, whilst Irish local authorities will have to approach central government for new resources, such as additional staff or the purchase of computing power, thus these two impediments may well have a stronger influence than in businesses.

The environmental factors seem to be peculiar to political organisations which are subject to the mood of the voters within the constituency. They have a sense of responsibility towards the voter and act on the basis of the perceived needs of the voter. It can be argued that this factor is part of the power and control issues discussed above. The voter is a stakeholder in the local authority and has the ultimate voice as to who is on the council although they have no input into its administration. The first environmental factor referred to by Wiseman (1993:153) could occur in large organisations where local management views may differ from those held at head office but the effect may well be different. Top management cannot be removed by public opinion, whilst local and central government can. These considerations are important, as they can affect the lives of politicians and officials. In local government in Ireland the officials have a great deal of power, although local councils are able to initiate certain actions. The actions of both officials and local politicians will be held up to scrutiny by the electorate as well as central government and

would affect the implementation of strategies. The second factor may also be argued to be applicable to business in that a facility provided in a different way to customers may well cause a drop in demand for the service provided. There is a similarity here in that the consumers of the service are able to show their dissatisfaction at the polls or by protest rather than by refusing to avail of the product. The third point may be considered peculiar to public bodies in that central government policies and local policies may differ and resistance could occur to these changes. An example in Ireland is the attempt by central government to have the local authorities charge for services (see section 2.6 in chapter 2)[5]. Head office and local offices could differ in their view of strategy and hinder the implementation. Again this seems to be a power issue.

The research into implementation of strategy in public bodies has revealed a number of barriers which have been encountered. It can be argued that in some respects some are similar to those found in private organisations whilst others are peculiar to public bodies, only the weight of the factors affecting the implementation of the strategy would differ depending on the nature of the organisation. These factors will be used, together with those in the previous section, to guide the field research when reviewing the barriers to implementation of the risk management programme in local authorities.

This concludes the discussion of barriers to implementation in public bodies and it is now intended to consider impediments to the implementation of a health and safety programme.

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[5]   See also the discussion by Scott (1992-93:297-302).

4.3.3 BARRIERS TO THE IMPLEMENTATION OF A HEALTH AND SAFETY PROGRAMME

A risk management programme aimed at reducing legal liabilities should include a health and safety programme, this being the means by which losses can be controlled. In addition, SHAWAWA requires the implementation of provisions for health and safety in all organisations. At the very least the requirements of the new act will have to be implemented by local authorities in order to comply with the new legal requirements. In the forthcoming paragraphs a review of the barriers to implementation of a health and safety programme will be considered.

Weber (1992:33) points out that safety has been seen as a cost centre in American organisations and therefore an impediment to achieving overall organisational goals. The main aim has been to comply only with legislative requirements and thus see any additional attempts to reduce expenses as a waste of resources. Thus many employers see cutting safety expenditure as a way of reducing overall costs. This is a resource and power issue. Organisations have a limited amount of resources for distribution amongst the various functions consequently those areas which are seen as valuable to those with the power to allocate resources are more likely to gain access to those resources than others.

Frick (1990:378) argues that research shows that health and safety to be poorly co-ordinated with the management of production and that it is a side-issue tacked on to the main activities. He considers health and safety at work to be poorly co-ordinated and that managers allocate the responsibility for improving health and safety to others. Safety engineers are reported to consider the

difficulty of entering into a result-oriented dialogue with responsible managers
as the main problem in carrying out effective company health services (Frick
1990:379). These factors coincide with the control and power issues referred
to above.

Dwyer (1991:186-7) is of the view that there is more to implementing a health
and safety programme than informing those affected of the new function. He
argues convincingly the application of four hypotheses. These are:

1. *That social relations of work produce industrial
    accidents.*

2. *The greater the weight of a level[6] in the management
    of workers' relationships to the dangers of their jobs,
    the greater the proportion of accidents produced at
    that level.*

3. *The greater the influence of managerial safety
    management at a level, the lower the proportion of
    accidents produced at the level the management action
    seeks to control.*

4. *The greater the degree of autocontrol[7] by workers at a
    level, the lower the proportion of accidents produced
    at the level the worker action seeks to control.*

Dwyer shows that interaction between workers and between management and
workers affects the possibility of accidents occurring. This affects attitudes
towards safety and forms part of the culture of the organisation. Thus if

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6   Dwyer refers to four levels of management, the rewards level where workers are influenced by
    rewards (1991:99); the command level where management take direct control over workers
    actions (1991:110); the organisational level where employers seek to manage work by
    controlling the division of labour and its co-ordination (1991:129); fourthly the other level of
    reality is the autonomy which the individual worker retains (1991:146).

7   This relates to the autonomy of the individual worker.

employees are encouraged to take risks by their peers they are more likely to suffer accidents than if safety is a priority. Thus, in Dwyer's (1991) view, a health and safety philosophy, or approach to safety, must be integrated not only through management but through all levels of the organisation, including employees on the shop floor. This factor is related to power issues as well as the culture of the organisation. It is necessary to consider the nature of the culture to ascertain the value and beliefs of all employees concerning safety.

Nadler (1991:118) considers that the style of management will affect the implementation of a programme. In his opinion the more control that management retain when trying to effect the new programme the less likely that it will be a success. This view relates to empowering the workers to make their own decisions about safety with the backing of management. The degree of auto-control, or worker empowerment, affects accident levels as, in Nadler's (1991) view, less accidents will occur if workers are given the freedom to act on their own. This consideration relates to the power structures discussed above.

The influence of the safety officer or person responsible for safety at various levels is considered to be important. The greater the influence at the requisite levels the less accidents are produced. This indicates the need for the risk manager, or safety officer, to be heard at the highest levels so that support is gained throughout all the management levels of the organisation. This is again a power issue.

The main barrier is to obtain management support so that the need for health and safety permeates the whole organisation. Health and safety is the

responsibility of all members of an organisation and not just the appointed few (see, for example, Dwyer 1991; Frick 1990). This is endorsed by the spirit of SHAWAWA, which imposes a responsibility on both management and workers for safety. Thus any attempt to improve safety would impinge on the territory of various managers raising both political and control issues. In the next section a framework for understanding barriers to implementation will be considered.

4.3.4 A FRAMEWORK FOR UNDERSTANDING BARRIERS TO

IMPLEMENTATION

Barriers to implementation have been discussed in general terms and with special reference to local authorities and health and safety. The 7S framework includes most of the issues relevant to the implementation of a risk management programme. There are some factors which need to be emphasised and included in the research which are not part of the framework. For example the question of resources does not seem to be covered by this tool but should be included as an additional item. A further items which need to be emphasised are the questions of power in the organisation to affect the programme and the values of management and employees. It is now intended to formalise the framework discussed above as a basis from which barriers to implementation of a risk management programme in local authorities can be considered.

4.3.4.1 Structure of the organisation

The structure of the organisation is important in that it is seen as facilitating the new strategy (see, for example, Chandler 1962). In the case of the local authorities this structure is static and will be unbending to change in the formal sense but there may be informal changes which have to be considered.

4.3.4.2 Resource implications

Resources, in the sense of finance, is important but the skills and expertise of management and employees is also essential and must be considered when developing a strategy to implement a risk management programme.

4.3.4.3 Power structures

The reference to power refers both to leadership issues, as well as the power of management and employees, to intervene in the implementation of the programme. These issues are important to the organisation in that the power of a particular employee or group of employees or management to prevent the implementation of a programme may not be obvious therefore needs to be considered.

4.3.4.4 Organisational systems

This refers to the mechanistic systems which are designed to achieve particular ends and will need to be taken into account when considering implementation issues.

4.3.4.5 Culture

This consists of the dominant values and beliefs of society and organised groups both external and internal to the local authority. The cultural content has been shown to be important when considering the implementation of the new strategy.

4.4 OVERCOMING BARRIERS TO IMPLEMENTATION

In this section it is intended to consider methods to overcome resistance to implementing policies in general, in local government and in health and safety,

and to apply these to the above framework to try to establish a means whereby a risk management programme might be implemented successfully.

The implementation of risk management involves change. The analysis of the factors affected by the change can be considered through the use of the framework developed in section 4.3.4. Not only must the organisation consider the factors included in this framework they must also be open to change. According to Lippitt et al. (1985:102) the social forces that are important and alterable in effecting the change must be identified and managed. To install the new approach and prevent reversion back to the original state the altered social forces must be supported and stabilised. This may only be accomplished by obtaining broad support from many persons or groups in the system. Lippitt et. al. (1985:119) suggests that most planned organisational change follows a logical and fixed pattern: recognise a problem; gather data; make a diagnosis; plan a change action; evaluate the results. Another view of change is that an organisation is a social system built on 'influence paths' or 'loops'. This view suggests that organisations change by mutually reinforcing and amplifying stimuli within their systems, it is change on the basis of the current ways of doing things (Johnson & Scholes 1993:388). This is an explanation of incremental change as opposed to the rational planning approach (Quinn 1989:672). Although the planning approach is advocated by Lippitt (1985) and Pearce & Robinson (1991) there are a number of barriers to the implementation of this method. In local authorities the span of the government, both local and central, is at the most five years. Central government has changed on average every two years over the past ten years thus there is little continuity. This could affect the formal planning approach to management.

Younis & Davidson (1990:5) carried out a brief survey of the literature concerning the main approaches to implementation in public bodies and broke these down into the top-bottom approach; the bottom-top approach and; the policy/action continuum. The first approach is largely concerned with the extent to which policy makers exercise control over the environment and over the implementor's policy; whether it is possible to separate policy from implementation; and whether it is proper that policy makers ought to exercise control. The bottom-top approach to implementation is considered to start at the delivery point so that each level of the organisation is aware of what is required and the impact which each particular action is intended to achieve. With this approach the problem of implementation is solved at the lowest level (Younis & Davidson 1990:9). These writers conclude that the process of implementation is both top down and bottom up in that policy makers make decisions which will attempt to limit the power of other actors and actors will make decisions which will evade the power of decision makers (Younis & Davidson 1990:12). They see implementation

> "as a policy/action continuum in which an interactive and negotiative process is taking place over time, between those sections to put policy into effect and those upon which action depends"

The implementation of any strategy is effected at top management level but must be carried out by the lowest levels thus there is a continual tension between the two which needs to be overcome. Therefore issues of power, control and behaviour are essential aspects of any implementation. This conflict was illustrated in a case study of Glasgow county council's asbestos policy where compliance with the strategy led to conflict with those who

regarded their primary duty as ensuring that a particular task was carried out rather than the fulfilment of the policy (Mitchell 1990:43).

Mitchell (1990:50) refers to three approaches to implementation. Firstly, the managerial approach which views implementation as a technical problem and solutions are based on better methods of programme scheduling, planning and control. Secondly, the behavioural approach which emphasises human behaviour; and, thirdly the political approach which refers to pattern of power and influence within organisations. The managerial approach ignores the people in an organisation and concentrates on structures and policies not recognising the fact that it is the employees which have to put the strategy into effect. It also disregards politics and power structures within the organisation. The other two ignore each other and also the requirement of structural change. It has been argued in the preceding sections that all three approaches are valid and need to be included in consideration of the implementation of a strategy.

Wiseman (1993:155) suggests that local governments would be better served if their strategies were implemented incrementally as this will allow for the concomitant development of the government unit's support structure. In the case of Irish local authorities, the support structure is the Department of the Environment. Wiseman (1993) argues that local government should concentrate initially on capacity building and capability building. This would assist in partially overcoming the lack of resources which is a major problem within local governments. It also helps in obtaining the support of all parts of central and local government before the strategy is fully implemented. Once structural prerequisites have been dealt with then implementation can occur, but

cautiously. Again he emphasises the importance of process rather than content of the strategy.

In analysing the environment Wiseman (1993:195) recommends that an analysis of strengths and weaknesses should be carried out, but, instead of the usual opportunities and threats of a SWOT analysis, the question of adversaries and advocates should be considered as, in his view, this would reflect the realities of the environment in which local government work. This again seems reasonable but the opportunities and threats of the department in implementing the strategy or deriving it should also be considered. Thus an initial analysis should involve SWOT, while a review of the stakeholders[8] would reveal who is for and who is against the new strategy. Time should be allowed for implementation as a new strategy needs to permeate the local authorities in order to be achievable. Content analysis is also recommended as local governments are said to be creatures of habit (Wiseman 1993:195) and are therefore more likely to implement things which have worked in the past. Thus successful implementation in the past should be analysed to ascertain whether it can be used in the new strategy.

Scott (1994:61) argues that the implementation of a safety programme could not be successful without the full support of all levels of management. He also places emphasis on the importance of the worker and supervisors in being responsible for safety. Both provide leadership, the former by their formal position in the hierarchy and the latter by peer pressure. If employees see their peers fulfilling the safety objectives they are more likely to ensure that they act

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[8]   Stakeholders in this context are all those people affected by the operation of the local authorities. In this case it would include employees, management, voters and local residents as these persons could affect the implementation of a risk management programme.

in a safe way (Dwyer 1991:187).   Education is seen as an important factor by

Scott (1994:66) as a means of motivation and of informing employees.   In the

age of technology employees need to be aware of dangerous aspects of the work

in which they are involved.   This can only be communicated by education.

In the view of Frick (1990:378):

> *HSW (*health and safety at work)*must be integrated into the control system in order to be effective.   This requires that managers and other decision-makers be given the responsibility for actively carrying out HSW themselves, including the monitoring of the efforts of others.*

> *HSW must be integrated into all levels of management through a broad reorganisation.   The decision-making process must be developed to deepen its coverage and knowledge of health and safety problems so that it can deal with all types of hazards.   The level of improvement in health and safety in the factories studied is manifestly linked to the extent to which their management has succeeded in the essential steps of this double development of HSW.*

This supports the contention of Scott (1994) that a health and safety programme

should be integrated into the whole organisation and that every one should be

involved.   This reinforces the need to review the structure of the organisation

and its systems in order to effect integration of a health and safety programme.

These requirements mean a cultural change, that is to say, a change in the

attitudes of management and employees of the organisation towards health and

safety.

The influence of the safety officer or person responsible for safety at various

levels is considered to be important.   The greater the influence of the safety

officer at the requisite levels the less accidents occur.   This indicates the need

for the risk manager or safety officer to be heard at the highest levels so that support is gained throughout all the management levels of the organisation.

Frick (1990:377-8) considers that whatever the standards set by society, and however they are enforced, it is only at the workplace, by means of planning and management, that hazards can be prevented. He believes that employees subject to occupational hazards must, as far as possible, themselves define the problems and devise solutions. Thus, in his view, it would seem that, not only must management manage, but employees must be involved in setting tasks relating to safety. This coincides with the views of Dwyer (1991:118). On the other hand Colling (1990:44) emphasis the importance of the supervisor and the necessity to change the worker through proper training. This ignores the independence of workers in making their own decisions and accepting any safety precautions as their own.

Cox & Tait (1991:257) seem to have similar views to Colling (1990:4). They suggest that there are a number of key elements which contribute to the success of a safety programme. These are:

1. Well defined safety objectives. This complies with the requirements of an effective strategy.

2. Well designed safety policy. This also complies with the requirement of institutionalising a strategy.

3. Demonstration of a strong management commitment and competence (i.e. guiding, responsibility and accountability). This is another feature discussed above.

4. Adequate provision of resources for safety, a resource issue discussed above.

5. Agreed and clearly defined safety standards and procedures which means the preparation of a safety policy.

6. Joint consultations with the workforce.

7. Effective performance monitoring and feedback.

8. Effective incident-investigation procedures.

9. Consideration of safety during selection and induction processes.

10. Systematic training programmes.

11. Promotion of principles of good job design in relation to safety: positive attitudes and intrinsic motivation, responsibility and meaning.

12. Effective communication with respect to safety.

13. Well practised and effective emergency procedures.

14. The support of safety professionals.

This list is covered by most of the issues referred to above. Point three requires strong management commitment and this should occur at all levels of the organisation with a strong lead from the top. The empowerment of the workers, a point which seems to be underdeveloped by Cox & Tait (1991), could be pursued under points six, nine, ten and twelve.

Little consideration has been given to the power and political issues and the need to deal with these, or the need for safety concerns to be heard at top management level. In order to achieve implementation successfully these factors will have to be considered.

4.5 DEVELOPING A MODEL FOR OVERCOMING BARRIERS TO IMPLEMENTING A RISK MANAGEMENT PROGRAMME IN LOCAL AUTHORITIES

Now that the means of overcoming barriers to implementing a strategy have been considered a model for use in implementing a risk management programme in Irish local authorities will be developed. It must be borne in mind that any risk management programme must lead towards the achievement of the organisational goals at both corporate and business level. In terms of local government this means political goals at central and local level must be seen to be achieved and also the goals of the management of the local authority. These aims would consist of the provision of services as envisaged in the Local Government Acts. The person responsible for risk should set strategies for the purposes of risk management in line with these goals. This will involve setting objectives, strategies and writing policies.

4.5.1 ANALYSIS OF THE ENVIRONMENT

Before commencing with institutionalising the new strategy an investigation as to who are the internal and external stakeholders should take place and the nature of their particular interests established. The manner in which the stakeholders can influence the strategy and the extent to which it can be affected should be ascertained. For example, an insurance manager may well have the informal power to reduce the possibility of a successful implementation of a risk management programme by not liaising with engineers responsible for safety or by not carrying out the new tasks required of him or her effectively.

The affect that the new strategy has on the stakeholders should also be established as it could modify their perceptions of the strategy and influence its implementation either favourably or unfavourably depending on how they are affected. If the stakeholders are not identified and their attitudes to and perceptions of the new strategy not taken into account then it is possible that any strategy which may affect them may fail, especially if they have either the formal or informal power to prevent the relevant activities being carried out. These stakeholders should be consulted so that they can be encouraged to support the efforts of the person responsible for the new strategies, or amend them, to bring them into line with the relevant stakeholders expectations. Strategy is not a once and for all task but is continuous so it is necessary to have the support of the stakeholders to ensure successful implementation. This action could reduce the possibility of the control and political barriers affecting the new strategy.

4.5.2 FORMULATION OF A STRATEGY

Once an analysis has been completed a strategy can be formulated aimed at achieving the required goals. This strategy must form part of the overall mission and grand strategy of the organisation thus part of the formulation of a strategy for risk management will be to establish its role in the organisation[9]. The functional objectives and strategies will also have to be formed in co-operation with other functional managers to ensure that the goals of risk management are acceptable and do not interfere with the aims and objectives of the risk manager's colleagues. Throughout this formulation period

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[9] An example of risk management objectives formulated by the Coventry Corporation in the United Kingdom is included as appendix M. This was presented by Baker at a conference of the Association of Insurance and Risk Managers in Industry and Commerce (AIRMIC) held on 22 October 1992.

consideration must be given to the effect on the stakeholders and reference should be continually made to this group when drawing up a strategy.

4.5.3 COMMUNICATION OF THE STRATEGY

Once the strategy has been developed it needs to be communicated to the organisation as a whole. Some organisation's have a written philosophy setting out its value and beliefs, others have an implicit one which reflects the way things are done. Dickson (1989:11) argues that risk management should have its own philosophy which provides information relating to the organisation's attitude to risk and including policy statements. The risk management philosophy should concur and not conflict with that of the organisation's overall philosophy; otherwise the strategies formulated by the function cannot fit into the overall culture of the firm. If risk management is seen as not fitting the culture there will be little, if any, co-operation between the relevant stakeholders and risk management. Without the concurrence of the members of the organisation risk management is unlikely to succeed.

In some companies each function is required to issue a statement which sets out its tasks and philosophies. In the European Union it is now mandatory for all member states to incorporate into law a requirement that a safety statement should be published by each employer. This should contain details of the organisation's philosophy towards health and safety. The risk management statement could be used to incorporate the risk management philosophy as well as any health and safety statement that is required.

Training is an important means of communicating the aims and objectives of risk management. This may be developed in such a way as to cover all relevant areas of the discipline. Risk management staff will require updating

of their skills or training to ensure that they are able to achieve the function's objectives.

A policy document may also be issued for consultation by persons responsible for risk. This will contain details of loss prevention; insurance; loss reporting; action taken following an accident; and information concerning other aspects relating to risk (Dickson 1989:11). This should be distributed to all supervisors and managers so that they are aware of the importance of risk and of the steps that need to be taken. Before drawing up this manual consultation should take place between the relevant supervisors, management and those responsible for risk so that the contents of the manual do not conflict with the operations of the supervisor concerned. If there is conflict then this should be resolved by consultation and eventual agreement with those affected.

4.5.4 STRUCTURE OF THE ORGANISATION

The structure of the organisation must also be considered. The place of risk management in the hierarchy is important as this will contribute to the stakeholder's perceptions of its relevance to achieving organisational goals. If the risk manager has access to the board then this functionary will be seen as having the confidence of top management and therefore his or her views will be listened to more readily. If the risk management department is placed in a position where it is not recognised by top management then the risk manager is hardly likely to have the ear of the person or persons who may be in a position to support or oppose his or her strategy.

4.5.5 POWER STRUCTURES

Leadership style is also important but workers should be involved in deciding what is safe and what is not. An authoritarian style tends to lead to increased

accidents (Dwyer 1991), as compared with a more participative style. Consultation and discussions should be held between workers and management to ensure that all parties can agree a strategy for implementation.

4.5.6 RESOURCING

In order to achieve the implementation of a risk management strategy the organisation must have the necessary skills. One of the impediments discussed in section 4.2.2 was the lack of such skills, this also applied to government institutions (see section 4.3.2). Thus training and education in risk management will have to be put in place so that all members of the organisation are aware of what is required of them. Many tasks in risk management involve specialist knowledge and this will have to be imparted to existing employees or obtained by employing somebody with these skills.

A further consideration is the financial resources, as these should be made available to facilitate the new strategy. In the case of local authorities this is an issue because of the drive by central government to reduce costs. This could mean a shortfall in the necessary resourcing.

4.5.7 MANAGEMENT SYSTEMS WITHIN THE ORGANISATION

Management systems must be instituted in order to put into place a risk management programme. This will involve risk analysis, control, and financing both pre- and post-loss. A method will also have to be established to monitor the programme to ensure that objectives are achieved or to ascertain whether the strategy is deviating from that which is intended so that adjustments can be made. Modelling may be a useful way of trying to establish the impact of the strategy on the organisation once it has been formulated. If results can

be predicted and presented to interested parties this can also assist in obtaining their co-operation.

4.5.8 CULTURE OF THE ORGANISATION

The beliefs and values of the organisation will have to be such that the risk management concept is acceptable to its members. This is one of the most difficult parts of the institutionalisation of strategy, and the most important. A major problem in trying to effect change is the resistance of organisations and people affected. This must be overcome if a strategy is to succeed. Change within an organisation will only come about if the goals and objectives are based on a finite belief, concept or theory, that is to say an organisation believes that the change will work. This involves an open system of management, communication relevant to the implementation of a risk management programme by all managers should be free and open so everyone is aware of "what is going on". In this way members of the organisation develop an 'ownership' of the problem of risk management and the resistance may be overcome.

4.5.9 IMPLEMENTATION OF THE STRATEGY

Once the above steps have been taken, and objectives and strategies are found to be acceptable to the stakeholders then the strategy can be put into place. This may be done immediately, "the big bang approach", or incrementally, step by step. Management may proceed by way of logical incrementalism, that is using a process whereby each stage is put into place over a period of time. Quinn et al. (1988:672) suggests that many executives follow this approach and in doing so deal with some of the problems discussed in section 4.3.

4.5.10 MONITORING THE STRATEGY

Once a decision has been made to proceed with the programme it should be monitored at various stages to ensure that the objectives are being achieved. During this period it is also very important to maintain contact with the stakeholders to keep them informed of progress and ensure that no further objections have arisen. If concern is shown by any of the parties involved then attempts should be made to allay their fears.

A risk management strategy is a continuous process and therefore all the steps referred to under the section relating to formulation will continue throughout its life. In addition the documentation maintaining records of risks and losses will have to be updated to ensure that they are relevant.

4.6   SUMMARY

In this chapter the implementation of a strategy was considered. It was argued that in order to implement a strategy effectively five factors needed to be considered. These factors were classified as power, structure, systems, resources, and culture. From this was developed a means of overcoming barriers to resistance by formulating a model for implementing a risk management programme. This involved analysing the environment; setting objectives, strategies and policies; communicating strategy; consideration of structure, power, systems, resources and culture of the organisation; implementing the programme taking into account the analysis and the factors which would impede the change; liaising with the stakeholders throughout the process; and monitoring the programme.

This now completes the review of the relevant literature relating to the

formulation and implementation of strategy which has been related to local

authorities and to risk management. The next chapter will deal with the

methodology used in this research to establish the methods used by IPB and the

local authorities to implement their risk management programme.

CHAPTER 5

METHODOLOGY

5.1   INTRODUCTION

In the previous chapters the literature relating to the formulation and
implementation of strategy was reviewed and applied to local authorities and to
the risk management function.   The literature revealed that formulation of a
strategy made an important contribution towards achieving an organisation's
objectives but consideration of how it is implemented is equally necessary.
There was evidence in the literature that despite the formulation of new
strategies implementation was not always successful.

The primary objectives of this research are to identify impediments which may
arise during the implementation of a liability risk management programme in a
local authority and formulate a strategy to overcome these impediments.   In
order to achieve this the means used by IPB and the Irish local authorities to
implement a risk management programme will be reviewed and compared with
the literature discussed in chapters three and four.

It has been shown in chapter three that strategy should be set at corporate,
business and operational levels and it was argued that this also applies to local
authorities.   Functional managers at operational level should set their own
strategies in conjunction with other managers as an element of implementing
the overall strategy.   The functional strategy is supported by policies set by
operational management and actions taken by the members of the department.

Risk management is a function within the organisation and should therefore be involved in setting strategy as risk can be considered to be a factor which adversely affects return should an undesired event occur. It was argued that risk permeates throughout the organisation and therefore its control is part of every manager's remit but the risk manager is ultimately responsible for managing risk. The literature indicated that this factor, amongst a number of others, could cause the formation of barriers which lead to the failure to implement a risk management programme effectively. As the management of risk should form an integral part of the organisation's overall strategy the failure of the programme could affect their achievement.

In order to consider how a manager responsible for commencing a risk management programme at the behest of an outsider, the insurer, fared in the implementation process the case study approach was used. Ten local authorities were randomly selected to participate in the research, of which eight eventually agreed to provide data, an eighty per cent response rate. The risk managers of these eight local authorities and the representative of the insurer responsible for ensuring that risk management was implemented were the units of analysis of the case study. From these individuals the methods used to implement the programme, the barriers that were met and how these were overcome, if at all, formed the basis of the empirical part of the research. A measure of the success of the implementation process was developed based on the extent to which liability risk management was carried out in the local authority. The results were compared with the literature to see whether the barriers to implementation discussed applied to the units of analysis in the case study. A suggested method of overcoming such barriers was developed from the literature and combined with the practical experience of local authorities so

that a strategy for implementation of the risk management programme could be formulated. This chapter sets out the methodology that was used to carry out this research.

5.2. THE CASE STUDY APPROACH

As it is intended to review a number of practical instances of the implementation process the case study method was considered a suitable means of approaching the problem. Yin (1990:23) described a case study as:

> *"an empirical enquiry that:*
> *• investigates a contemporary phenomenon within its real life context; when*
>
> *• the boundaries between phenomenon and context are not clearly evident; and in which*
>
> *• multiple sources of evidence are used."*

(see also Leedy 1989:90; Miles & Huberman 1994:25-27).

The phenomenon being investigated is the implementation of a risk management programme in the context of local authorities at the request of their insurer. Thus the use of the case study method provides a means of obtaining data from personnel directly involved in the process of implementing the risk management programme. There are a number of factors which detract from the use of a case study which are to be borne in mind when carrying out the research.

5.2.1 VALIDITY OF THE CASE STUDY METHOD

Yin (1990:36) summarises four tests used to validate research, these being construct validity; internal validity; external validity and reliability. These will be discussed below as applied to the type of study being pursued.

5.2.1.1   Construct validity

This is the failure to develop correct operational measures for the concepts

being studied.   According to Yin (1990:37) this is a particular problem in case

study research as subjective judgements are used to collect data rather than an

operational set of measures.   Improving construct validity can be achieved by

using multiple sources of evidence which encourages convergent lines of

enquiry and establishes a chain of evidence.   In order to achieve construct

validity ten local authorities were used as multiple sources of evidence together

with the information supplied by a representative from IPB.   This provided

some cross-validation as did comparison of the results with the literature.   In

view of time restrictions and lack of resources only one person was interviewed

at the local authorities and the insurer.   This restricts the validity of the

research in that only one person's opinion from each organisation was obtained

and this could differ from other participant's in the implementation process.

Due to this insufficient evidence could be obtained concerning the process to

achieve a full understanding of how the barriers that were met could be

overcome.

5.2.1.2   Internal validity

Case studies may also be weak on internal validity.   This requires a freedom

from bias in forming conclusions in the light of the data.   Internal validity

attempts to ensure that changes in dependent variables are as a result of the

influence of independent variables as opposed to the research design (Leedy

1989:27).   Yin (1990:38) suggests that this only applies to causal or

explanatory studies and would not apply to exploratory or descriptive studies.

One means of overcoming this problem is by comparing the results of the

research with those predicted through the use of theory.   Also the results found

in each of the embedded case studies can be compared with each other as well as that expected by the main case study. This research is exploratory and descriptive and therefore this form of validity would be inapplicable. Theory is used in this research to match the results obtained from the case study which would assist in achieving some internal validity.

5.2.1.3 External validity

This type of validity relates to generalisability. Case studies cannot be generalised to other parts of the population; thus the effects examined in this research cannot be applied to other types of organisations. According to Yin (1990:21), the results may be generalised to theory. This means that the results obtained from a case study may extend the theory relating to the subject matter being examined which could then be applied in other contexts. The object of this research is to consider what impediments were met by the implementors of risk management in a local authority in implementing a new programme. These results will be compared with the literature to see whether there is a comparison between the theory relating to implementation and the practice pursued in local authorities. The findings of this research may extend the theory relating to implementation of a strategy so that it may be used in contexts other than local authorities.

5.2.1.4 Reliability

Reliability concerns accuracy (Leedy 1989:28). It aims at achieving the same results by another researcher who wishes to pursue the same line of enquiry (Yin 1990:40). For research to be reliable others must be able to replicate the results of an experiment or enquiry and come up with the same results. As a case study is carried out within a particular context during a set period of time it can be said that this method lacks reliability. This leads to the argument that

the case study method lacks objectivity and lends itself to bias. In carrying out a case study the actions of the participant is being reviewed from his or her own viewpoint, that is subjectively, rather than objectively as an external observer. The researcher is in close contact with the person carrying out the procedures being studied and may be affected by his or her own views. In view of the fact that the case study method is being used this research lacks reliability. The method used to carry out the interviews so that reliability could be improved is discussed below.

5.2.1.5 Interviewing biases

As each organisation experienced the implementation differently it was decided to carry out open ended interviews of the persons responsible for the implementation of the programme using a list of points to be covered to ensure that all aspects of the research were included. This facilitated the implementors telling their own story in their own way and allowed for questioning when the facts required clarification. The official responsible for instigating the risk management programme on behalf of IPB was also interviewed. This means of obtaining data is difficult both to interpret and document. In order to overcome this the interviews were recorded and the important points transcribed and coded for interpretation. A further problem is that the interviewee may distort reality by providing the interviewer with information that he or she thinks is required (Cole 1980:101). This can be overcome by obtaining information from several different sources as a means of checking on the validity of the answers given as well as checking the interviews for consistency. This was overcome to some extent by interviewing IPB and a number of local authorities but to provide more accurate answers other individuals within the organisation involved in the implementation programme

should also have been contacted but because of the constraints of time and distance this was not possible.

Interviewer bias was also possible in the phrasing of questions, especially in the case where these were required to reveal certain sensitive issues. The interviewee was allowed to proceed in his own way and at his own pace in order to try and reduce the amount of interviewer bias. Care was taken during the course of the interview to restrict actual questioning unless it proved necessary to prompt the speaker or clarify a point and then an attempt was made not to lead the interviewee.

5.2.1.6   *Application to the research objectives*

The case study method provided a means of studying the approach used by an individual involved in implementing a risk management programme in a local authority. Data was obtained which should show what, and how, decisions were made in the course of the process and the results of these decisions. This should reveal how, in practice, a manager implements a risk management programme and what impediments were faced and how these were overcome. It would also reveal attitudes to risk management following the request of implementation from an external body.

5.2.2 SELECTION OF THE CASE STUDIES

The case studies selected consisted of IPB, which was known prior to commencing the research to have requested its insureds to implement a risk management programme, and the class of public body whose losses most affected those of IPB, this being the local authorities. At the time of commencing the research the effect of the implementation of the programme was not known so it was decided to select the local authorities to be interviewed

randomly.   Of the twenty seven county councils and five corporations ten were selected to participate in the research.   This was considered sufficient to provide a number of different responses to the insurer's request and to act as cross references for comparative purposes.   Ten was also a sufficiently small number to allow for interviewing in the time available.

In order to select the local authorities which were to participate in the research a list provided by Irish Public Bodies Association (IPA) was numbered, a telephone number selected at random from the Limerick telephone directory as a seed, and a table used to obtain a random number which was then applied to the list and the organisation selected.   This resulted in the following local authorities being chosen:

1.   Waterford Corporation: A seaport city in the South East of Ireland

2.   Limerick Corporation: The third largest city in Ireland situated in the Mid West on the River Shannon.

3.   Wexford County Council: A coastal county situated in the South East of Ireland near to Dublin, the capital city.

4.   Donegal County Council: A coastal county in the North of the Republic situated to the West of Northern Ireland and thus a border county.

5.   Monaghan County Council: A border county situated in the Midlands.

6.   Limerick County Council: A coastal county in the Mid West of Ireland.

7.   North Tipperary County Council: Situated in the Mid West of Ireland.

8.   Kildare County Council: Situated in the Mid-East of Ireland to the West of Dublin.

9.   Cavan County Council: A border county situated to the North of Ireland and South of Northern Ireland.

10. Offally County Council: Situated in the middle of Ireland.[1]

As is shown in appendix D, table 9, this method of selection provided a diverse spread of local authorities throughout Ireland for analysis. It included two city corporations with the rest being counties representing all parts of the Republic of Ireland, rural, coastal and urban.

In order to arrange an appointment with the person responsible for the implementation of the programme the county/city manager was contacted by letter (see appendix E, document 2). Initially six responded favourably but with the help of one of the respondents a further two appointments were arranged thus eight local authorities were eventually visited giving a response rate of 80%.

5.3   COMMENCING THE RESEARCH

Authority had to be obtained from the relevant bodies before proceeding with this research. Prior to commencing the research contact had been made with IPB, IPA and the local authorities at a conference on risk management. This provided an opportunity to gain access to these organisations. To obtain permission to carry out this research the person responsible for the implementation programme at IPB was contacted by telephone and asked whether his company had any objections to research being conducted in respect of the risk management programme being implemented by the local authorities. After consultation with management it was confirmed that they had no objections to the research and they were prepared to cooperate. At the same

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[1]   A map of Ireland showing the whereabouts of the local authorities is included as appendix C.

time IPB offered to provide a copy of the risk management manual which it had published and issued to the local authorities.

Once the local authorities had been selected a letter was written to each county or city manager explaining that research was being carried out into the methods used to implement a risk management programme and requesting permission to interview the person responsible for this task (a copy of this letter is included in appendix E, document 2). A tear off slip was provided which asked the relevant manager to confirm that the research could be carried out and to provide the name of the person to be contacted and a suitable time. Four county managers and two city managers, six out of ten, replied; in five of these cases the party responsible was the finance officer whilst in the sixth it was the personnel manager. Contact was made with three other finance officers in county councils with the assistance of the Waterford Corporation's finance officer. One of these eventually withdrew advising that no progress had been made with risk management. This provided a total of eight subjects. Once the tear off slips had been returned contact was made with the persons named on the slip and appointments arranged in such a fashion that they could be dealt with during a ten day tour of Ireland in August and September 1992.

5.4   DATA COLLECTION

The data was collected by means of an open ended interview with those responsible for implementing the programme. A list of points was drawn up using the literature to ensure that all aspects of the research were covered but the interviewee was allowed to describe the implementation in his own way. The interviews were taped after obtaining permission from the respondent and advising that the recording was for the writer's use for ease of reviewing the

data. The respondent was also advised that the information obtained would be kept confidential. The object of taping the interview was to ensure that all elements of the conversation were available to the writer when the responses were to be analysed. Recording the interview would also assist in detecting interviewer or interviewee bias which may arise during the course of the interview so that this could be taken into account in the analysis of the data. This would be done by checking the tape for consistency.

5.4.1 BIAS IN THE COLLECTION OF DATA

The subject being discussed at the interviews was a sensitive matter thus bias would be present. The persons being interviewed were charged with taking responsibility for taxpayer's money and if they were seen to be squandering it they could be held accountable. In addition, they had been requested by their insurers, who controlled their premiums, to do something about their loss experience and if they were perceived as not to be complying with this request they could be considered as not to be fulfilling their responsibilities. At the same time SHAWAWA had been passed into law and required action, if this was not done the local authority could be involved in a criminal action. All these factors would inhibit the responses received. These points were overcome to some extent by building up a trust with the respondent by holding a general discussion with the interviewee concerning local authority matters to put him at his ease prior to commencing the interview. The reasons for the research were explained and the respondent informed that the information received would only be used by the writer. It was not until the interviewee was ready to discuss risk management was recording commenced. Despite this, bias was not totally overcome as will be discussed when analysing the results. In order to restrict interviewer bias the respondent was allowed to proceed at his own pace and in his own direction. In order to cross-check the

information obtained the person responsible for monitoring the risk

management programme at IPB was also interviewed.

After the interview the tapes were reviewed for both interviewer and

interviewee bias. This was done by listening to the tapes on a number of

occasions and taking notes of all aspects relevant to the research and comparing

this with the information supplied during the interview with IPB and the other

local authorities as well as with theory. The information obtained was

monitored for inconsistencies by checking the responses to questions used to

prompt the person being interviewed against information supplied earlier or

later in the interview.

5.4.2 INTERVIEWS

The interviews of the risk managers in local authorities took place in August

and September 1992. In considering the subject matter to be covered during

the course of the interviews cognisance was taken of the theory related in

chapters three and four. The aim of the interview was to obtain information so

that the events which took place could be related to the theory. In order to

ensure that this could be achieved a list of points was drawn up as a checklist

for making certain that all the necessary points were covered.

5.4.3 CHECKLIST FOR INTERVIEWS WITH LOCAL AUTHORITIES

A checklist was used as a guide to the interviewer to ensure that all points were

covered. Questions were not specifically formulated to deal with these issues

but the list was used to ensure that they were covered. The list is included as

appendix F, document 1, and the points covered were:

5.4.3.1   Formulation of strategy for risk management

Under this heading the nature of the responsibilities of local authorities' as well as whether they formulated objectives and strategies was included.

5.4.3.2   Implementation of strategy for risk management

The following were the points considered under this heading:

- *What steps were taken prior to implementing a risk management programme.* The aim of this point was to discover whether any long or short-term objectives were set and strategies invoked to achieve a risk management programme or whether any other method was used to implement the programme. Of importance were the steps taken to involve other people in the programme consequently time was spent on ascertaining whether any steps were taken to find out who the risk manager perceived as being affected by the risk management programme.

- *Why the authority became involved in risk management.* Although the IPB appears to have instigated a risk management programme there may be other reasons why some local authorities were more heavily involved than others. This was aimed at revealing these reasons.

5.4.3.3   Risk management policies

The existence of the risk management manual was evidence of policies having been prepared. The points covered here were:

- *who actually had the manual*
- *who had access to this document in the local authorities.*
- *was any other documentation provided*

5.4.3.4 Structure of the organisation

• *The size of the organisation.* The number of employees in the organisation and the population in the district provided an estimate of the size and its exposure to liability risk.

• *The risk manager's place in the structure of the organisation.* This revealed his relationship with the county or city manager as well as other persons involved in the risk management process. The risk manager's position in the organisation would send a message to all concerned as to the importance of risk management.

5.4.3.5 Values of the organisation

• *Organisational culture.* The extent to which there was any realisation of the importance of organisational culture was included in the points to be covered. The nature of the culture of the organisation was impossible to establish from one interview but the perception of the interviewee as to its importance in implementing the programme was considered important.

5.4.3.6 Implementation of systems in the organisation for risk management

• *Reporting procedures.* This question was intended to obtain details of the reports which were considered important for the managing of the programme. This also assisted in understanding the view taken of risk management and provided information relating to the systems in use for the programme. It also provided further information concerning the extent to which all members of the staff were involved in the programme.

- *The means of handling risk.* This covered both employee and third party safety as well as financing risk by means of insurance or with the local authorities' own funds. Again this would assist in ascertaining the extent to which risk management was being implemented.

- *Claims history.* A claims history for the past five years was requested from the local authorities including details of liability insurance premiums and claims split between employers and public liability.

5.4.3.7 Power structures

This was impossible to ascertain in one interview although an attempt was made to elicit this type of information by listening to the methods used by the person being interviewed to implement the programme.

- *Who was involved in risk management and how the parties concerned were co-ordinated.* This was aimed at revealing ways in which risk management was administrated by the risk manager, and also pursued the question of involvement of other parties in the risk management programme.

5.4.3.8 Communication

Enquiries were made concerning the means of communication used to provide the staff of the local authorities with information concerning the risk management programme. This involved the existence of a risk management statement, safety statement or any other documentation. It also revealed any training which had been provided to the employees of local authorities. This would divulge the means of communication of the new strategy and how staff were involved in the programme.

5.4.3.9   Skills of staff and management

- *Training and skills of persons involved in risk management.* The nature of the training provided for staff and the present skills held by staff was dealt with under this section.

5.4.3.10 Impediments to the implementation process

- *What resistance was met in implementing the programme.* The purpose of this was to establish whether there was any resistance from any employees or other stakeholders to the new programme.

- *What impediments were found to achieving the implementation of the programme.*

- *If resistance was experienced or impediments discovered what steps were taken to overcome them.* This point was meant to discover what steps were taken to overcome any problems that impeded implementation.

5.4.3.11 The nature of risk management in the organisation

- *The nature of the risks faced by the local authority.* The aim of this question was to establish the nature of the risks faced by the local authority being interviewed. This would reveal whether there were any substantial differences which would affect claims experience and premiums.

- *The identification and evaluation of risk.* This dealt with the risk management programme and the requirements of SHAWAWA. The methods of evaluation and identification used by the local authority were discussed. This is part of the risk management process and

would be a guide as to the extent that the programme was implemented.

- *The importance of risk management to the local authority and the risk manager.* The intention of this was to obtain data as to how the local authorities prioritised the risk management programme.

- *The respondent's understanding of risk management.* In order to be able to facilitate the implementation of a risk management programme the various individuals' understanding of the nature of risk management had to be revealed in the research. Any difference in understanding may affect the extent to which the risk management programme was implemented.

During the course of the interview these points were covered either by the risk manager volunteering the information or, if necessary, by prompting. In this case the questions were framed in such a way as not to lead the respondent and to ensure, as far as possible, that the views were his own.

5.4.4 QUESTIONNAIRE FOR ESTABLISHING THE EXTENT TO WHICH RISK MANAGEMENT HAD BEEN IMPLEMENTED

In order to compare the extent to which risk management was implemented in the local authorities a crude means of measurement was developed. A questionnaire (see appendix G, document 1) was drawn up whereby the local authority was asked whether a particular task was being carried out or whether it was considered part of a risk management programme. Each positive answer was allocated one point and the authorities with the highest number of points were considered to have implemented the programme to a greater extent than those with lower points. This is a very simple method and does not take into account that some elements of risk management are more important than

others but does provide a means whereby the local authorities can be compared. At the end of the interview with each local authority the following points were covered by asking specific questions.

5.4.4.1 Risk management philosophy and statement

These points were aimed at ascertaining whether their was a risk management philosophy or statement in existence.

- Do you have a risk management philosophy?
- Do you have a risk management statement?
- Have you set objectives for risk management?
- Did you consider who would be affected by the programme?
- Do you have a safety statement?
- Do you have a risk management committee?

5.4.4.2 Identification of risk

These questions were aimed at establishing to what extent risk was analysed in each local authority.

- Do you have a method of reporting incidents?
- Do you have a formal method of continuing assessment of risks?
- Has a risk management audit been carried out?
- Is a risk audit carried out regularly?
- Is there a means whereby once a risk is reported some action is taken?

5.4.4.3 Evaluation of risk

The aim of this question was to ascertain whether any means at all was used to evaluate risk.

- Do you evaluate risk by any means?

5.4.4.4 Risk control

These factors were aimed at ascertaining whether the local authority both financed and controlled risk.

- Do you have a loss prevention programme?

- Are staff trained in the area of safety?

5.4.4.5 Loss control

As claims would seem to be the major concern of the local authorities this was considered an important part of risk management. The following questions were aimed at ascertaining the nature of the loss control programme which had been implemented.

- Do you review your claims regularly?

- Do you investigate all accidents?

- Have you a risk controller who investigates the accidents?

- Is there an accident investigator who is trained in investigation?

- What is your claims costs over the past five to ten years?

5.4.4.6 Financing risk

- Do you review your insurances annually?

- Have you considered self insurance?

5.4.4.7 Monitoring the programme

- Do you monitor the programme?

These questions relate to those areas of risk management which are considered to be important in the relevant literature and therefore provided a score as to the extent to which risk management had been implemented. To provide a score the positive answers were counted and allocated a score of one. The successful

organisations were those that achieved a comparatively high score. This scale provided a means whereby the organisations could be crudely ranked for the purposes of this research so that those which had implemented the risk management programme to a greater extent than others could be identified to see what steps they had taken which had led to this achievement. As the local authorities main aim proved to be improved claims handling this model did not prove useful.

5.4.5 INTERVIEW WITH IPB

Once the interviews with local authorities had been completed the person responsible for the implementation at IPB was interviewed. In October 1993 IPB was contacted and an appointment arranged at the offices of the insurer in Dublin. By this stage it was expected that substantial work would have been carried out by the insurer in implementing the programme and sufficient lead time elapsed to allow some results to accumulate. Open ended interviewing was used and a check list prepared with the aid of the theory discussed in chapters three and four. It consisted of the following notes:

5.4.5.1 *Formulation of strategy for risk management*

- *Why risk management was implemented.* This was included to ascertain the respondent's perception of the reasons for implementing the programme.

- *The Risk Management Manual.* What led to the drafting of the manual and how was the information obtained for inclusion in the book? As this was aimed at being a risk management statement and philosophy it was necessary to see how it had been compiled and what was expected of the document.

- *The steps taken prior to the implementation of the programme.* This was intended to reveal the discussions which had taken place with management and other interested bodies. This was aimed at ascertaining which stakeholders had been considered by IPB before implementing the programme.

- *Formulation of risk management strategies.* This was aimed at establishing the strategies that had been formulated to achieve the overall objective and how these had been formulated.

5.4.5.2 *Implementation of the risk management strategy*

- *The position of the person interviewed within the structure of the insurer's organisation.* This indicated the importance of the programme to the insurer.

- *How did top management in the insurance organisation view risk management.* This provided information relating to the attitudes of top management of the insurance company to the endeavours of the person implementing the programme.

- *Implementation of the risk management programme.* The steps taken to implement the programme, including methods of training and communication of IPB's requirements to management and staff and what steps, if any, had been taken in the event of their being any resistance to the programme. This would reveal management style as well as the methods used to impart the necessary skills to the staff of local authorities.

- *Structure.* This was included to ascertain how IPB perceived the place of risk management within the local authority.

- *Systems.* The recommended systems as included in the manual were covered.

- *Skills.* The person interviewed at IPB was asked to comment on the skills of the staff and management in risk management and what was being done by them, if anything, to help local authorities acquire the necessary skills.

- *Insurance history.* The premium and claims history of the relevant local authorities was also requested.

- *Measure of extent of implementation of risk management in local authorities.* IPB's perception of the extent to which the local authorities had implemented the programme. The respondent was asked to provide a score of between one and ten for each local authority based on his perception of how well risk management had been implemented.

- *Monitoring.* The means used to monitor the programme was established.

5.4.5.3   Impediments to the implementation of the risk management strategy

- *Impediments to implementation.* This would provide information relating to IPB's perceptions as to the impediments that had to be overcome during the course of the programme. Also information was obtained relating to whether any steps had been taken to ascertain what impediments could be expected before the programme was implemented and how these should be overcome.

5.4.5.4   Overcoming barriers to implementation

- *Communication with members.* This would reveal how information relating to the programme was transferred between IPB and its members.

The responses of IPB and the local authorities were compared to see how they corresponded.   This provided a check on the answers obtained from both parties.   Any inconsistencies between the answers given by IPB and the local authorities were clarified with IPB and if inconsistencies still remained the local authority was contacted with the same aim in view.   The score given by IPB was also compared with the score achieved by the local authorities on the crude scale developed earlier as a means of checking the extent to which risk management was implemented.   As the method used in the research involved a scale and that used by the IPB was one person's perception there were a number of differences in the result obtained.   The means used by IPb for coming to a conclusions concern the score was different to that on the research scale as the company was more interested in the claims experience of the local authorities.   This means that the two methods were not measuring precisely the same things although there was much common ground.   This was difficult to establishe and was not pursued to any great extent other than to glean from the interview how IPB was ranking the local authorities.   Despite this the two means of measuring the implementation of the programme proved useful as a meansof cross-checking.   There were some differences between the two scores and these are discussed in the next chapter.

5.4.6 DOCUMENTS

In order to communicate IPB's views of risk management to their clients they produced a dedicated risk management manual. The manual relating to local authorities was obtained from the insurer prior to the interviews and was referred to when analysing the tapes of the interviews to see whether it had been used.

Information was obtained relating to further literature issued by IPB as well as from the health and safety authority[2]. An attempt was made to obtain this after the interviews to compare with the action taken by the local authorities. Unfortunately these documents were not made available and therefore could not be used to cross-check the information supplied by the respondents during the course of the interview.

5.4.7 CLAIMS HISTORY

Figures pertaining to claims and premiums for the period 1980 to 1992 were extracted from Annual Insurance Report issued by the stationary office. Figures for the period 1985 to 1992 were obtained from IIF divided between public liability and employers liability claims As these figures are obtained from the annual reports of the insurance companies operating in the country they are assumed to be accurate. Both IPB and the local authorities were requested to supply claims histories but despite promises to do so only four risk managers provided some of this information. This inhibited the research in that the effect on claims could not be established.

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[2] IPB had issued a number of handbooks relating to safety in the local authorities. The title of these booklets were unknown to the interviewees although they were aware that they were available. According to IPB these were leaflets relating to safety in the workplace and previous claims. The safety authority have issued a large number of pamphlets explaining new regulations, such as instructions on lifting, and safety in the workplace. Again the interviewees new of their existence but were unable to provide details.

5.5   ANALYSIS OF THE DATA

The model of the risk management process developed in chapters three and four was compared with that used by IPB in their manual to ascertain how they related.   In addition, the advice given in the manual was compared with the actions taken by the local authorities to discover how closely it was followed.
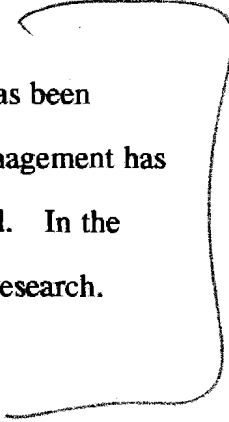
In order to develop a recommendation for the implementation of a risk management strategy the literature was consulted to establish the nature of the implementation problems which could be expected.   As health and safety strategies would form part of a liability risk management programme these were also reviewed.   The object of this was to discover whether the local authorities and IPB experienced these problems and what steps they took to overcome them.   Change and methods of implementation theory were consulted to develop ways of implementing a programme.   These were compared with the methods used by local authorities to see whether they would have assisted in the process or were used in some form or another.   The result of this enquiry assisted in the formulation of a strategy for the implementation of a risk management programme.

The measure of success of the programme will be the extent to which it has been implemented.   As the main concern appears to be the number of claims which are being made against the local authorities the minimum level of implementing the programme, in order for it to be considered a success, was considered to be the institution of a method whereby accidents would be investigated at an early date and the ensuing claims managed.

In order to review the change in the pattern of claims consideration was given to the results of IPB in comparison with the Irish market as a whole. This was accomplished by examining the claims history of IPB and the Irish market between 1980 and 1992 to see whether any difference in the pattern of claims and premiums was experienced following the implementation of a risk management programme.

5.6 SUMMARY

In this chapter the methodology used to complete this research has been discussed and a means of measuring the extent to which risk management has been incorporated as a function of the local authorities developed. In the following chapter it is intended to document the findings of the research.

CHAPTER 6

RESEARCH FINDINGS

6.1   INTRODUCTION

The information obtained from the local authorities and IPB is reviewed in this chapter.   Firstly a consideration will be given to the extent to which risk management has been incorporated in local authorities.   Both the research scale and the assessment made by IPB will be discussed and compared.   Throughout the rest of this report the measure of success will be based on the research scale.   The consideration of the extent to which risk management has been implemented will be followed by a discussion of the application of strategy and risk management in local authorities.   As the understanding of the nature of risk management is an important variable in implementing the programme the perceptions of the implementors of the programme will be examined next.   In the remainder of the chapter the methods used by IPB and local authorities to implement the programme will be reviewed.

6.2   THE EXTENT TO WHICH RISK MANAGEMENT HAS BEEN
IMPLEMENTED IN LOCAL AUTHORITIES

In this section each local authority will be considered with the intention of reviewing the extent to which risk management has been implemented in that organisation.   IPB's views on the success or otherwise of the implementation will also be included in the discussion and consideration given as to whether

this can be supported by the research. Finally the local authorities will be ranked in order of success of the implementation in terms of the research scale. In appendix K (document 1) a table has been included which sets out the results of the questionnaire aimed at ascertaining the extent to which risk management has been implemented. In table 2 the results have been converted into a percentage and the local authorities listed in order of the points achieved on the research scale.

Whilst interviewing the representative from IPB he was asked to subjectively score each local authority out of ten for the implementation process and justify the score. In the reports below reference will be made to this scoring system and how it compares with that used in the research. The score awarded is also included in table 2. The various local authorities will be reviewed separately in no particular order.

6.2.1 OFFALLY

6.2.1.1 Discussion of the scores achieved on the research scales

IPB scored Offally as six out of ten for the implementation programme and is joint first in IPB's scoring system. The reason given for the comparatively high score was that a senior executive engineer was given responsibility for safety thus giving risk management some credence. Furthermore, the county manager was enthusiastic about risk management although had different views from IPB as to its nature. On the research scale this authority scored eight out of thirty one (26%) and is fourth in order of comparative success in implementing the programme. As discussed below the person who carried out the implementation of the risk management programme was unavailable to provide reliable information so this ranking cannot be supported.

6.2.1.2 Involvement of the appointed risk manager in the programme

Risk management has been adopted by the authority without the assistance of the finance officer. This official was given the title of risk manager and the responsibility for implementing the programme by IPB. The risk manager's perception of the performance of the authority in respect of risk management is *'that claims and premiums are low so it must be proceeding alright'*. The finance officer had little knowledge of the efforts being made to implement the programme. According to him, both the county engineer and manager are strongly committed to risk management and a risk controller has been appointed, although he seems to have little knowledge of this appointment. A risk management committee has been instituted which is responsible for the function. This had been in existence for approximately one year. It is the intention of this committee to meet quarterly but at the time of the interview it had only met once and the risk manager did not attend.

6.2.1.3 Publication of a risk management philosophy and statement

This is one of two local authorities where a risk management philosophy has been produced by the manager. This, together with a risk management statement, has been circulated to employees. These documents explain the function of the risk manager and risk controller as well as support the implementation of the programme. The finance officer was unable to produce a copy of these documents despite a request for them.

6.2.1.4 Risk analysis in Offally county council

Risk analysis was not carried out by the risk manager except to use past claims to analye future losses. He was unable to provide any information concerning a loss prevention programme, this being considered the province of the

engineering department, but believes this must be going well as '*the engineers know what they are doing*'.

6.2.1.5   Insurance programme

The local authority has a £25,000 excess on its public liability policy which has been provided for in the budget as have the premiums for the remaining insurances.   The authority is fully insured, except for the excess, and has not considered the possibility of self financing.

A claims experience has been received which shows that the number of claims in 1987 increased from ten to seventeen in 1991 peaking at thirty one in 1989. Severity of claims also increased during 1987 until 1990 when they reached a peak of £115,163 thereafter dropping to £7,310 in 1991.   Unfortunately full details of this claims experience was not received to see whether there is an explanation for the large payment in 1990 but there appears to be a falling off of claims since the risk management programme came into force.   A graph of these results are included in figure 6, appendix H.

6.2.1.6   Conclusion

Further research would be needed in this authority to discover how risk management has proceeded.   In view of the limited nature of this research only the finance officer was interviewed and he expressed little interest in the subject.   Offally is an example of risk management being implemented without the aid of the person given responsibility for the task.   Officers who have a personal interest in risk management have taken over the implementation of the programme and are running it without the assistance of the designated manager. The risk management task, except as it relates to insurance, is not being carried out by the risk manager.

6.2.2 MONAGHAN

6.2.2.1 Discussion of the scores achieved on the research scales

Monaghan was awarded five out of ten by IPB and were joint second in IPB's estimation. The reason given for this score was that the county's claims experience was '*not bad*'(this was the terminology used during the course of the interview with IPB's representative). On the research scale they scored six out of thirty one (19%) and were joint second from last.

6.2.2.2 Involvement of risk manager in the programme

The finance officer showed little interest in the subject and was more concerned with health and safety in terms of SHAWAWA. There was little evidence that any attempt was being made to implement a risk management programme despite the scores they achieved from IPB. The lack of implementation was supported by the results from the research scale and therefore Monaghan is one of the authorities where implementation can be considered to be poor. This was one of the local authorities which initially did not respond to a request for an interview but was persuaded by a finance officer in another local authority to talk to the interviewer.

6.2.2.3 Risk analysis in Monaghan county council

A risk audit has been carried out in compliance with SHAWAWA. The interviewee does not consider that there is a relationship between compliance with this act and insurance. Claims are the only means used by the finance officer to consider future losses.

6.2.2.4   *The insurance programme*

The finance officer's perception of the cost of premiums and claims was that
they were low in comparison with other local authorities.   Despite a request to
provide details of claims experience from both IPB and the interviewee this was
not forthcoming consequently it is not possible to consider whether there has
been a change in the severity and frequency of claims since the request to
implement the risk management programme.

The risk manager reviews insurances annually with the assistance of IPB.
Consideration has been given by this county to not insuring but has decided
against this procedure as it would not provide the risk manager with the
security he desires.

No other risk management tasks were carried out and little interest was shown
by the interviewee in the subject.

6.2.3   WEXFORD

6.2.3.1   *Discussion of the scores achieved on the research scales*

IPB scored Wexford as five out of ten and were joint second in IPB's
estimation.   They achieved eighteen out of thirty one (58%) on the research
scale and were joint first.   IPB's scoring was based on whether the authority
had followed the advice in their manual and the reason given for downgrading
them was the lack of formality in the programme and the failure to form a
committee.   IPB had not taken into account that this authority had been
involved with instituting a risk management programme prior to the issue of the
manual.

6.2.3.2 *Risk management philosophy and setting of objectives*

A risk management philosophy had been prepared for internal consumption only but was not made available to the interviewer. Objectives were set on an annual basis. A task was planned annually which was to be achieved by the end of the year. For example in one year the insurances on houses supplied by the local authority was reviewed and found to be unnecessary and in another year motor insurance was reviewed.

6.2.3.3 *Involvement of the risk manager in the programme*

The finance officer appeared to be enthusiastic about risk management and had ensured that there was a good relationship between himself, as risk manager, and the engineers. This information would need cross-checking by interviewing members of the engineering department involved in risk mangement.

6.2.3.4 *Risk analysis within the authority*

Although no formal risk management committee had been instituted there was a safety and management committee in which risk management was discussed. The finance officer's main concern was with claims and in discussions with him he intimated that he was taking active steps to mitigate his losses. For example he mentioned that he was considering a different form of traffic control at road works to improve safety and that he was installing video cameras at each site so that he had a permanent record of the state of the works at any time. This latter action was aimed at providing evidence for the defence of any third party action instituted against the council where allegations of a dangerous site were being made.

A system has been instituted whereby staff of the local authority has been requested to look out for possible dangerous circumstances and to report these to the risk manager. If such a situation is reported then work is carried out immediately to rectify the situation. An example was given of a dangerous walkway on a beach which was reported by a beach inspector and immediately repaired.

6.2.3.5   The insurance programme

The risk manager had implemented a scheme whereby claims and insurances were reviewed some time before IPB had submitted their plan for a risk management programme and action had been taken to control losses. There was a drop in severity of claims from a maximum of £47,000 in 1987 to £2,500 in 1992 (see figures 10 and 11, Appendix H). The frequency of claims experienced remained steady over this period.

6.2.3.6   Conclusions

Although a formalised programme as envisaged by IPB had not been implemented by this corporation some of the tasks which make up a risk management programme were being actively pursued through the appointed risk manager. The impression given was this corporation was relatively successful in implementing a programme which dealt mainly with claims handling. This information would need to be cross-checked by further interviews with other persons involved in the programme to provide further substantiation.

6.2.4 DONEGAL

6.2.4.1 Discussion of the scores achieved on the research scales

This county was considered by IPB to be at the lower end of the their scale and were given a score of four out of ten. The reason given for the low score were that the county were not pulling together to tackle the problem of risk. Furthermore, although the risk manager was keen, he had no support. On the research scale this county achieved the lowest score of all those interviewed, five out of thirty one (16%).

6.2.4.2 Involvement of the risk manager in the programme

At the interview the finance officer indicated that a risk controller had not been appointed as the engineers did not wish to use this title and no attempt had been made to overcome this problem. In the course of the interview the risk manager appeared to have little knowledge of the position of the county in the implementation of a risk management programme. This could be because he was new to the council, only having been in Donegal for eighteen months.

6.2.4.3 Evacuation procedures

One of the points looked for in the research scale concerned evacuation procedures. This county carried out these regularly as the county town was literally on the border between Northern Ireland and the Republic and they carried out real evacuations on a regular basis as a result of bomb scares. As a result of this the research scores are higher than if the 'troubles' had not existed.

6.2.4.4   Insurance programme

No claims experience was received from this county and no information was
provided concerning the insurance programme.   The risk manager indicated
that he carried full insurances and he did not wish to fund any losses through
his budget.   He was looking for certainty and an insurance programme
provided this; if he was to carry a deductible, or no insurance, he would have
to budget for future losses and he considered that this was unacceptable.

6.2.4.5   Conclusions

Little interest was shown by the risk manager in the programme.   He also gave
the impression of being risk adverse.

6.2.5 WATERFORD CORPORATION

6.2.5.1   Discussion of the scores achieved on the research scales

The score awarded by IPB was five out of ten.   The comparatively low score
(joint second on the IPB scale) was due to the system not being formalised but
IPB considered that the corporation's finance officer was addressing the task
with a passion and would therefore make it work.   On the research scale a
score of eighteen out of thirty one (58%) was achieved which made it one of
the two highest scoring authorities.

6.2.5.2   Involvement of the risk manager in the programme

At the interview the finance officer expressed interest and enthusiasm for the
task of implementing risk management.   He insisted on introducing the
interviewer to the city engineer and the risk controller, the only local authority
to do so.   It must be pointed out that this individual had arranged an
appointment with the writer but forgot about it consequently another

appointment was made for the following day. As a result of this the risk manager was most apologetic and went out of his way to be helpful. This may have affected his attitude in responding to the interview by trying to make up for his mistake.

There was strong evidence of co-operation between himself and the engineers. In addition, he had formed a risk control committee early on in the programme. In dealing with the question of resistance to the programme the interviewee pointed out that the engineers were the main group affected. They had initially resisted the programme but this was overcome by the decision to appoint a senior executive engineer as risk controller. In his opinion resistance to the programme also emanated from line managers. In order to overcome this the middle management were involved in the process and kept advised about claims.

He was also aware of certain elements within the city viewing the programme with suspicion. As a result of this consideration was also given to starting an awareness campaign in the city but this was not pursued as it was thought this may increase the flow of claims.

6.2.5.3   Risk analysis

Prior to starting the implementation of the risk management programme an analysis was carried out as to who would be affected by the changes so that steps could be taken to reduce the possibility of objections being raised.

Although no evaluation of risk is being carried out the risk manager has considered this aspect and made a decision, based on valid reasoning, revolving

around the difficulty with regard to the legal process. This issue will be discussed in sections 6.6 and 6.7 of this chapter.

6.2.5.4   The insurance programme

This Corporation's claims frequency increased between 1987 and 1991 from fourteen claims to thirty eight but severity had dropped from £209,000 in 1988 to £25,000 in 1991 (see figures 7 and 8, appendix H). Without full details of the claims this is difficult to explain except that the majority of claims are small which could support the corporation's concern about fraud.

6.2.5.5   Conclusion

Although 40% of the items referred to in the questionnaire are not being achieved this corporation has taken risk management seriously. The main thrust is to reduce the corporation's claims experience and thus his insurance costs, rather than a full risk management programme as discussed in chapter 4. The reasons why some of the actions referred to in the questionnaire should not be carried out have been carefully considered and valid reasons given as to why this should be the case. As a result of not fulfilling the requirements of a risk mangement programme as envisaged in theory the local authority did not perform well on the scale. Despite this they are succesful in implementing their own understanding of the programme.

6.2.6 TIPPERARY NORTH

6.2.6.1   Discussion of the scores on the allocated by IPB and the research scale

IPB did not know this county well but gave them a score of four out of ten, the second lowest, because of their claim's record and the good system of reporting

which was in place. In IPB's view risk management had not been actively pursued and this was supported by the score of six out of thirty one (19%), the second lowest, which they achieved on the research scale.

6.2.6.2   Involvement of the risk manager in the programme

This county was mainly concerned about complying with SHAWAWA. The personnel officer had been given responsibility for risk but not given the title of risk manager. No official was appointed to this post. The personnel officer considered himself to be an expert in health and safety law and did not see the need for risk management. In his view he had always carried out this task. There was no evidence that there had been any change in procedures in this local authority as a result of IPB's request to implement a risk management programme.

6.2.6.3   Insurance programme

No claims information was forthcoming from this county. They had not implemented the use of IPB's database of claims and all information was still in cardboard files consequently the personnel officer would have found it difficult to obtain the requisite information.

6.2.6.4   Conclusions

Risk management was related only to safety law in this county and there was no interest in the implementation of the programme.

6.2.7 LIMERICK CORPORATION

6.2.7.1   Discussion of the scores achieved for implementation of the risk management programme

This local authority was awarded six out of ten by IPB.   This corporation was considered by the insurer to be one of the top local authorities in terms of implementing the programme.   According to the insurer the corporation had a committee which had been 'a *talking shop*' for some time with little action occurring.   Issues were identified but no decisions made.   This situation has since changed and the committee was becoming more effective.   In IPB's view the fact that the corporation had a strong city engineer was a factor in their favour.   On the questionnaire they scored fifteen out of thirty one (48%) and achieved the second highest score of the local authorities.   The low score achieved could be due to the late start in commencing the programme.

6.2.7.2   Involvement of the risk manager in the programme

In dealing with resistance to the programme the finance officer was of the view that, in order to make the plan work, he had to have the co-operation of all the corporation staff.   He had carried out an analysis of who would be affected before commencing the programme and came to the conclusion that everybody would be involved.   As a result of this he attempted to keep all staff advised through the risk management committee and by disseminating information about unusual claims or losses.

6.2.7.3   The insurance programme

Limerick Corporation only forwarded details of frequency of claims.   This increased from 105 in 1987 to 188 in 1991 (see figure 9, appendix H).   A reasonably good system of risk management was being implemented at the time

of the interview and at the end of 1993 it was announced that the number of claims received was reducing and in 1994 it was declared that claims had fallen by 50% since 1991[1]. These latter figures have not been made available by the corporation.

6.2.7.4 Conclusions

This corporation commenced the programme rather late and, like Waterford, is very concerned about the increasing number of fraudulent claims being made against the authority. The fact that they started late and IPB's comment that their committee was a 'talking shop' indicates that an analysis may have been carried out prior to commencement of the programme. Unfortunately this aspect cannot be pursued as insufficient data has been obtained.

6.2.8 LIMERICK COUNTY COUNCIL

6.2.8.1 Discussion of the scores achieved on the two scales

Limerick County Council scored three out of ten on IPB's scale and six out of thirty one (19%), the second lowest on the research scale.

6.2.8.2 Involvement of the risk manager

The finance officer informed the interviewer that he did not really want the title of risk manager, although he had an interest in insurance and claims as he had dealt with them for many years. No committee was in place but it was intended to commence one eventually. No consideration had been given to the question of resistance to the programme although the risk manager felt that the engineers would welcome it. During the interview the impression was given

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[1] Reported on the television programme Tuesday File which was entitled 'Compo' and shown on RTE1 on 15 February 1994.

that the finance officer knew the right answers to any questions that may be asked and was giving the interviewer what was required to make the county's standards appear acceptable.

6.2.8.3 Conclusions

The overall view obtained was that this county had not yet started a risk management programme but was about to consider its institution and was aware of the issues. The initial step was to comply with SHAWAWA and it was this task which was being carried out by the risk controller. The information supplied was suspect for the reasons given in section 6.2.8.2.

6.2.9 SCORES ALLOCATED TO THE LOCAL AUTHORITIES IN RESPECT OF THE IMPLEMENTATION PROCESS

Table 2 sets out the scores allocated to each local authority by both IPB and the research scale. The organisations are listed in order of success in terms of the latter.

There are substantial differences in ranking between IPB and the research scale although there is an agreement as to the top four organisations with IPB including a fifth in scores equal to or exceeding 50%. The variations are due to the different understanding of the nature of risk management between the insurer and the concepts discussed in chapter 4. In the case of the fourth organisation, Offally, the person appointed risk manager was not responsible for the implementation process. As a result of this the actual implementor of the programme was not interviewed. In view of this different perceptions of the implementation of the programme in this county was held by IPB and the interviewer.

Table 6.1. Allocation of percentage on research scale and IPB's score

Local Authority	Research Scale %	IPB %
Wexford	58	50
Waterford	58	50
Limerick Corporation	48	60
Offally	26	60
Monaghan	19	50
Tipperary North	19	40
Limerick County Council	19	30
Donegal	16	40

Implementation of the programme through the concepts of strategic management and risk management, will be discussed in the following paragraphs.

6.3 RISK MANAGEMENT AND STRATEGY IN LOCAL AUTHORITIES

It was argued in chapter 3 that if a strategy is formulated at three levels this will further the achievement of the objectives of the organisation. Furthermore, risk management should be included in an overall strategy in order to deal with untoward events. The case studies' responses to issues concerning the formulation of strategy will be considered first followed by implementation.

6.3.1 THE FORMULATION OF RISK MANAGEMENT STRATEGY IN LOCAL AUTHORITIES

The risk manager appointed by the local authorities was, in all cases but one, the finance officer who reports directly to the county or city manager. He was part of the management team and a member of the management committee which met regularly to discuss items of importance to the local authorities. The management committee consisted of the county or city manager, the assistant manager in the larger authorities, the finance officer, the county or city engineer and the county secretary. If second level strategies were being formed this would have occurred in this forum. During the interviews their was little evidence of strategy formulation occurring in this committee as their agenda seemed to relate to short term concerns. Their was no formal mission and the overall direction of the local authorities was not at all clear. Their main considerations were resources and attempting to stretch the annual budget to be able to fulfil the tasks required of the authority. The precise nature of the discussions in this committee were not established as minutes were not made available. This documentation could have revealed the factors which were considered important to local authority management and provided further information relating to strategy.

In three of the authorities concern was expressed in the management committee about the high level of claims and discussion took place as to how this could be alleviated. The risk manager provided information concerning claims experience and unusually high losses. The emphasis was placed on claims experienced by the authorities, the suspicion that fraud was occurring, and the desire to reduce the cost of insurance and claims. The implementation of SHAWAWA was also discussed in this committee. The achievement of this

objective was left to the engineer who designated one of his staff as a safety officer responsible for carrying out the requirements of the act.

6.3.2 RISK MANAGEMENT STRATEGY - FUNCTIONAL LEVEL

6.3.2.1 The local authorities formulation of strategy

Risk management strategy is set at operational level in conjunction with first and second level strategy[2]. There is no formal long term strategy or mission for the programme other than that referred to in the IPB manual. Informally the local authorities seem to have a goal of reducing their claims experience in compliance with an inherent mission to use scarce resources effectively to provide the services required of them by statute.

Strategy formulation for risk management, in the sense of analysis and control of risk, was not carried out in any of the local authorities. Three of the authorities, all of which are at the top of the scale, have established a method of identifying risk, although they expressed a difficulty concerning the legal process of discovery. Discovery is a step in legal proceedings which provides that any documentation that pertains to an action being heard in court must be produced. The fear was expressed that if a record was kept of areas where a danger had been discovered this would be held against the local authority in a court of law. The personnel officer did not concern himself with this problem considering that discovery did not affect him. Two of the local authorities evaluated risk but this was for the purposes of SHAWAWA. This was carried out using a scale of high, medium and low risk.

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[2] It is assumed for the purposes of this research that first level strategy is set at central government level.

The mangement committee could have been used by the risk manager to advise his colleagues on how he intended to proceed with the implementation of a risk management programme and obtain co-operation but none of the persons interviewed considered this to be necessary. They were of the opinion that the manager was aware of the requirements of the IPB and the committee need only be informed of progress. The interviewees did not appear to consider the management committee a suitable venue for the discussion of risk management concerns. This could be due to the fact that the management committee would have dealt with high level strategy whilst risk management would have been considered a functional concern. Where signs of resistance were recognised discussions took place informally with the persons or departments concerned and close liaison was maintained with the dissenters.

The three authorities at the top of the research scale formulated informal objectives at operational level. One of the respondents considered that the aim of risk management was so obvious it was not necessary to set objectives or strategies but, despite this, he had a stated goal of reducing losses by using the risk management process. The two most advanced authorities had more formalised objectives which had been submitted to the management committee. Again these were mainly concerned with managing claims, with one risk manager wishing to initially cap claims and then to reduce them, and another to centralise the claims handling process. In the most successful authorities tactics, such as making representation at court more professional, or to pass on losses to a third party by way of contract or third party action, were of more concern than overall strategy. In those cases where an informal objective had

been set a greater level of achievement in implementing the programme had been attained.

6.3.2.2 IPB's formulation of strategy

IPB's main objective was to reduce their own claims costs, this being evident in the contents of their manual. The manual was drafted by the development officer of IPB who was responsible for the implementation of the risk management programme. He prepared the contents of the book using the experiences of consulting engineers, who had acted as consultants in the past to the IPB in respect of claims, as well as full time employees of the insurer. No particular reference work was followed in the compilation of the volume and most of the contents were drawn from the development officer's own knowledge and experience which was mainly in a claims department. A policy statement was provided by IPB in the manual and all the local authorities have a copy. It is not clear the extent of its utilisation but it would seem from the evidence obtained that the risk managers are using it as a guide, but implementing their own programme.

6.3.2.3 Policies - IPB manual

The IPB manual provides a brief summary of the stages involved in the introduction and implementation of a risk management programme which is reproduced in appendix I, document 1. Two authorities, which had not started initiating the programme, were going to rely on this summary as a strategy for implementation, but, in those cases where progress had been made, the advice given by the IPB had been ignored. The manual recommends that implementation be carried out from a top down approach as is illustrated in the IPB manual where it is stated:

"The management systems and characteristics of local authorities required to identify, evaluate and control risks are exactly the same as those required for success in any other area of individual or commercial activity. Management from the top down must be involved." (1988:6)

A risk management strategy is discussed by the IPB in their manual. The way in which strategy has been developed by the IPB confuses the concepts of strategy, tactics and a risk management programme. Most of the discussion of strategy revolves around the IPB's understanding of the nature of risk management and will be dealt with when considering perceptions of the function.

All of the authorities advised that they had three copies of the manual; one copy was in the possession of the county/city manager; the second in the risk manager's office and; the third with the city/county engineer. They had not been distributed to staff neither were they made available outside these offices.

6.4 THE PERCEPTION OF RISK MANAGEMENT

The formulation of strategy for risk management was considered above and the conclusion was reached that a formal strategy had not been developed although there are strong indications of the existence of an informal one. The respondent's understanding of risk management is important as this could affect the extent to which the programme was implemented. IPB's understanding of the function, as disclosed in the manual, will be discussed first followed by the perceptions held by the local authorities.

6.4.1 IPB'S PERCEPTION OF RISK MANAGEMENT

In order to facilitate the implementation of the programme and advise the local authorities about risk management the IPB disseminated information relating to

their own understanding of the function through the manual as well as arranging seminars for the local authorities. Risk management is defined in the IPB manual as one of the specialities within the field of general management. This definition is extended to include the process of planning, organising and controlling the resources and activities of a local authority with the objective of minimising the adverse affects of losses at the least possible cost, a cost/benefit approach. Prior to the discussion of strategy the IPB consider the overall objective of a risk management programme to be:

> *"to reduce the cost of risk by identifying, evaluating and controlling them".*

(IPB Manual 1988:1)

This is a definition of risk management rather than an overall objective. The statement combines an aim *"to reduce the cost of risk"* and a means of achieving that aim, *"by identifying, evaluating and controlling them"* which is a strategy. The writer of the manual seems to be confused as to the nature of objectives and strategies. Despite this it can be seen that the aim of the programme is to reduce the cost of risk and this is to be achieved by identification, evaluation and control. This aim is not clearly identified as it is hidden within a number of paragraphs.

In the opinion of the IPB risk management will involve the following strategy:

> *"i.   Identification of hazards of risk exposures facing the authority.*
>
> *ii.   Risk evaluation to show how efforts made now will mean long term savings in premiums and indirect costs.*

> *iii.*   *Risk control strategies involving:-*
>
>   *(a)*   *Risk avoidance*
>
>   *(b)*   *Risk transfer*
>
>   *(c)*   *Risk retention*
>
>   *(d)*   *Risk reduction*
>
> *iv.*   *Efficient handling of accident notification and claims, centrally and at local level. "*

(IPB Manual 1988: 1)

This is not strategy in the formal business sense as these steps do not consist of a broad statement of intent, they are tactics in that they set out the steps of a risk management programme. This strategy includes three of the risk management steps normally referred to in the literature, that is the identification, evaluation and control of risk (see chapter 3, section 3.5). It was argued in chapter three that claims handling should be included as part of risk management under the heading of risk control following an accident, and therefore also forms part of a risk management programme. In this case it is given a separate step of its own, which seems to emphasise its importance to the IPB. A definition of risk management is not provided elsewhere, although the tasks of the risk manager are listed in the manual and will be considered later in this section. Most of these factors are developed further in later parts of the manual. Risk control is discussed in section four whilst, identification of risk is discussed in section three and claims handling in section eight whilst risk reduction is dealt with in the appendix. Risk retention and risk transfer

are separated in the above quotation from the manual but are dealt with together as risk retention and transfer in section five of the manual. There is no separate chapter relating to risk evaluation or risk avoidance. Thus the quotation referred to above describes the nature of risk management for further discussion in the manual rather than setting a strategy.

In order to try to understand the IPB's perception of risk management it is necessary to consider the various sections of the manual. In the section on risk control the main concern appears to be reducing claims rather than accidents.

> *"The only effective and lasting way to reduce expenditure*
> *which relates to risk is to improve the record of the Authority*
> *both in numbers and cost of accidents/claims"*

(IPB Manual 1988:16)

The reference to accidents/claims combines the two together under one heading and thereafter the discussion of risk control refers only to claims. This places the emphasis on claims control rather than loss control.

Section five, entitled *"risk retention or transfer"*, refers mainly to insurance. Thus these two sections tend to limit risk management to insurance issues, this being further emphasised by the reference to claims handling as being a strategy of a risk management programme as a separate main heading rather than a part of risk control.

The question to be considered next is whether the tasks of the risk manager defined by IPB are also insurance oriented. These tasks are included in the manual as:

> *i.*   *Assemble the risk management programme and*
> *monitor its progress.*

ii.   *Identify the risks by assessing the extent of the local authorities' liability arising from the use of property.*

iii.   *Control the risk by administering insurance programme and self insurance arrangements.*

iv.   *Ensure implementation of the programme through sectional heads and operational managers who are responsible for safety and accident prevention and incident claims reporting.*

v.   *Establish an incident action programme within each functional area so that immediate appropriate measures are taken, i.e. notification to engineer, inspection photographs, statements, reports, advise insurers, remedial action.*

vi.   *Review regular incident reports from each area of operation and identify trends.*

vii.   *Arrange quarterly meetings with the risk management team to review overall effectiveness of the programme.*

viii. *Establish which activities are covered by health and safety legislation.*

ix.   *Monitor new legislation, court decisions, claims results.*

x.   *Liaise with IPB on claims.*

xi.   *Co-ordinate information service on incidents, claims, trends, techniques of risk reduction, impact of legislation.*

xii.   *Ensure that all employees are fully knowledgeable of job safety instructions relating to their area of operation.*

> *xiii.*   *Promote awareness of safety throughout the local*
> *authority by encouraging all employees to report*
> *unsafe features relating to any council/corporation*
> *activity.*

> *xiv.*   *Provide quarterly printout to management team on*
> *incident reports and claims.*

(IPB Manual 1988: 5)

The first point refers to assembling the programme and monitoring the results.

This is not taken any further in the manual. Point two refers to the

identification of risks and is dealt with in greater depth in section three where

the legal liability of the local authority is discussed but without reference to

physical identification. The emphasis on legal liability again places a stress on

claims being made against the authorities rather than identification of actual

possible incidents. Point three refers to the control of risk with reference to

insurance as well as self-insurance but not to physical risk control. This is left

until point twelve and thirteen, where awareness of safety amongst employees is

emphasised as being necessary but from a top down approach. Points four,

five, twelve, thirteen and fourteen make reference to internal stakeholders in

the organisation who should be involved in the implementation process. The

insurer has recognised the necessity of involving these individuals but has not

considered the possibility of rejection of the programme. The responsibility

for gaining acceptance is placed in the hands of the local authorities without

providing further advice. This is to be expected as the local authorities would

be more aware of the needs of their internal stakeholders than the insurer. The

thrust of these tasks seem to emphasise post loss control, as for example in

points four, five, six, nine, ten, eleven, rather than a proactive attempt to

manage risk. Despite this some of the points do refer to loss prevention but mainly in conjunction with the occurrence of incidents.

Management of the local authorities are kept informed of the occurrence of claims and incidents by means of a quarterly report. This again emphasises the importance of claims management as opposed to risk management. Point seven provides for a risk management team or committee, although no guidance is given as to who should be included on this committee. This gives the local authorities the freedom to decide who should be involved in the risk management team rather than the composition of the committee being imposed on them. A committee is a useful means of ensuring that the stakeholders' representatives are involved in the risk management programme. Points eight, nine and eleven refer to an analysis of the external environment but with regard to legal liability. In theory the risk manager is required to monitor all relevant external factors, depending on the organisation's view of risk, which would affect the department and the business, rather than just law and claims and this again emphasises the limited nature of the programme compared with recommendations discussed in chapter three.

IPB have attempted to define risk management in their manual but have emphasised claims and insurance. If the manual is followed this will lead to the development of a programme which is restricted in its application. Because of the fact that an insurance organisation prepared the manual the insurance bias is to be expected but it could lead to the overall objective of risk management, as described in the literature discussed in chapter four, not being achieved.

6.4.2 THE LOCAL AUTHORITIES' PERCEPTION OF RISK MANAGEMENT

When the local authorities were asked for their views on the nature of risk

management only one local authority placed any emphasis on the identification,

evaluation and control of risks as being important in the context of risk

management. The emphasis of all the persons interviewed was on the

containment of claims. One local authority considered that:

> *"risk management is common sense and local knowledge to put people off making claims"*

whilst a second stated that risk management is:

> *"all about getting our people out there, whether it is to safeguard us from claims from the public or our own employees working on jobs, to avoid injuries".*

Two of the persons appointed as risk managers did not consider that employee

safety and health was part of the risk management remit as they felt that this

should be left to the engineers. One risk manager, who was the personnel

manager, considered risk management to be safety management.

Three of the local authorities considered that it was the risk manager's task to

co-ordinate and liaise within the organisation concerning risk related matters.

They were of the view that risk should be dealt with by all employees of the

local authorities and it was the risk manager's task to co-ordinate the staff to

handle risk. In the interviewees' opinion safety and claims investigation was

the domain of the engineers but it was up to the risk manager to co-ordinate the

handling of losses and insurance. Only four of the local authorities were of the

view that safety was a part of risk management.

The constituents of a risk management programme are divided between the departments within the local authority and this has not changed, except that in three cases claims handling has become more centralised. Of these three two were comparatively highly rated on the research scale in implementing the programme.

All the risk managers understood the connection between claims and premiums but only one emphasised the importance of identifying risks as part of risk management. Since the implementation of the programme renewal premiums are based on the claims history of the previous year so that the cost of insurance will be reduced as claims costs fall. This reward system will again place the emphasis on claims handling as there is no incentive for an authority to implement loss reduction procedures which maintain an existing low level of claims but reduce the probability of accidents.

Despite the manual there is a varied understanding of risk management amongst the risk managers and this is reflected in the step by step approach taken by the implementors of the programme. The first step is invariably to reduce claims. In the authorities which were most successful on the research scale sensibilities of other managers were taken into account during the course of implementation. Two of the risk managers, who were highly rated in implementing the programme, realised the importance of obtaining co-operation from their colleagues and saw themselves as co-ordinators.

The IPB had recommended the implementation of a risk management programme to the local authorities so that the insurer's claims experience could be improved. One of the factors that may have affected the implementation of

the programme is whether the local authorities had reasons of their own to fulfil the required task and this will now be discussed.

6.5 REASONS FOR IMPLEMENTING A RISK MANAGEMENT PROGRAMME

During the course of the interviews with the representatives from IPB and the local authorities the reasons for implementing risk management were provided by the interviewees of their own volition. It was important to ensure that these reasons were known. If the implementing body had a reason of their own to implement the programme this could improve the extent to which the programme has been instituted. If it was imposed upon them by the IPB this may affect the local authorities' attitude towards the programme. and reduce the likelihood of it being accepted.

As has been shown in chapter one the IPB experienced an increasingly poor claims experience over the last ten years and, according to the insurer, local authorities were the main cause of concern. A number of steps were taken to try and reverse this trend which evoked an unfavourable reaction from the management of the authorities as they had to transfer scarce resources from other budgets to deal with these additional costs. As a result of these complaints a decision was made by the IPB to request their members to implement a risk management programme and thereafter premiums would be based on past claims as an incentive to reduce losses. All the local authorities were of the view that their expenditure on insurance and claims was high and therefore something had to be done to combat these increasing costs. They all understood that the aim of the risk management programme was to reduce insurance related costs (see the discussion in section 2.8 in chapter two).

The most concern was expressed about fraudulent claims, that is to say

claimants exaggerating their injury or instituting a claim when an accident had

not occurred. The IPB considered these types of losses to be a major factor in

affecting their results. Seven of the authorities concurred with the IPB's view

and considered that there was a high incidence of fraud which had to be

contested. This prompted them to institute a system of claims investigation

and this is where risk management was considered helpful. Of these, three had

made progress with the implementation of the programme, whilst the other four

had not. Two of these three had other motives for commencing the

programme.

One of the two most successful local authorities, in terms of the research scale,

were of the view that the system of claims handling in his jurisdiction was

inadequate and contributed towards high claims costs. The finance officer

considered that this system should be centralised so that it could be made more

efficient. This system was effected before the IPB's programme was

recommended.

The finance officer employed by the second local authority on the scale, had

been involved in risk management since 1974 following a train crash. This

resulted in a large claim being pursued against them and a number of other

defendants. Following this occurrence it was discovered that their liability

cover was insufficient and would not have provided them with full financial

protection if the claims had gone against them. At the same time, it was

considered that the claim could have been handled much better and it was

necessary to review the procedures used and to improve them.

In another local authority the appointed risk manager gave the sole reason for implementing the programme as the IPB being in crisis and that the programme would be a step to assist in improving their performance. This risk manager considered that claims were the insurer's responsibility and not that of the local authority. In this authority risk management had been implemented well in the opinion of the IPB but this had been carried out by the county manager who, in the view of the risk manager, was always prepared to accept new ideas and was also an engineer who was interested in safety.

In order for the programme to be comparatively successfully implemented in their terms the local authorities required an additional reason over and above the request made by the IPB. This consisted of the realisation of a poor claims experience. In those cases where an admission was made that costs were high, but there was no other reasons forthcoming, little was achieved in carrying out the programme

6.6   IMPLEMENTATION OF THE RISK MANAGEMENT PROGRAMME

From the information obtained during the course of the interviews it would seem that the most successful authorities implemented the programme incrementally. This correspond with the findings of Quinn (1988:672) and Wiseman (1993:155) discussed in chapter four. The initial objective of those who had commenced the programme was to reduce claims but there was an indication that in the future they intended to identify losses and evaluate them but they foresaw problems with this approach as it would interfere with claims handling tactics. Identification and evaluation of risk forms part of the

requirements of SHAWAWA and in most cases a risk audit was being carried out and a safety statement formulated but this was seen as a separate exercise to the implementation of risk management. In those cases where informal objectives had been formulated the implementation of the programme had proceeded with greater success in terms of the research scale. The data obtained from local authorities suggests that a step by step approach to implementing the programme is more successful in this type of organisation than replacing the existing system with the new risk management programme. The change is gradual and provides time to overcome any resistance that does occur. The evidence obtained from the local authorities indicates that strategy is not set and management is practised on a short term basis. This means long term issues are not given an important place in management discussions. This could lead to the failure to envisage the full effects of a long term risk management programme.

In section 6.2.2 the comparative success in implementing the risk management programme in the local authorities was discussed and they were ranked in terms of the research scale. This was followed by a discussion of the formulation of a strategy for risk management within the local authorities and perceptions and reasons for implementing the programme. In this section it is intended to discuss how the local authorities proceeded with the implementation process with a view to identifying the barriers to implementing the programme. The structure developed in chapter four for considering the success of a strategy will be used as a guide; that is to say structures, resource implications, power structures, systems, and culture of the organisation.

6.6.1 STRUCTURE OF THE LOCAL AUTHORITIES

6.6.1.1 The appointment of a risk manager

As argued in chapter four, section 4.2.1, structure is an indication of the key

activities of the firm and the manner in which they will be co-ordinated. In

the case of risk management the risk manager is seen by the IPB as a key

manager and therefore should be a senior officer of the council and this should

be reflected in the structure. For this reason the finance officer was selected

by the IPB as being the most suitable officer to fulfil this role.

There is a rigidity in the structure of the local authorities in that there is

difficulty in instituting new posts. The title of risk manager was considered by

five of the local authorities to be unsuitable as the use of the '*manager*' title

breaches one of the understandings of the organisation that there will be only

one '*manager*'. A more suitable title was considered by one local authority to

be risk co-ordinator, as this, more accurately in his opinion, reflects the nature

of the tasks involved in the function (this local authority was third on the

research scale). In addition to not accepting the title three of the local

authorities did not want the task. The two local authorities which accepted the

title were the most successful in implementing the programme in terms of the

research scale.

6.6.1.2 The appointment of a risk controller

The IPB had also recommended in their manual the appointment of a risk

controller whose tasks are set out in appendix J. He was to report to the

person appointed as risk manager but be an executive engineer who would

normally be part of the engineering department. There was also resistance to

this task because of the existing understanding of the organisation that the area

manager was responsible for safety and to appoint somebody else would cause this responsibility to be eroded. Although the creation of both these posts were not formally opposed there was an informal resistance to including them in the structure of the organisation. The post of risk controller was adopted in four of the local authorities whilst the remaining four considered that the appointment was unnecessary as it would impinge upon the activities of the engineers. This resistance was a stumbling block to fully implementing the programme.

6.6.1.3   The formation of a risk management committee

In referring to the role of risk manager reference is made by the IPB to a risk management team, although no information is given as to how this should be constituted. Three local authorities saw the need for forming a risk management committee. In all cases this consisted of the risk manager; a representative from the engineers (usually the person who investigated claims); one or two representatives from administration; the personnel officer and; in some cases, a second engineer. In other words it was a cross-functional committee. Two of these committees (rated first and third in table 2) met regularly whilst the third (rated fourth) met when they were able. In this latter case the person responsible for risk management had little interest in the programme and little knowledge of how it was being implemented.

6.6.1.4   Barriers to implementing the structure

As a result of the objections to the title of risk manager the IPB have now recommended that this be changed to risk co-ordinator. The effect of this title change will not be available during the course of this research. As three of the risk managers advised the interviewer that they did not want the task allocated to them by the IPB it is doubted that this action will have any effect on the implementation of the programme.

6.6.2 RESOURCE IMPLICATIONS

In order to achieve implementation of a full risk management programme in the sense of that recommended by writers such as Dickson (1989) and Valsamakis (1992) the local authority would need the necessary additional resources to be able to physically control risk, such as the repair of roads, as well as pay for insurance costs or claims expenses.

6.6.2.1   Resources for the physical control of risk

All the authorities complained about the lack of money available to carry out repairs to roads and footpaths.   These were seen to be the main source of claims and were perceived to be gradually deteriorating (see table 2.1 in chapter two).   The financial position of local authorities was discussed in chapter two, section 2.6. and in general terms in chapter four, sections 4.2.5 and 4.3.4.2. Resource allocations from central government have been substantially reduced consequently there is a shortage of funds to meet the requirements of the local authority as well as the additional costs of a risk management programme.

6.6.2.2   Resources for additional staff

The IPB did not envisage the employing of additional staff to fill the role of risk manager or controller but expected this work to be carried out by existing staff.   The implementation of the programme would have meant an additional workload imposed on the finance officer in that he would be required to carry out the tasks referred to in the manual.

A database of each local authority's claims experience had been provided by IPB and installed on a personal computer installed in the offices of the local authorities (see section 6.6.4.2).   This was only used in half the authorities due

to lack of time to learn how to use the software as well as lack of interest in the programme.

In the two authorities first and second on the research scale, the engineer, who had always been involved in claims investigation, was given the function of the risk controller but his task was kept separate from that of the safety officer who was involved in implementing SHAWAWA.

The smaller local authorities perceived risk management as being mainly involved in claims investigation and they did not have the money available to employ a specialist for this purpose. The Department of the Environment had imposed a cap on the employment of new staff, thus if an engineer had been allocated to the task of risk controller this would mean the loss of one member of staff. In the larger authorities this was not an issue as they already had somebody involved in investigating losses due to the high incidence of third party claims.

6.6.2.3   Barriers to implementation of the programme

It was realised by the IPB that the risk management programme would require the diversion of resources in the form of additional work and funds but no considerations was given by them as to the effect this would have on the programme. No additional funds were made available from central government, or any other source, to provide for the additional resourcing that would be required for the implementation of the IPB's programme or for the purposes of SHAWAWA. One risk manager stated that he just did not have the time or the resources to be concerned with the programme although he realised its relevance to reducing losses.

6.6.2.4 Overcoming barriers to implementation

The only action that could be taken to provide for any additional expenses as a result of the programme was to cut back on other expenditure. In 1992, as a result of the high cost of claims, and in order to balance their budget, one authority had to divest itself of three jobs. As employment is a highly political issue in Ireland it was decided that no further jobs could be lost, consequently other action had to be taken to provide the additional resourcing. The funding of local authorities is also a political issue as is illustrated by the recent problems of Clonmel local council. In this case the Department of the Environment has threatened to dissolve the Clonmel council if an agreement on the 1995 budget is not reached. The main argument in this local authority concerns raising money by the imposition of service charges[3].

According to the IPB one authority had received permission from the Department to employ an engineer temporarily for the purpose of implementing SHAWAWA. An application for this additional member of staff would have to be made annually and it was hoped that as this new person was already employed, albeit on a contractual basis, permission to retain him would be automatic.

An attempt was being made by two of the authorities to divert funds for maintenance purposes by making provision in the annual estimates, but this meant other programmes had to suffer.

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[3] Reported in the Irish Times, 25 January 1995.

6.6.2.5   Conclusions

The failure to obtain the necessary resources impedes the implementation of the programme, not only in the sense of their being insufficient funds or staff available, but also insufficient time to become aware of the nature of risk management and the benefits that could be achieved if the programme was implemented correctly.   Thus resourcing is a major issue which needs further consideration at both local and central government level.

6.6.3   POWER STRUCTURES WITHIN LOCAL AUTHORITIES

Power structures within an organisation were discussed in chapter four sections 4.3.4.3 and 4.5.5.

6.6.3.1   The power blocs

The IPB found, retrospective of implementing the programme, that the engineers were the main power bloc in the local authorities.   They were responsible for safety and for maintaining the various sites for which the local authorities were responsible.   A safety officer was appointed from their number although, according to three finance officers, this was considered a low prestige task despite its statutory origins.

The finance officer was the main liaison officer between the IPB and the local authority but had little power relating to safety.   His main concern was, as his title suggests, the finances of the organisation.   As implementor in all local authorities but one he had the potential power to prevent successful implementation of the programme or ensure that the programme succeeded. His control of finances as a source of power would have assisted him in being able to grant or withhold funds.   This is supported by the threat made by the two most successful local authorities to deduct the cost of claims from the site

budget if claims administration was not improved, this was called by them '*the carrot and stick approach*'. In the case of one local authority the implementation programme was proceeding as a result of the intervention of the county manager who was able to override the finance manager's disinterest.

All those authorities which had implemented the programme relatively successfully realised that the employees could affect the implementation of the programme. They had the power to prevent the successful implementation by impeding its conclusion.

6.6.3.2 Affect on the risk management programme

The resistance to the programme by the engineers was a major factor in the implementation of the risk management programme. The engineers considered that safety was their responsibility and therefore no other department should be involved with this aspect of their work. They were reluctant to understand the relationship between safety and insurance claims and considered that as the local authority paid premiums the insurers should take control of claims. The fear was also expressed that the appointment of a risk controller would involve a form of policing of the site engineer and they perceived the risk controller as someone who would be continually '*looking over their shoulder*'. A further reason submitted by the engineers for not pursuing the programme was that the investigation of losses would encourage claims.

The safety officer, who should be an integral part of a risk management programme if loss control is to be maintained, was not involved in the implementation process. Only one safety officer expressed the desire to be involved in the programme and this request was denied by the local authority

concerned. In most cases it was considered that the task of safety officer and risk controller should be kept separate. This was due to the fact that risk management was perceived to be claims handling. The two finance officers who had implemented the programme relatively succesful did not consider that the safety officer would be able to assist with this task.

According to the IPB, top management in the local authorities had accepted the importance of the programme. Despite this it was found in terms of the research scale that in all but three of the local authorities the programme had been implemented relatively poorly (see paragraph 6.2.9, table 6.1). The reason for this was the failure of the finance officers to pursue the programme because of lack of interest and resources and resistance from the engineers. Both of these groups had the power to prevent the full implementation of the programme.

The IPB only involved the managers and finance officers in the programme. Their aid had not been sought in the formulation of the manual or in discussing how the programme should be implemented consequently they were unable to foresee the possibility that the implementation of the programme would be impeded. Neither the engineers nor other staff were consulted with regard to implementation of the programme although they were involved in being trained in the claims handling procedures and safety matters required by SHAWAWA and again, as a result of this, the IPB were unable to foresee any resistance to the programme..

6.6.3.3   Overcoming resistance

In all of the local authorities reluctance of the engineers to implement the programme was expressed and it was evident in all cases this was a barrier to implementation which had to be overcome.   In the top three local authorities, in terms of the research scale, the risk managers had enlisted the aid of the engineers in implementing the programme.   One finance officer advised that a number of older engineers had resisted the programme consequently he waited for them to retire and the appointment of new, younger, engineers before pursuing the implementation of the programme.   This finance officer was a member of one of the local authorities which had achieved the most success in implementing the programme, but this had taken place over a number of years. A second successful implementor closely liaised with a senior engineer as risk controller to ensure that the programme proceeded well.   Both these finance officers also used their financial power to try to ensure implementation of the programme by threatening to deduct from works budgets the cost of any claims. This procedure was known to be unworkable as it would decimate the budget but despite this the threat proved to be successful as it gave the engineers time to consider the merits of the programme.

The local authorities which had successfully implemented the programme saw the necessity for making sure that all staff were involved.   One local authority, which had not started implementing the programme because of lack of resources and the short length of time the finance officer had served with the council (18 months), made the remark that before implementing the programme:

> *'the first stage was to capture the information so that he can tell people what they can get out of it then he can start.'*

thus indicating the relative importance to him of involving staff. A further authority, which started late in implementing the programme, believed that all members of staff should be involved in the implementation process. In order to ensure that this occurred he had formed a risk management committee before commencing the implementation process. This local authority's programme was being implemented comparatively effectively.

In the cases where implementation was proceeding well the appointed risk managers showed enthusiasm for the programme and expressed an interest in claims. They realised that their endeavours could be prevented by power blocs within the organisation and took steps to try and overcome this possible impediment.

6.3.3.4   Summary

The question of who has the power to prevent or encourage implementation of the programme had a major affect on the implementation process. In those cases where the persons who were implementing the programme took cognisance of this factor, implementation took place relatively effectively. The IPB failed to recognise the power issue and their ideas of how the programme should be implemented appears to have been ignored to some extent. This has led to their perception that the programme has been relatively poorly implemented.

6.6.4   LOCAL AUTHORITY RISK MANAGEMENT SYSTEMS

In this section it is intended to review the mechanistic systems in place which enabled the functioning of the risk management programme. As discussed in chapter two, section 2.8, the various tasks which make up a risk management programme are divided amongst the departments within a local authority. The

main concern expressed by both the IPB and the local authorities was related to claims handling and the systems established seemed to revolve around this task. It is intended to consider the systems recommended by the IPB first, and then deal with claims handling, followed by risk control systems and insurance systems.

6.6.4.1   The system recommended by the IPB

The manual produced by the IPB provides little assistance concerning the risk management system to be incorporated into the local authorities.   The role of the risk controller and risk manager are set out in the manual and are reproduced in appendices K and N.   These sections of the manual set out the functions of the two employees but have little bearing on systems of risk management.   Sections are also included for risk control, and claims handling but, again, they are very general (see appendices O and P).

At the commencement of the programme IPB supplied each local authority with a claims history for the past ten years.   This was provided in the form of a database on a computer disc to be used with a PC.   It contained information concerning the claimant, place and date of loss and other relevant factors. Provision was made for local authorities to update the database.   The purpose behind the database was so that local authorities could use it to identify accident 'black spots' and possible fraudulent claimants.   No further help was provided for instituting systems within the local authorities for either claims handling or risk management.

6.6.4.2   Claims management systems

The more successful local authorities in implementing the programme preferred a system of centralised claims handling whilst the remainder retained the

existing decentralised system discussed in chapter two, section 2.3. The
systems used to deal with a claims intimation varied from authority to authority
depending on the level of centralisation and will be discussed below.

The first intimation that a claim will be forthcoming is usually a letter from a
third party or solicitor. This is addressed to the local authority or city manager
who passes it on to the finance officer, secretary or personnel officer. The
claimant's letter is forwarded to the insurer and a copy of both documents sent
to the engineer's department where they are forwarded to the area engineer who
investigates the accident. A report is sent from the area engineer to the county
secretary who forwards it to the insurer.

In the centralised system used by the two most successful local authorities in
terms of the research scale the risk manager receives the report and responds to
the claimant's letter. The investigation is carried out by an engineer, dedicated
to the task, who reports to the risk manager. The report is submitted to the
risk manager who forwards it to the insurer.

In the case where the personnel officer is responsible for implementing risk
management he receives the report and decides on liability. If he considers
that the local authority is liable to pay damages the report is forwarded to the
insurer who also investigates and decides whether to negotiate or defend the
action. If the personnel officer considers that liability does not exist then the
claimant is advised of this decision.

In the authority where the risk manager is being bypassed the engineers now
deal with the whole claim and the county secretary has been removed from the

system. The risk manager remains involved only insofar as acquiring the claims experience for the purpose of negotiating insurance premiums at the beginning of each renewal period.

6.6.4.3   Use of the claims database

The database that was supplied by the IPB was only being used in half of local authorities. In those cases where substantial progress was being made in implementing the programme it was consulted and kept up to date whilst in other local authorities the finance officer seemed rather vague as to the extent of its use. The reason given for this was the lack of time to learn how the programme could be used or, it was being used by the engineers and was, therefore, of no concern to the finance officer.

6.6.4.4   Risk Identification

In order to be able to control risks they have to be identified and a record maintained of their relative importance for the purposes of handling risk. Although the local authorities were aware of the necessity to control risks there was resistance to implementing a system whereby records of areas where future losses could occur were compiled. In three of the authorities the view was expressed that the maintenance of records indicating possible risks could adversely affect the claims handling procedures. In their view this information could fall into the possession of the third party's lawyers during the discovery stage of a legal action.

The aim of the database prepared by the IPB was to provide a system of risk identification as well as a record of claims. According to risk managers, who use the database, it is useful to identify claimants and family members who regularly make claims on the local authorities. All but one of the risk

managers considered that fraudulent claims were a major issue and steps must be taken to reduce them. The database was used as a means of identifying possible frauds. One authority considered that fraud was not so evident as in other local authorities because their system of thoroughly investigating every claim and defending actions when necessary had solved this problem. This was one of the successful implementors.

In three of the authorities staff had been requested to report any unsafe situations to their superiors. In two of the authorities a system has been established whereby the engineer who investigates the claims discusses with the risk manager possible safety precautions following an incident. In the authority where the personnel officer was appointed risk manager discussions were held with the engineers to improve safety practices. This was carried out with the intent of ensuring that the county would not be found in breach of their legal duty of care. All the local authorities were in the process of carrying out a safety audit in terms of SHAWAWA. This was being pursued by the engineering department with the aim of completing a safety statement. In all of the authorities the persons interviewed had some difficulty in connecting the requirements of SHAWAWA to risk management although one risk manager seemed to consider compliance with the act the first step to the implementation of the programme.

6.6.4.5 *System of handling insurances*

The finance officer deals with insurance and negotiates premiums each year but the day to day endorsements and changes in the policies are dealt with by the secretarial department. This system remained in all the local authorities.

In four local authorities, the top three on the scale and one other, an inspection was carried out by the finance officer of the insurance policies of all contractors tendering for work on local authority sites to ensure that they had sufficient liability cover   As a result of this the local small business community expressed the concern that businesses which could not afford the necessary insurance premiums were unable to comply with these requirements and were therefore unable to secure the contracts.   This could lead to a loss of employment in the area and a failure of small firms.   The local authorities considered that in selecting contractors they did not want to use 'cowboys' and the insistence on liability insurance was one way of sorting out the most suitable organisations for the contracts available.   Thus rather than being overcome this objection was ignored or not considered important.

6.6.4.6   Conclusions

There is evidence of factors external to the local authority affecting the establishment of systems for the programme.   The person interviewed at the IPB was well aware of the concern relating to civil procedure in the courts and concurred with the view expressed that it may well be tactically dangerous to maintain a record of risks and was therefore not actively pursuing this requirement.

The problem with the local business community was not considered to be an important factor by either the risk manager or the IPB although it does imply resistance as discussed in chapter four, section 4.3.2 to implementation in a public body.

6.6.5 CULTURE OF THE ORGANISATION

The culture of organisations was discussed in chapter four sections 4.3 and 4.5. It is difficult to establish the culture of a particular organisation in one visit, and there has been no research into this aspect of Irish local authorities as organisations. There were a number of hints obtained from the interviews which gave some indication of the culture of the local authorities where the interviews took place. From these interviews it would seem that each local authority had its own culture as is indicated by the different approaches to risk management discussed above.

6.6.5.1 Relationships between staff

The IPB were of the opinion that the main source of power in the local authorities were the engineers although this was not clear from the information supplied by the finance officers. It was clear from the information supplied by the various interviewees in the local authorities that traditionally engineers were responsible for safety and claims investigation. The safety officer was always an engineer and this department had always carried out claims investigations, either by an engineer appointed solely for this task or by each site engineer who would deal with claims at his works. The investigating engineer provided reports of accidents and acted as expert witnesses if the necessity arose. In those authorities where little work had been carried out by the appointed risk manager engineers were carrying out claims investigation and dealing with safety with no input by the risk manager. In those cases where success had been achieved close liaison with engineers was maintained. All the risk managers interviewed, except three[4], expressed the view that obtaining the co-

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[4] One of these showed little interest in the programme but felt that engineers would welcome it; the second did not involve himself in risk management at all, it was being implemented by the

operation of the engineers was difficult as the engineers saw the appointment of an administrator as risk manager as not being suitable in the circumstances. During the course of the interview with IPB it was stated by the interviewee that he had recognised this problem after he had commenced implementing the programme. He stated that he should have taken into account that local authorities were in fact:

> "run by engineers and that their was a strong rivalry between engineers and administrators. "

IPB acknowledged that it was "a slap in the face to engineers" to have appointed the finance officer as risk manager.

The three authorities who had implemented the programme comparatively well considered that their organisation valued good relationships between their employees and the engineers and finance officer got on well. An attempt was made by the implementors of the programme in these cases to place the engineers at ease by emphasising the importance of being honest in their reports and admitting liability if necessary so that, rather than defending an action which they were likely to lose, they could dispose of the claim and learn from the accident. The engineers were informed that the purpose of the investigations was not to allocate blame but to ascertain the facts relating to the occurrence.

6.6.5.2 Staff empowerment

In chapter four, section 4.3.3, it was argued that for a safety programme to be successful the worker had to be involved in the programme. In all cases

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engineers; and the third was the personnel officer who viewed risk management from a welfare of personnel view.

information concerning this point had to be elicited from the interviewees. They were specifically asked whether they involved employees in the programme.

In the top four organisations on the research scale the finance officers expressed the view that it was necessary to involve all staff and management in the programme. For example, one finance officer stated that "*it is absolutely vital to bring them* (the employees) *with you.*" Another said "*involvement was the key to success*" whilst a third was of the view that "*you can't direct people because they want to know why and want to see the benefit*". In the other authorities the attitude towards involving staff was unclear although in the authority where the personnel officer was risk manager the management style appeared to be autocratic as he was of the opinion that once an instruction was given it would be followed. As this information was obtained during the course of one interview it needs to be checked by either interviewing other employees or by participant observation.

The top four local authorities on the research scale passed information to their staff by way off lectures and documentation such as leaflets and the safety statement if one had been prepared. Staff also attended the talks given by the IPB. One authority, near the top of the scale, sends letters to staff via heads of department relating to safety precautions.

Information concerning the progress of claims is passed by the IPB to either the finance officer or the secretary. In the two authorities at the top of the scale, this information is passed to the area manager or to the engineer involved; in the two authorities joint second on the scale it is hoped that the information

reaches the relevant people by word of mouth. In the remaining local authorities information was not disseminated beyond the finance officer.

6.6.5.3   Attitude to risk management

One authority considered that being health and safety conscious over the years meant that they had always been involved in risk management. In this case the person responsible for implementation of the programme was the personnel officer who was a self acknowledged expert on safety law and considers all that is required for the programme to be a success was compliance with SHAWAWA. Because of the perception that there was no difference between risk management and what he had been doing over the years the personnel officer intimated that there was no need for him to take action.

All of the authorities stated that they were very safety conscious and would be implementing SHAWAWA. It is doubted whether the person interviewed would admit otherwise because of the local authority's duty in terms of the act relating to safety. This affected the information acquired concerning how the programme was being implemented as attitudes towards safety would be an important part of the culture of the organisation. Because of the fact that no time was spent in the organisation the affect of this attitude could not be established.

6.6.5.4   Attitudes towards risk

Two of the authorities indicated risk adversity. One considered his organisation to be "belt and braces" and would insist on insuring everything whilst a second thought it was madness not to insure. All local authorities considered that they could not do without insurance. One considered that he would be in trouble with the public auditor if he failed to insure all the

council's property and liability whilst another was of the view that it was illegal not to insure. Thus there seems to be a culture of dependency on insurance and a lack of knowledge of the possibility of self financing of risk.

Two of the authorities would rather not pay a claim that was doubtful and they would have their day in court to make a point, even to the extent of going to appeal if necessary. This view was in reaction to the perceived high number of fraud cases experienced in the authorities concerned. If the claim was valid they considered it prudent to pay as soon as possible. There was a determination to defeat the perceived culture of dependency on insurance claims to make a living by the people in their area of jurisdiction. These two authorities appeared first and second on the research scale.

6.6.5.5 Conclusion

The culture of the local authorities affected the implementation of the programme in that it restricted its succesful implementation. Further research is required into the culture of local authorities, and sub-cultures of each organisation to see how these affect risk management.

6.6.6 COMMUNICATION

In paragraph 4.5 communication of the strategy to both external and internal stakeholders was considered valuable. An important part of communication of the strategy is through training.

6.6.6.1 Training

Training is not only an important means of communicating strategy but is also a means of upgrading the skills of staff and management to ensure that they can carry out the required tasks. Both aspects will be considered here.

Training was considered an important issue by the IPB and they provided lectures and seminars relating to claims handling and information concerning unusual claims. An attempt was made to provide seminars on giving evidence in court but this was discontinued as it was considered by the insurer to be unethical for them to provide this form of training. The IPA now carry out this work. All of the local authorities were involved in safety training in order to comply with the relevant European directives and SHAWAWA. The aim of the training was to transmit information and no attempt was being made to deal with cultural issues of the organisations.

In the top four local authorities training was accepted as important by the risk manager and the interviewees were aware of the nature of the training and the seminars being given. They themselves attended the lectures for the purposes of showing that top management was interested in the programme[5]. All four, when asked about the nature of training, felt it was important that the investigators were trained in carrying out investigations and in giving evidence. One risk manager who, although appointed by IPB was not involved in the task, considered that training was not for the senior management and therefore did not attend.

The personnel officer gave lectures and seminars as he saw this as part of his function. These were given only in compliance with SHAWAWA and European directives. The remaining interviewees had little knowledge of the training that was being carried out as this was provided by engineers, administrators or the IPB.

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[5] This was stated to be important by the top four interviewees.

6.6.6.2   Communication to external stakeholders

There was no formal communication of the risk management programme to external stakeholders.   One local authority, who first instituted the programme prior to the IPB's request, considered that their new tactics in handling claims had given the local legal profession the message that the local authorities were no longer 'a soft touch'.   It was considered by the top two local authorities that it would be dangerous to inform external stakeholders of their new strategy because of the impact it could have on claims tactics and on the perception of the voters.   The risk managers did not want to reveal the fact that they were defending actions in case this caused a reaction which would affect voting patterns or strengthen the position of third party lawyers.

Three authorities (second and third on the scale) would like to ensure that the frequency and severity of claims being made against local authorities and their reactions to them should reach the public.   One of these authorities reported in a council meeting that every day a third party claim arrived at the desk of the finance officer.   This was picked up by the press and publicised[6].   It was also considered by the top four authorities that winning a case would deter other possible claimants from proceeding with a legal action, this being especially effective against possible cases of fraud.

6.6.6.3   Communication of the strategy by the IPB to local authorities

In order to explain the reasons for implementing the risk management programme the IPB arranged a meeting of the county and city managers and the situation leading to the imposition of these measures explained.   During this discussion the relationship between claims and premiums were emphasised.

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[6]   This local authority was in the top four on the scale.

This was the first contact that the IPB had with the authorities to bring to their attention the new programme. According to the IPB, prior to this meeting, the managers held the view that claims were not their concern and should be dealt with by insurers. The meetings were followed by the provision of the manual and the running of seminars and lectures in Dublin and in the local authorities' area. Booklets were also prepared on various aspects of safety and delivered to the local authorities.

6.6.6.4 *Risk management policies*

Risk management policies were meant to be disseminated through the risk management manual issued by the IPB. This contained the risk management statement. This document was discussed in section 6.3.2.3. Only the finance officer, county/city engineer and county/city manager had a copy of this document and in all cases it was considered to be confidential and was kept in their respective offices and not divulged to staff. Thus the policies of risk management were not disseminated to persons who should have been involved in the programme and this would have restricted implementation.

6.7 BARRIERS TO IMPLEMENTATION AND MEANS OF OVERCOMING THEM

The data obtained from interviewing the risk managers and IPB has been classified under the five headings developed in chapter four. As a strategy requires to be communicated this was also considered. The impediments to the programme met by the local authorities and the action taken to overcome some of the barriers which were met will now be discussed.

6.7.1 INTER DEPARTMENTAL RIVALRY

The most important resistance to the implementation of the programme came from the engineering section of the authority. It was quite evident that they had been overlooked by the IPB in the formulation of the programme much to the detriment of its implementation. As discussed in the previous section engineers have always been involved in claims investigation and safety matters and this was considered part of their territory. Ignoring this fact was an error which has caused the failure of the programme to be fully implemented in five of the authorities. The allocating of a traditional engineering task to an administrator would have been seen as a threat to the engineer's particular area of expertise as is evident from the information discussed in the preceding sections.

The rejection of the title of risk controller indicates the failure of the IPB to understand the importance of the engineers. In those authorities where the programme has progressed reasonably well the finance officer had enlisted the aid of the engineering department by close co-operation and discussion so that the person responsible for investigating losses was fully involved in the whole programme. In those authorities where a risk controller was successfully appointed it was insisted that he should be a senior member of the engineering staff so that he had sufficient authority over the other engineers when investigating claims. One authority had appointed a senior executive engineer as risk controller to achieve this aim but a junior engineer actually carried out the required work.

The acceptance by the engineers of the risk management programme seems an essential goal of any implementation strategy for risk management in a local

authority. One way of achieving this is by forming a risk management committee. This is being done successfully by those authorities which have made some progress towards implementing the programme and is being considered by those who are about to start. The IPB are now recommending the formation of such a committee as they realise its value.

6.7.2 ATTITUDE OF THE IMPLEMENTOR

The IPB perceived that their failure to realise that there was only one title of manager used in the local authorities and the appointment of the finance officer as risk manager could cause embarrassment was a contributing factor to their lack of success in implementing the programme. This was not mentioned by the local authorities although one finance officer felt that the title was inappropriate and four did not want the task or the title.

In the authorities where management has been successful in implementing the programme the implementor is enthusiastic about risk management. In three authorities the risk manager expressed an interest in claims and insurance, and in one of these the risk controller liaised closely with the risk manager and expressed an interest in personal injury law. In the fourth authority the county manager was very interested in risk management but the appointed risk manager had no interest at all, yet, despite this the programme appears to be proceeding reasonably well. These individuals represent a champion of the risk management programme and without them the programme would not have commenced. In the IPB, similarly, there is one person who is enthusiastic about risk management. He is continually pursuing top management to allow him funds to continue with the programme despite the fact that his superiors are now wondering whether it is the task of an insurance company to provide this kind of service.

6.7.3 EXTERNAL FACTORS

There are a number of external factors which are affecting the operation of the programme. Firstly the question of court tactics seems very much to the fore. The civil procedure relating to the discovery of documents is an important issue which is acting as a barrier to the provision of reports on possible dangerous situations.

Secondly the political issue of employment has been raised. Firstly small businesses are objecting to the local authorities inspecting their insurance contracts as this is allegedly discriminating against the smaller employer. This issue has been ignored but could prove to be a political issue in the future. Employment has also been used to drive the implementation of the programme by noting that the high cost of risk is reducing the capability of the local authority to employ people and this has caused concern.

A further factor is the control of resources by the government. No additional finances are being made available either for the risk management programme or the implementation of SHAWAWA. This impedes the attempts to reduce losses and the local authorities are unable to do anything about this factor as it is not within their control.

6.7.4 STAFF INVOLVEMENT

In order to overcome resistance to the change necessary to implement the programme those authorities which had implemented the programme thought it important to involve the staff in the process. By doing this staff objections could be overcome. A risk management committee was found in two of the cases to be a useful device for overcoming cross departmental resistance. In one authority, where older engineers had firmly resisted the change, the risk

manager waited for them to retire before fully implementing the programme. The new, younger engineers, were educated by the finance officer as to the benefits of the programme as understood by him and the programme proceeded with relative success.

In two of the more advanced authorities an attempt was made to overcome resistance to change by threatening the area managers with reducing their budget by the amount of any claim. This was initially used by one of the finance officers on the basis that if claims reports were not received in a certain period of time this would occur as a way of encouraging early submissal of reports. Although this threat was used the actual implementation of it could not occur as it would mean the individual site budgets would be devastated. One authority advised that this system worked in that reports were received early and the engineers concerned learnt that to prepare reports shortly after the accident was to their own benefit. The fact that only one engineer now had to go to court in the cases where a person was specifically appointed to carry out the claims investigating task was also seen as beneficial to the engineers and contributed towards their acceptance of the programme.

6.8   SUMMARY

In this chapter the formulation and implementation of a strategy for a risk management programme by IPB and the local authorities has been reviewed. The programme which IPB and the local authorities are implementing is one which deals with the handling of claims with particular reference to the possibility of fraud. Little attention appears to have been paid to risk control but only to insurance related matters. A number of barriers to implementing the programme have been identified, which seem to be concerned with the

attitudes of the people in the organisation, although a further major impediment is a lack of resources. Three of the authorities have made attempts to implement the claims handling programme and overcome some of the resistance within their organisations by dealing with the people issues. In the next, and final chapter, of this dissertation it is intended to consider what this means and to try to identify a process which would assist with the implementation of a risk management programme using the literature and the practice identified above as a base.

CHAPTER 7

CONCLUSIONS

7.1   INTRODUCTION

In this chapter it is intended to review the results of the research in the light of the literature discussed in chapters three and four to see what can be learned from the experiences of the case studies.   This will include consideration of those actions referred to in chapter six which contributed to the successful implementation of a risk management programme and what steps could have been taken to reduce the likelihood of meeting or overcoming obstacles.   From this discussion will be developed a recommendation for the implementation of a risk management programme.   At the end of this chapter the necessity for further research in this area will be considered.

7.2   FORMULATION OF STRATEGY IN LOCAL AUTHORITIES

Strategy, in the formal sense of long term planning or analysing and dealing with a changing environment, was not evident in local authorities.   In all local authorities top management committees had been formed which appeared to deal with short term problems, such as annual financing, although, because of their composition, they were well suited to deal with longer term issues.   In those counties where action was being taken to implement the risk management programme this committee was used to discuss the increasing costs of risk especially as concerns high claims costs.   There was little evidence that the committee involved themselves in a debate to deal with the issues but was used as a forum to keep management informed of the current situation.   Thus there

was no formal strategy at top level of the local authorities to deal with the mounting claims crises.

Despite this there did seem to be a strategy being formed at operational level by those counties who were actively pursuing a risk management programme. This took the form of an incremental approach to implementing a strategy for risk management and has arisen out of the finance manager's realisation of a claims crises. The implementation was a step by step approach without an overall plan except in one case where there was a loose strategy to carry out a particular task each year but without this being formalised. This method of implementing strategy is recommended by Wiseman (1993:155) for local authorities and is seen by Quinn (1988:672) as the way in which strategy is generally implemented and formulated by management[1]. The idea of strategy was not at all developed in local authorities and the concept was not well understood.

In implementing the risk management programme in the local authorities the IPB did not take into account that the effect of the new programme would be to change certain aspects of these organisations and that this change needed to be managed. Their main concern was to pursue a means of reducing their loss experience by implementing the risk management programme that they had recommended. The IPB's view as to the nature of a risk management strategy is confusing and would not have assisted the local authorities' top management in coming to grips with the issues. They seem to understand strategy as being

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[1]   This is discussed in chapter four sections 3 and 5.

the risk management process itself which can be used as a means of improving their claims experience[2].

The IPB's overall strategy was not clearly enunciated by the person interviewed at their head office. Since the implementation of the programme commenced the IPB's top management have come to the conclusion that the provision of risk management advice to their members was not a function of an insurance company. In their opinion an insurer's main task is to provide finance to their clients in the event of a loss and not to be involved in loss prevention activities or give risk management advice. The view was expressed that a risk management programme could lead to a loss of revenue, especially if members decided to self insure or carry large excesses, and, therefore, should not form part of the insurer's core business. This did not seem to have been debated to any great extent and the person responsible for implementing the programme in the IPB only found this a barrier when requesting additional resources to provide further seminars for local authorities. The fact that this issue arose does point to the IPB's management considering one of the basic steps of strategic management, that is trying to understand the nature of the business in which they operate[3]. This aspect could not be pursued further as these views were only developing at the time of the interview with IPB.

Strategy was discussed in chapter three, where it was argued that it was a means of achieving objectives at three levels of the organisation[4]. Neither the local authorities nor the IPB seemed to have accepted this version of strategy or clarified their own understandings with each other. The reference to strategy

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[2] This is discussed in chapter six sections 6.2 and 6.3.
[3] See, for example, the discussions in Pearce & Robinson (1991:13).
[4] See Pearce & Robinson (1991:5), Johnson & Scholes (1993:11).

in the IPB manual does not explain its meaning and is not at all clear. The IPB's view does not coincide with the theoretical understanding as outlined in chapter three. Strategies focus the attention of the parties concerned on the overall management of the authority. A risk management strategy is set within the overall strategy to deal with risk. In the case of the IPB the main priority relating to risk was to improve their own claims experience. In order to achieve this their clients had to share that goal. The local authorities did not understand the main priority set by the IPB in the same way. Their concern was to reduce the number of successful claims made against them rather than the number of occurrences where claims could arise. This failure to have congruent goals was one of the reasons why the IPB did not achieve success in their terms. A more directed approach, whereby agreement is reached with the local authorities and more consideration given to each party's goals, may have provided an impetus in pursuing the programme in all authorities. This could have been achieved by using the concept of strategy developed in chapters three and four. This view seems to be confirmed by those cases where claims had been analysed by the finance officer and a means to deal with the high cost of losses developed, this showing evidence of an emergent strategy[5]. In these instances the programme was implemented to a greater extent, according to the research scale, than in those cases where this had not occurred. Thus there was a more focused approach in the more successful authorities which seemed to lead to a fuller implementation of the programme.

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[5] See Mintzberg and Waters (1989:5).

7.3   BARRIERS TO THE IMPLEMENTATION OF THE
PROGRAMME

In this section it is intended to review the barriers to implementation of a risk management programme.   There were a number of different understandings of the nature of risk management and these differences were reflected in how the various parties viewed the success or otherwise of the implementation of the programme.   The perceptions of risk management, as held by the persons interviewed, will be dealt with first, so that when considering other aspects affecting the implementation process the different views can be borne in mind.

7.3.1   THE PERCEPTIONS OF RISK MANAGEMENT

As discussed above, strategy was understood in different ways by the local authorities and the IPB.   Similarly the nature of risk management was perceived differently by the participants in this research.   Writers on risk management have also differed in their opinion as to the nature of risk and the task of the risk manager[6].   The main difference of opinion revolves around the nature of the risks which are to be dealt with by the risk manager.   These views range from covering all risks faced by an organisation to dealing only with insurance related risks.   There seems to be a general agreement amongst the different writers on risk management that the risk management process involves identifying risk; evaluating risk; controlling risk; and financing risk followed by a monitoring of the process[7].   Head & Horn (1991:8), Bannister (1989:11), and Vaughan (1989:35), amongst others, are of the view that risk management should only concern itself with pure risk, that is to say risk where there is no possibility of a gain, as opposed to speculative risk, in this way

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[6]   See the discussions in Valsamakis et al. (1992) and Zajdlic (1984) as discussed in chapter four.
[7]   But see the discussions in chapter three, section 3.4.1.6. and Burlando et al. (1990:50)

distinguishing the task of the risk manager from that of general management.

Valsamakis et al.(1992:12) are in favour of the wider view but, in their text,

concentrate on insurance, whilst Zajdlic (1984), is of the opinion that risk

should be dealt with in its widest form[8].   As this research is concerned with the

actions of an insurance organisation recommending a risk management

programme for implementation the insurance related view has been accepted as

a point of departure for the following discussions.

The IPB's measure of implementation success is a guide as to how they

perceive risk management.   This was based on the involvement of senior

personnel in local authorities and good claims handling procedures as well as

claims experience[9].   The IPB communicated their view of risk management by

way of their manual, seminars and lectures.   Dickson (1989:11) advocates the

the necessity to publish a philosophy, statement and policy for a risk

management function and the manual conforms with this recommendation.

This manual has been discussed in various sections of this dissertation and the

conlusion was reached that it has an insurance claims bias[10].   The manual was

produced by the development officer employed by the IPB who was also

responsible for the implementation of the programme.   His experience is

mainly in the claims department of insurance organisations, the most recent one

being the IPB.   His interest is also in claims and legal liabilities.   In

developing the manual he relied on his own knowledge and involved consulting

engineers who had been retained to advise on losses as a source of information.

The underwriters and surveyors employed on the IPB's staff were also

approached to provide information for the purposes of publishing the manual

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[8]   See the discussions in section 3.4.
[9]   See the discussion in section 6.4.1.
[10]   See sections 2.8, 6.3.2.3 and 6.4.1.

but it was written in its entirety by the development officer. The view of risk management expressed through the manual is narrower than that reflected in the research scale which inhibits the implementation of a full programme as envisaged by, for example, Head & Horn (1989). As the author of the manual is a claims person it does reflect his views of the importance of claims control rather than overall risk control[11].

Each local authority had also developed their own understanding of risk management and this affected the outcome of the implementation process. Two, who scored highly on the research scale, emphasised the investigation and tactical handling of claims from the time an accident occurred until appearance in court. The IPB placed these at mid point on their scale because they had not implemented a formalised system of risk management. One of these, which had been involved in risk management prior to the IPB becoming concerned, were beginning to contemplate the use of safety devices on road sites, and three others, which had been rated highly on the research scale, but middle ranking on the IPB's scale, had requested their staff to be aware of possible risks and to report them to their supervisor. This appears to be the beginnings of a risk control system aimed at reducing accidents but its basis still seemed to be claims control[12]. The majority of the local authorities, including those who had commenced risk control, did not wish to institute a means of identifying and evaluating risks because of the possibility of these being used against them in a court of law. In all these cases the risk manager was the finance officer whose concern was with the local authorities' budget and containing costs.

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[11] This was discussed in section 6.4.2 and sections 6.3.2.3 and 6.6.6.4.
[12] For example, one risk manager was considering installing video cameras at their sites so that could record all accidents that occurred and use this in evidence. It would also provide information relating to the state of the roadwork for safety purposes.

The important issue seemed to be tactics for dealing with claims, a narrower view than that held by the IPB but still claims oriented. Again this restricted the implementation of the programme in terms of both the research scale and the IPB's understanding of risk management. This failure again underlines the necessity for a common understanding of the goals of the progamme before it can be succesfully implemented.

Safety management is aimed at reducing accidents to employees and third parties. In the local authorities safety was dealt with by engineers and not considered part of a risk management programme. In one local authority safety and the risk management programme were co-ordinated by the risk manager and in four cases they acknowledged the relevance of safety but were not involved in the task. In all of these cases, except one, where a risk controller had been appointed his task was loss investigation. The safety officer was a different engineer who concentrated on the requirements of SHAWAWA. In one case the risk controller was involved in preparing the safety statement required by the act. The view taken of risk management in a local authority where the engineers were implementing the programme was that it was technically oriented rather than related to finance and insurance. In another local authority risk management was equated with safety management to be dealt with by the personnel officer. There seems to be strong evidence that, despite the fact that safety could reduce accidents, this was not considered part of the risk manager's remit. Another view held by a finance officer was that risk management involved co-ordinating the various departments affected by risk rather than being responsible for risk in its totality and this included safety. Thus throughout the various local authorities there were differing views of risk management which affected the extent to which the programme

was being implemented.   These opinions differed not only from each other but also from those views held by the IPB[13].

A further difference of opinion revolved around the understanding of who should deal with claims and insurance.   The insurer was of the view that local authorities should understand the implications of reducing claims expenditure on premiums and therefore expend the necessary resources in achieving this aim but this was not clear to local authorities.   The culture within these public bodies seemed to imply that insurance was the concern of the insurer and this included claims and was no concern of their management.   The IPB had spent time discussing with the local authority officers the relationship between claims and premiums but in most cases there was still a reluctance to accept this opinion.   The engineers in particular were convinced that it was the insurers task to pay claims and not their concern at all.   These differences seem to extend Wiseman's (1993:153) idea of goal disagreement covering all areas of the local authorities rather than just between central and local government[14].

These differences of opinion seem to be related to the professional background of the individual concerned.   A finance officer is concerned with containing costs.   Reducing the number of successful claimants being awarded damages would achieve this end and be more readily measurable than a loss prevention programme.   This could explain their concern with claims tactics and reducing the cost of claims payments.   Engineers maintained that they are concerned with safety and this has been accepted by the finance officers.   Risk managers have accepted this and excluded safety from the risk management programme.

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[13]   See the discussions in section 6.4.2.
[14]   Discussed in section 4.3.2.2.

In the case where an engineer is involved in implementing the programme it is understood to be from a technical, safety view point. The personnel officer sees risk management as safety management, a concern of personnel officers. The individual at the IPB implementing the programme has a background of handling insurance claims and this is reflected in his opinion as to how the risk management process should be implemented. Thus the role of the individual in the process, as well as within the organisation, together with his past experiences, is a determining factor in the understanding of the nature of the programme and this affects implementation. As a result of these variations in understanding the measure of success in implementing the programme would differ in different local authorities and in the IPB. This would mean that the scale developed for the purpose of the research, which is based on writer's such as Vaughan's (1989) view of risk management, would not bear any relevance to the participants in the research.

7.3.2. THE STRUCTURE OF THE ORGANISATION

Johnson & Scholes (1993:345) and Pearce & Robinson (1991:32) were of the view that consideration of structures was important when implementing a strategy[15]. Structure identifies the key activities in the firm and the manner in which they are co-ordinated to achieve the organisation's purpose. The IPB, in dealing with the structural implications of their programme, recommended that the finance officer be appointed risk manager in each local authority as finance was seen by them to be a key activity of risk management. This recommendation was made by the IPB without consultation and the majority of finance officers were discovered not to want the title of the task of risk manager. The reason given for this by the finance officers revolved round the

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[15] See the discussions in sections 4.2.1 and 4.3.4.1

extra work involved and they indicated a lack of interest in the programme.

The use of the title of manager was also a factor to their acceptance of risk

management.   One considered that a more suitable would be risk coordinator

and the IPB have now instituted this recommendation.   This result seems to

support the views of Moss Kantor (reported in Roskopf & Aielo 1991:58 and

discussed in chapter 3, section 3.6.1) concerning management in general that,

in future, they will be coordinators of tasks rather than a form of overseer .

A further attempt to amend the structure of the local authorities by the IPB was

a recommendation that a risk controller should be appointed.   This would be a

senior engineer reporting to the risk manager.   This was unacceptable to the

engineers because of the way in which they understood risk management and

the perception that safety was their task.   Three of the local authorities were

prepared to accept this change.   In one of these it was the county manager who

implemented the programme through the engineering department and in the

other two the finance officer ensured that their was a close relationship between

himself and the engineers.

The structure of the local authorities organisation is hierarchical and is polarised

between the administrators and the engineers.   In addition there is strong

evidence of rivalry and difficulty in co-ordination across functional boundaries.

This supports the views of Pearce & Robinson (1991:32) and others discussed

earlier[16].   This has led to a difficulty in changing the structure of the

organisation to accept the risk management programme.

The rejection of the tasks, titles and positions referred to above indicate that the

IPB have not taken into account the functional nature of the structure of the

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[16]   See section 4.2.1

local authorities and its disadvantages, such as the narrow specialisation and inter functional rivalry referred to in chapter four, sections 4.2.1 and 4.3.2. There is evidence of these two factors being present in the local authorities interviewed. The strict specialisation which was evident in those local authorities interviewed was a hindrance to the implementation of the programme as each department wished to hold on to their own elements of the programme. There was also evidence that they held the view that boundaries of specialised knowledge should not be crossed and that tasks such as safety were in the province of engineers and not administrators. Risk management committees have been recommended by the IPB, and formed in some local authorities, to try to overcome the issue of boundaries of knowledge and provide a form of networking between the various departments[17].

7.3.3 POWER STRUCTURES

The territorial problem is one of the key issues affecting the implementation of the risk management programme and this can be considered in terms of the power structures which form part of Johnson & Scholes (1993:60) cultural web[18]. According to IPB the power in the local authorities lay with the engineers. They did not discover this until after the risk management programme had commenced and therefore was not taken into account in the original planning of the programme. The research indicates it was the engineers who seemed to be putting up the most resistance to the programme in that they found it cut across their understanding of their role in safety and investigating accidents. This barrier is referred to by Owen (1982:45), as well

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[17]   See the work of Schuman (1994:21-37) in connection with working relations as networks that sustain visible and invisible work required to construct coherent technologies and put them into use. Schuman was using the example of computers but her arguments could equally apply to risk management.

[18]   Discussed in section 4.3.2.

as Guth & MacMillan (1989), who discuss both cross functional rivalry and resistance by middle management[19]. The engineers understood risk management in a way which differed from that of the IPB and saw it as a threat to their position. Engineers would consider safety as part of their natural role in the organisation and finding another function attempting to relieve them of this task, or policing them, would be a threat. It was only in those cases where the risk manager liaised closely with engineers was a programme implemented which was aimed at the goals set by the finance officers. These cases were on the middle of the IPB's scale whilst they were at the top of the research scale.

The persons appointed risk manager and risk controller as well as the engineers are all stakeholders in the organisation and will affect and be affected by the new programme. Johnson & Scholes (1993:353) emphasise the importance of stakeholders in analysing the power structure within the organisation. The power structure will affect the implementation of any programme and this is illustrated by the barriers placed in the way of the finance officers who attempted to carry out this task

External stakeholders also have the power to affect the programme, an example being the environmental issues referred to by Wiseman (1993:153)[20]. Examples of the impact of external stakeholders is the issue relating to civil procedure, possible fraud and the complaints of a local small business community which expressed concern over the local authority insisting on small businesses carrying sufficient liability insurance to provide both the local

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[19]   See the discussion in section 4.3.
[20]   Discussed in paragraph 4.3.2.2

authorities and themselves with protection in the event of a loss. This latter point was ignored by the finance officer in the cases where it arose and the effect of this is unknown but political implications could arise. The tactics of the legal profession also had an impact on the implementation of a risk management programme by the local authorities as this prevented all but one from identifying risks.

Attitudes to possible fraud also affected the manner in which the programme was implemented. All but one of the authorities considered fraud to be of major importance consequently thier attitude was to devise ways in which this could be defeated. This led to a narrow view of risk management, reducing it to a tactical level as a means of dealing with third party actions.

7.3.4 LACK OF RESOURCES

Lack of resources is considered by Johnson & Scholes (1993:56) to be one of the impediments faced by the implementors of a new strategy. In formulating the strategy the IPB, as external stakeholders to the local authorities, were aware of the lack of resources but did not consider this to be their concern. They saw themselves as being external to the local authorities and the programme itself would bring about savings by reducing claims. The finance officers were concerned with the finance issue as they had to find the money to meet the costs of repairs to roads and pavements, the cost of insurance, and additional staff to meet the needs of the new risk management and safety programmes. In the main, the additional resources were not forthcoming at the time of the interviews. The finance officers did not consider that the lack of resources would affect the implementation of the programme. They were of the view that safety laws had to be complied with and this would be achieved regardless of the existence, or otherwise, of the necessary resources. Those

finance officers who were advanced in the implementation of the programme considered that handling of claims properly would save money.

7.3.5 CULTURE

Johnson & Scholes (1993:393) consider that culture, as viewed through the tool of the cultural web, is an important consideration when implementing a strategy. The results of this research also point to the importance of culture. The engineers refusal to accept the role of the finance officer in the safety aspects of risk management are an indication of the difficulties concerning the values and beliefs of the organisation. In view of the short visit to the local authorities this aspect could not be investigated to any great degree but there were indications of its importance as a barrier to the implementation of the programme.

The culture in the organisation accepted the engineers as being responsible for the technical aspects of safety and it was clear that they were unable to accept any other view. The cultural web includes looking at the routines of an organisation as one of the ways in which the culture can be understood. In local authorities engineers investigated claims and maintained safety on site. This came across very strongly in all of the local authorities and proved a barrier to the implementation of the programme envisaged by the IPB. It was only in those cases where finance officers and engineers negotiated an agreement as to what tasks should be carried out, and by whom, was a programme started.

The IPB showed little understanding of the point made by Frick (1990) and Dwyer (1991:186) that, in order for a safety programme to be effective, safety consciousness should permeate the organisation. Their opinion seemed to be

that the top management could implement the prescribed risk management programme by instructing their staff to carry out the necessary tasks.

Safety was not considered to any great extent in the manual. All the finance officers considered that there organisation were safety conscious but there was little evidence that the workers were being empowered. The discussions held with the finance officers and the IPB indicated a top-down approach to implementing the programme with employees being threatened if they did not carry out safety procedures. Despite this, in those cases where the programme had commenced, there was indication of co-operation with middle management but not workers. This is in contrast to the view held by Younis & Davidson (1990:5) that the most effective way of implementing a strategy is by a top down and bottom up approach.

The culture of the organisations seemed to be able to facilitate improved claims management, and, possibly risk management in that most authorities considered they were safety conscious and there was a desire to defend actions where necessary. If the matrix referred to by Pearce & Robinson (1991:348)[21] is considered it would seem that the local authorities could be placed in cell number three where there are few changes in key organisational factors and a high potential compatibility of changes with the existing culture. In this case the local authorities should attempt to reinforce the existing culture. The IPB were attempting to achieve this by training and the better authorities were involved in trying to reinforce the safety and claims management culture. Further research would have to be carried out into the culture of the local authorities to justify this conclusion.

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[21] This is discussed in chapter four, section 4.2.3.

7.3.6 ORGANISATIONAL SYSTEMS

There was resistance to the change in the means used to handle claims by the engineers because of their understanding of the nature of risk management. This arose out of their perception of risk management and the culture of the organisation discussed in section 6.4 and 6.6.5. They considered safety and claims investigation to be part of their task, falling within their specific area of knowledge and that insurance and claims payments should be left to the insurers. They did not feel the necessity to combine claims handling, safety and claims. This failure to consider the relationship between the work of the safety officer and risk management could lead to a misuse of resources as the work of the former could be involved in the latter and thus reduce duplication of work. Engineers saw the appointment of an individual to investigate claims, rather than leaving it to each site officer, as a threat and a possible witch hunt. Safety had not been considered an important part of the engineer's task but with the implementation of SHAWAWA this has changed and the appointment of a safety officer is now required by this new act. This could change the view of the importance of this role. The act could enhance their view of this task thus enforcing their view safety should remain within their jurisdiction. This restricted the implementation of the programme as viewed by the research scale.

7.3.7 ANALYSIS OF THE BARRIERS TO IMPLEMENTATION

In the above discussion it can be seen that the implementation process was affected by the understandings of the nature of risk management held by the IPB, the risk managers and the engineers, all of which sometimes led to conflict. Throughout the above discussion runs the common thread of a difference of opinion as to the tasks that risk management encompasses. These understandings vary depending upon which profession is involved. The view

held by the IPB is insurance and claims related and reflects the background of the person who drew up the manual. Thus the main barrier seems to be the different views held by the various persons involved in the implementation process.

The organisational systems and structure were affected by this view. The local authorities who had started implementing the programme considered that a system for claims handling was the important factor and this was again related in their view of risk management. Structure was also a concern because of the views held by the various stakeholders as to where the tasks of risk management lay. Each function understood parts of risk management to fall within their own field of interest. Thus the structure and the systems could not be changed to the extent required by the IPB or the finance officers.

7.4   OVERCOMING THE BARRIERS TO IMPLEMENTATION

The methods used by the local authorities who were in the top four of the research scale to overcome barriers to implementation were: rewards; communication and; co-operation with staff to achieve their ends. These headings will be used to discuss the methods used by the IPB and the local authorities to attempt to overcome the barriers which they understood to be preventing successful implementation.

7.4.1 REWARDS

Both Pearce & Robinson (1991:352) and Johnson & Scholes (1993:393) considered that using rewards was a means of achieving strategies. This method was used by the local authorities who achieved high scores on the research scale and by the IPB. One authority attempted to overcome the resistance of site engineers to the risk management programme by threatening

to debit the budget of the site where the loss occurred with the cost of a claim if the investigation report was not submitted within three months. Eventually a satisfactory system was achieved whereby the report was received within a reasonable time although the finance officer did not carry out the threat of debiting the budget with any claims. The actual success seemed to have been achieved by negotiation and explaining to the engineers how they would benefit if reports were received on time. To verify this the engineers concerned would have to be interviewed. The benefits revolved around the fact that the engineers would be less likely to appear in court as witnesses if decisions concerning claims could be made at an early stage.

Another authority, which achieved relative success in implementing the programme in their terms, achieved the centralisation of the claims handling process by showing the engineers that if only one person investigated claims the remainder would not have to appear in court or act as witnesses as often as before. They were also advised that the safety aspects of their work would not be taken from them and that nobody would be looking for scapegoats in the event of an accident. This action seemed to persuade the engineers to accept the centralisation process. In this case it was not financial reward that persuaded the engineers to meet the requirements of the programme but more a meeting of their needs. They did not relish appearing in court and to be relieved of this task seemed to make up for the loss of control of the claims investigation process.

The IPB also used reward as a means of attempting to implement their view of risk management. In exchange for implementing the programme they agreed to remove all the restrictive clauses and excesses from the policies they issued

and base renewal premiums on the previous year's claims.   In using this method they hoped to be able to reduce individual authority's premiums as claims reduced and thus provide a reward.   This was not successful in that the local authorities did not implement the programme as required by IPB although premiums did reduce.

There is little evidence that financial rewards were successful in achieving the requirements of the finance officers or IPB in implementing the programme but social and personal needs seemed to be important.   This underline the views of Frick (1990:378), Dwyer (1991) and Lippitt (1985:102) concerning the importance of social forces in implementing change.

7.4.2   COMMUNICATION

Dickson (1989:11) argues that a risk management philosophy, statement and manual should be prepared to communicate the risk manager's understanding of the task.   The manual prepared by IPB and delivered to local authorities was not accepted by those who are implementing the risk management programme.

Only one authority says that they are going to prepare a risk management philosophy but no steps had been taken to achieve this at the time of the interview.   Safety statements were being prepared in some of the local authorities but the risk managers had little knowledge of these.   This confirm Dwyer's (1991:186) view that more is required than purely communication and the social consequences of the programme have to be considered and taken into account.

Training was another means of communication of the programme and considered important in all those organisations interviewed.   Scott (1994:66)

and Cox & Tait (1991:257) also consider training important. In those authorities which had progressed with the implementation of the programme in terms of the scale training was emphasised. Training was carried out in terms of SHAWAWA in all cases but in the aforementioned three local authorities further training was implemented. This included the attendance of the person carrying out investigations at seminars on giving evidence and other courses beyond that required by the act.

7.4.3 CO-OPERATION WITH STAFF

As discussed in chapter four the co-operation of staff in implementing a programme, and more particularly one related to safety is important[22]. In the local authorities most advanced in the implementation process in terms of the research scale there was an emphasis on co-operation with all members of staff in achieving the desired goal.

One of the most successful local authorities in implementing the programme in terms of the research scale was emphatic that all staff, including those in part time work, had to be *"brought on board"* before the plan could be a success. Two other successful authorities in terms of the research scale considered that all those affected within the authority had to be informed of the changes being made and this was carried out by informal of formal communication, either by way of a committee; informing line management and the remainder of the staff; or by training. The three authorities that were top of the research scale considered that communication with their staff was important and an attempt was made to see that results of claims was imparted to members of staff. None of the other authorities viewed this as necessary. Thus communication

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[22] See for example Dwyer (1991:186-7), Frick (1990:378); and Scott (1994:61).

of the strategy to internal stakeholders is a factor in successful implementation of the programme.

There were different views concerning imparting information to external stakeholders. This related to the tactical implications in claims handling. Of the local authorities who had considered this aspect two considered that the external stakeholders should not be informed of the change in strategy whilst a third felt it was necessary. All three were at the top of the research scale. From a tactical viewpoint the argument not to advise external stakeholders of the local authorities change in attitude is strong although there may well be other considerations which need to be considered such as the possibility of fraudulent claimants being discouraged from attempting to claim. This requires further research.

7.4.4 CHANGE AGENT

Another important factor which assisted in overcoming barriers was the presence of a change agent or leader who championed the cause of risk management. Pearce & Robinson (1991:341) refer to the necessity for leadership for the programme to be a success. This leadership came from the finance officer in three cases and a county manager in a fourth. The important factor was the implementor's interest in the programme and therefore he was prepared to champion its institutionalisation. This was an essential ingredient to successful implementation of the programme in the implementor's terms. In all cases the implementor was a senior official in the organisation reporting directly to the manager, in one case the implementor was the manager himself. In the remaining instance the implementor was the personnel officer who did not rank highly in the organisational hierarchy compared with the finance officer although he considered himself to be part of the management team.

Thus the person responsible had access to top management but this was not used in the implementation of the programme and did not appear to be necessary. In those cases that were successful the county/city manager was kept advised but it was the enthusiasm of the implementor which ensured that the programme was a success.

7.4.5 CONCLUSIONS

In the cases where the implementation of the programme was relatively successful the finance officers were aware of the issues discussed in the preceding sections and attempted to deal with them. In the remaining cases the person responsible for implementation showed very little interest in the programme. The research did not use a means of testing the awareness of the persons involved in the programme of the factors discussed and this may be considered in future research and could have been a useful tool to gauge the implementors understanding of the implementation process.

Johnson & Scholes (1991:394) refer to the use of a change agent and the fact that important managerial groupings are the ones which will decide what is important (1991:61). This was evident in the local authorities where engineers could impede the programme unless the finance officer enlisted their aid. The most successful authorities, in terms of the research scale, were those where somebody was personally interested in implementing the programme. This was not necessarily the person appointed as implementor by the IPB.

7.5 AN IMPLEMENTATION STRATEGY

Now that the discussion on barriers to implementation and a means by which they may be overcome has been completed it is intended to develop an implementation strategy for local authorities. The research indicates that it is

not possible to implement a risk management programme devised by one individual, or obtain full co-operation in instituting a strategy to manage risks without negotiation, because of the diverse views of how the handling of risk should be achieved within an organisation. The following steps may assist in making it easier for risk management to be implemented.

7.5.1 ANALYSIS OF THE INTERNAL AND EXTERNAL ENVIRONMENT

Both Pearce & Robinson (1991) and Johnson & Scholes (1993) consider that an analysis of the internal and external environment is essential. This applies to a strategy for risk management. The first factor to consider is the stakeholders who will be affected by the implementation of the programme ascertaining who is for and who is against the idea of risk management. This would involve both internal and external stakeholders and would include the engineers, administrative and legal staff internally and the legal profession and claimants externally. Wiseman's (1993:153) view concerning advocates and adversaries is useful in this instance. This kind of analysis was not carried out by the IPB or the local authorities and consequently the resistance that was met seems to have come as a surprise to the IPB. This was not so much the case with the local authorities who were more aware of their own culture and in those cases where risk management was successful in terms of the research scale they foresaw the possible impediments. The analysis of the environment would include a review of the organisational paradigm, as viewed through Johnson & Scholes (1993:60) cultural web, and a consideration of the effects on the culture using the matrix suggested by Pearce & Robinson (1991:348-352). In the case of the implementation of the risk management programme this would seem to fall in the south west cell of the matrix and thus a focus on reinforcing the existing culture recommended to implement the strategy. This point requires further research as discussed in chapter six, section 6.6.5. Few organisational

changes are possible as the structure is governed by statute as discussed in chapter two, paragraph 2.3. The culture appears to be one whereby safety is considered important but the majority of the implementors show little interest in the programme. In order to achieve implementation the expression of safety consciousness should be strengthened and an attempt made to obtain the assistance of a change agent who has an interest in the programme.

7.5.2 A COMMON UNDERSTANDING OF THE STRATEGY

Simply put a strategy is a means of achieving a particular goal, a way of changing from an existing situation to a desired one. A problem arises in coming to an agreement on the desired goal. One of the main impediments to implementing the programme, on the IPB's terms, was a lack of understanding of each other's perceptions of risk management by the various parties involved in the programme. The local authorities, who scored well on the research scale, were mid-point on the the IPB's scale, but considered themselves successful in implementing the programme. They had a claims investigation system in place and were successfully defending actions and to them this was an achievement. In order to agree on the nature of success an attempt should be made to come to a common understanding of the proposed strategy for risk management through discussion and negotiation. A person implementing the programme cannot expect that other managers will have the same view of risk management as his or her own despite attempts at education and communication. Implementation must be carried out bearing in mind that each individual perceives risk management in a different light depending on their background and each view must be considered valid. Therefore to be able to achieve implementation of the programme an agreement as to what risk management comprises must be attained through compromise and discussion taking into account all interested parties views. This is not always possible and

a compromise may have to be reached whereby a programme is put in place knowing that it will not be able to reach its full potential as seen by the implementor.

7.5.3 SETTING STRATEGY

The next step is to set a strategy for implementation. Goals and objectives would have to be set in line with the common understanding to provide focus. These goals and objectives would have to be discussed at all levels of the local authorities and the IPB to ensure that they fitted into the general strategy of both these bodies. Throughout the setting of strategy the implementor should be liaising and refining the plans following discussions with the stakeholders. The actual implementation of the strategy should be carried out in stages as was recommended by Wiseman (1993:155).

7.5.4 COMMUNICATION OF THE STRATEGY

Communication of the strategy is also vital so that all personnel are aware of the steps being taken. Throughout the process the implementors should be liaising with all those involved so that each stakeholder is aware of the present stage of the process. The risk management manual prepared by the IPB was an attempt to achieve this but it was only given to senior management in the local authorities and was not made available to any interested party. In order to disseminate information about risk management a statement would have to be developed which should be distributed to all members of the implementing organisation's staff so that they are aware of the programme and its implications. The problem is whether it would be read and, if it is, whether it would help achieve a common understanding as the contents of the document could be interpreted differently by the various readers. To reduce this likelihood a discussion of the document should take place throughout the

organisation before it is finally published. Communication in itself is not enough because of the implication of the social forces referred to by Lippitt (1985:102), Dwyer (1991) and Frick (1990:378).

7.5.5 MANAGING THE CHANGE

The implementation of a new system will involve change throughout the organisation and this needs to be realised by the implementors of a new programme. The local authorities which had pursued the programme most actively all seemed to realise that change was involved. The external and internal analysis will assist in identifying who and what will be affected by the change. The identification of factors which will be affected by the change can be considered under the headings of structure, power structures, culture, resources and management systems.

The structure of the organisation may need changing in that a risk manager, if this title is acceptable, will have to be appointed and placed in the hierarchy. The person responsible for risk should be a person who is included in the management team so that the risk management concerns are reported at top level in the local authority. This need not necessarily be the finance officer. The person who is to be responsible should be agreed by each local authority and should also want to carry out the required tasks. If their is nobody prepared to take the responsibility then the implementation will fail.

The culture of the organisation will have to be considered to see whether it can accept the risk management programme. If it is not then it is unlikely that the programme will be successfully achieved.

The management control and reward systems will have to be reviewed and methods of dealing with risk management achieved through negotiation. Again the programme as envisaged by the implementor may not necessarily be achieved in its entirety but steps towards achieving the overall objective may be made.

Resources will also have to be considered. In the case of the local authorities there is a lack of financing available for all actions of the local authorities so means of overcoming this problem will have to be considered. The IPB have offered reduced premiums to local authorities who diminish their losses and this may release finances to deal with improving safety.

The power structures will also have to be considered to see who has the power to assist implementation of the programme and also to place obstacles in its way. This information should be used to counteract or deal with any barriers erected by those with the power to prevent the implementation of the programme.

7.5.6 MANAGING CROSS FUNCTIONAL RESISTANCE

As risk management cuts across functions all members of the organisation would be affected by the new programme to one extent or another. In local authorities some of the distinct tasks of the risk management function are dealt with by different departments and trying to centralise these tasks could cause conflict[23]. In order to reduce this possibility a consultative forum should be instituted. This could take the form of a committee which would meet on a regular basis to discuss risk management with the person responsible for risk

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[23]   See also the work by Owen (1993:145)

being in the chair. Each group of stakeholders affected by the programme

should have a representative on this committee.

7.5.7 IMPLEMENTING A RISK MANAGEMENT PROGRAMME

Risk management is considered by Dickson (1989), Valsamakis et al. (1992)

and other writers on risk management to involve the identification, analysis,

and control of risk. This view did not seem to be accepted by the members of

the local authorities who had different opinions. In the view of Dickson

(1989:3) and other writers on risk management the identification of risks is an

important factor in risk management[24]. All authorities, except one, said they

identified risks by analysing past claims. The more successful authorities in

terms of the research scale went further than this in ensuring that their staff

were aware of the necessity of looking for dangers although concern was

expressed with providing a written report. It is necessary to establish a risk

identification programme which is in addition to reviewing past claims. This

task will have to be carried out in order to comply with SHAWAWA. This act

requires the identification and evaluation of risk and a method of achieving this

will have to be established. Any fears relating to claims handling tactics will

have to be allayed. In order to achieve this consideration should be given to

the involvement of the safety officer in the risk management programme as he

could provide a very important perspective to this function. Losses arise out

of a failure in safety procedures and involving the person responsible for this

function would add more credence to the risk management programme. In

most cases the safety officer was not seen as a suitable adjunct to the

programme because it was considered that his task was to deal with safety of

employees and was appointed in terms of SHAWAWA.

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[24] See the discussion in chapter three.

Identification of losses should be followed by analysis and control of risk.

Again these factors were not accepted by the local authorities to be part of the

programme other than to the extent that claims handling could fall under these

headings.   The programme would also have to be monitored to ensure that it is

proceeding satisfactorily in the eyes of the implementor.

All those local authorities wich were implementing a risk management

programme as they understood it were doing so incrementally.   Those who had

not commenced the programme, but expressed an intention to do so, were

considering a step by step approach.   The environment in which the local

authorities are operating is changing rapidly and new, unforeseen, factors will

affect the programme as it is being implemented.   Thus the method used

should be flexible so that any changes can be incorporated in the new

programme.   It seems clear from all the managers interviewed that the

formulation of long term objectives as prescribed in the literature does not assist

them in the present situation because of the nature of the changing environment.

Consequently logical incrementalism, as described by Quinn (1988:672) and

Wiseman (1993:195), would seem to be the most acceptable way of

implementing the programme.

Financing risk as part of risk control should also be considered.   In view of the

fact that it was an insurer involved in implementing the programme being

examined it was unlikely that they would consider external financing of risk.

Most of the local authorities were satisfied with the service provided by the IPB

and did not contemplate obtaining insurances elsewhere.   One large

corporation, not forming part of this research, has instituted a self financing

programme and this action has also been considered by another large corporation, also not part of the research. One of the local authorities examined had a £25,000 excess on their liability policy and provided for claims by means of a fund. Another county also did not insure certain risks and was budgeting for this in their accounts. The remaining counties were not prepared to self finance risk, except for small losses such as all risks on office machinery. All the counties interviewed were satisfied with the claims made approach to premium charges now being offered by the IPB.

7.5.8 MONITORING OF THE PROGRAMME

The process of implementation is a continuing one. New changes may have to be effected as a result of new risks, or different procedures adopted, or new staff employed. A continual monitoring should therefore take place to ensure that the programme is operating smoothly.

7.6 FURTHER RESEARCH

This research is exploratory as there has been little published concerning the implementation of a risk management programme. The social implications referred to be writers such as Frick (1990), Dwyer (1991) and Owen (1982) are ignored by most of the literature relating to risk management yet they are important if a programme is to be implemented successfully. This aspect needs further consideration and research as the implementation of a programme to reduce risk is one which has implications for both internal and external stakeholders.

Although an implementation method has been discussed above this is not a recipe for success. It would seem that one of the most important factors affecting the programme was the understanding of risk management amongst

the various parties and the culture of the organisation. In formulating any new strategy the views of the stakeholders in the organisation will have to be taken into account as well as its culture. These factors need further study and research in the form of individual case studies, in depth interviews and participative observation. This needs to be carried out over a period of time so that any changes that are occurring can be noted.

There is no research on the culture of local authorities in Ireland, and none on safety in these bodies or the relationship between them. It is important that research in this area be done if the claims experiences of local authorities are to be effectively managed.

Further consideration should be given to the idea of a manager being a co-ordinator across functions. An acceptance of this may lead to greater control of risk throughout the organisation.

A further point which requires research is the effect that the world views of risk management held by stakeholders affects the overall aim of reducing the cost of risk. This needs in-depth understanding if risk is to be managed effectively. Each function understood the risk management programme differently despite the attempt by the IPB to educate the local authorities to accept their own view point. Each participant in the programme saw risk management through the eyes of their own discipline without accepting that there were other views which differed from their own. The opinion of risk management described by authors such as Dickson (1989) and Valsamakis (1992) was unacceptable to finance officers, engineers and personnel officers involved in the programme. The perceptions of the different professions of a risk management programme

needs further research as this will assist in understanding the barriers to implementation which may be raised. In-depth interviews with the various individuals who are involved in tasks related to risk management could assist in understanding this issue. Questionnaires circulated to various professional groupings may also assist in achieving an understanding as to how risk management is understood.

This research should be repeated in three or four years time to see how the programme has progressed and to ascertain whether it is still being pursued by IPB and the local authorities. It may well be that it is a 'passing fancy' and, if not seen to produce results, it may be discontinued. In fact the top management of IPB are already considering whether to continue their support of the programme as they question their understanding of the part they should play in the process.

7.7   SUMMARY

The factors which led to the success, or failure, in implementing a risk management programme were discussed in the previous chapter and a recommendation submitted on a tentative basis for the implementation of a risk management programme. Important factors were that an analysis should be carried out of the internal and external factors which would affect the programme using the five factors of structure, systems, resources, culture and power structures as a guide to considering the internal factors. Stakeholders should be identified to ensure that all persons affected by the programme are known as are their views and understandings of the programme. Goals and strategies should be set and an attempt made to agree them with the stakeholders. Throughout the process communication with the stakeholders

should be maintained and they should be kept informed of progress. This will reduce the possibility of resistance. The implementation of the programme then requires to be monitored.

Despite this recommendation a caveat was submitted in that the social implications of a risk management programme needed more research as did the perceptions of the nature of risk management held by the various professions. Without this knowledge the likelihood of failure of the implementation of a programme as recommended by the risk management literature is high.

Once a recommendation had been made for the implementation of the programme the necessity for further research was considered. This research is exploratory as little work has been carried out into the issues relating to implementing a risk management programme although there has been numerous discussions relating to the nature of risk management. Hopefully this research will stimulate further enquiry into this area.

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APPENDIX A

LIABILITY INSURANCE MARKET RESULTS

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Figure 3. Graph of the performance of the Irish insurance market from 1980 to 1992
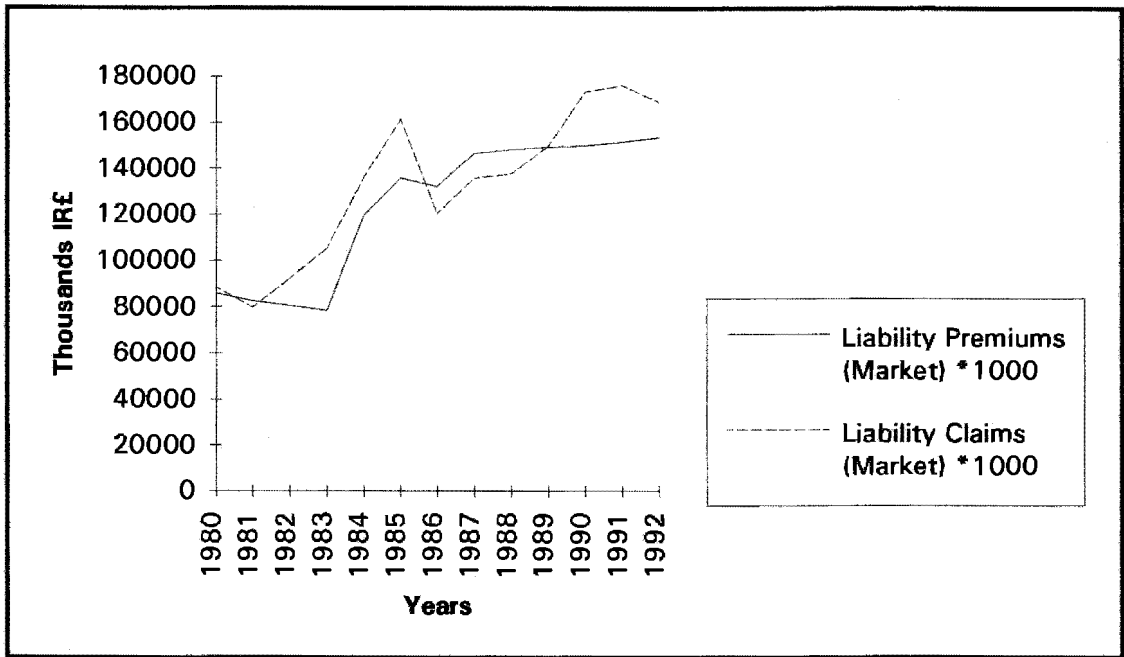
Source: Insurance annual reports 1980-1992;   Statistical Abstracts 1980-1992.

Figure 4. Graph of IPB's results between 1980 and 1992
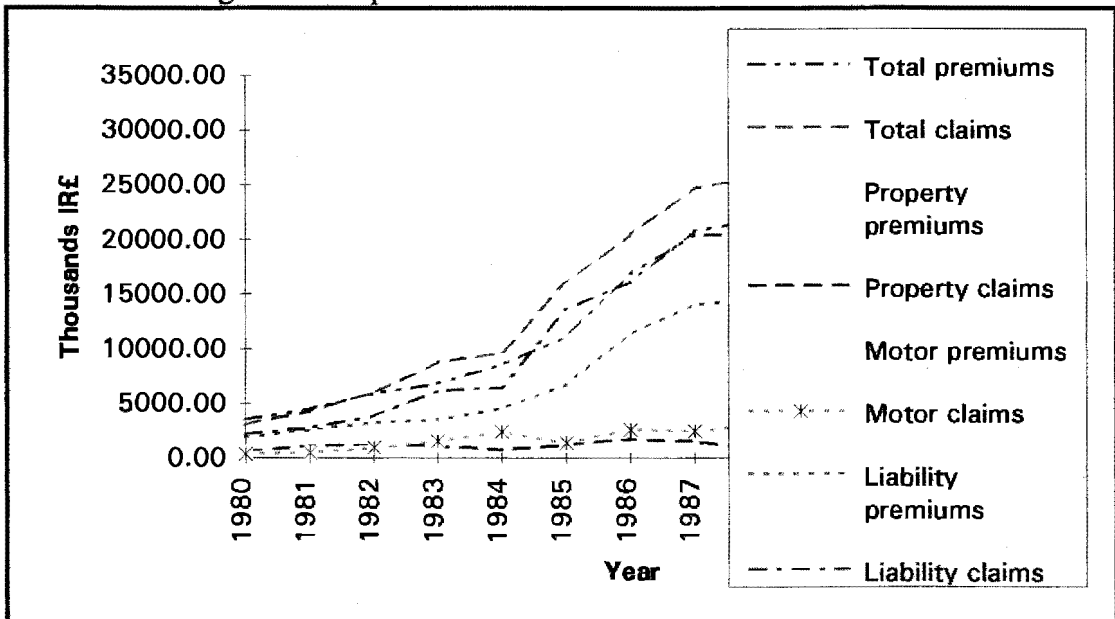
Source: Insurance annual reports 1980 - 1992

Table 3. Irish liability market performance from 1980 to 1992

Year	Adjusted Premium Thousands IR£	Adjusted Claims Thousands IR£	Adjusted Commissions Thousands IR£	Adjusted Management Expenses Thousands IR£	Claims ratio	Comm-ission ratio	Manage-ment ratio
1980	86126	88489	8507	14271	102.74	9.88	16.57
1981	82659	79842	7680	14595	96.59	9.29	17.66
1982	80630	92368	7277	15889	114.56	9.03	19.71
1983	78480	105170	7406	16045	134.01	9.44	20.44
1984	119616	136196	11485	24605	113.86	9.60	20.57
1985	135883	161595	12525	26710	118.92	9.22	19.66
1986	132330	120633	9304	21441	91.16	7.03	16.20
1987	146683	136011	9470	24169	92.72	6.46	16.48
1988	148383	137902	9711	24895	92.94	6.54	16.78
1989	149568	150161	9817	24033	100.40	6.56	16.07
1990	150209	173530	10119	25479	115.53	6.74	16.96
1991	151798	176442	10027	26007	116.23	6.61	17.13
1992	153783	169099	10387	28121	109.96	6.75	18.29

Source: Insurance annual reports 1980-1992.

Table 4. Percentage change in the Irish market and IPB's liability premiums from 1980 to 1992

Year	Premiums (Market) Thousands IR£	Premiums (IPB) Thousands IR3	Change in Market Premiums	Change in IPB Premiums
1980	86126.39	4077.95		
1981	82658.79	4452.56	-4.03	9.19
1982	80629.62	4906.43	-2.45	10.19
1983	78479.70	4881.65	-2.67	-0.51
1984	119616.08	5912.56	52.42	21.12
1985	135882.84	8358.65	13.60	41.37
1986	132330.14	13756.17	-2.61	64.57
1987	146682.53	16438.25	10.85	19.50
1988	148383.11	16582.01	1.16	0.87
1989	149567.65	16762.51	0.80	1.09
1990	150208.75	16328.31	0.43	-2.59
1991	151798.30	17317.82	1.06	6.06
1992	153783.00	17161.00	1.31	-0.91

Source: Insurance anual reports 1980-1992; Statistical bulletin 1993.

Table 5. Comparison of IPB's liability claims experience with that of the Irish liability insurance market 1980 to 1992

Year	Liability Claims (Market) Thousands IR£	Liability Claims (IPB) Thousands IR£	Percentage Increase in Market Claims	Percentage Increase in IPB Claims
1980	88488.88	4603.65		
1981	79842.29	4766.65	-9.77	3.54
1982	92367.87	5903.70	15.69	23.85
1983	105169.93	8533.13	13.86	44.54
1984	136195.78	8449.12	29.50	-0.98
1985	161594.59	16911.40	18.65	100.16
1986	120633.05	19434.03	-25.35	14.92
1987	136010.84	24325.56	12.75	25.17
1988	137902.22	24868.45	1.39	2.23
1989	150161.21	26294.41	8.89	5.73
1990	173529.60	25860.22	15.56	-1.65
1991	176441.99	29124.35	1.68	12.62
1992	169099.00	27512.00	-4.16	-5.54

Source: Insurance anual reports 1980-1992; Statistical bulletin 1993.

Table 6. Comparison of IPB and Irish liability insurance market experience for various periods

Average percentage increase in:	Period Years	Market Percentage change	IPB Percentage change
Earned premium income			
	1981-1992	5.82	14.16
	1981-1987	9.30	23.63
	1988-1992	0.95	0.91
Cost of claims			
	1981-1992	6.56	18.72
	1981-1987	7.90	30.17
	1988-1992	4.67	2.68
Claims ratio		Average ratios	
	1980-1992	107.66	149.48
	1980-1987	108.07	143.69
	1988-1992	107.01	158.74

Source: Source: Insurance anual reports 1980-1992.; Statistical bulletin 1993.

Table 7. Comparison of premium income and claims with GNP for the period
1980 - 1992

Year	Unadjusted Premiums (Thousands) IR£	Unadjusted Claims (Thousands) IR£	GNP at current prices (Millions) IR£	Ratio of Premiums : GNP	Ratio of Claims:G NP
1980	40466.00	41576.00	9002.60	0.45	0.46
1981	47896.00	46264.00	10854.40	0.44	0.43
1982	52472.00	60111.00	12453.70	0.42	0.48
1983	56332.00	75490.00	13499.00	0.42	0.56
1984	48340.00	59861.00	14659.70	0.33	0.41
1985	65926.00	85412.00	16610.90	0.40	0.51
1986	109703.00	100006.00	17686.10	0.62	0.57
1987	125327.00	116209.00	18962.50	0.66	0.61
1988	130164.00	120970.00	19989.00	0.65	0.61
1989	137330.00	137875.00	21934.00	0.63	0.63
1990	141669.00	163664.00	23852.00	0.59	0.69
1991	148320.00	172399.00	25084.00	0.59	0.69
1992	153783.00	169099.00	26451.00	0.58	0.64

Source: Insurance annual reports; Statistical astracts 1983 & 1986; Statistical bulletin 1993.

Table 8. Comparison of claims ratios for IPB and the Irish liability insurance
market 1980 - 1992

Years	Unadjusted Premiums (Market) Thousands IR£	Unadajusted Claims (Market) * Thousands IR£	Market claims ratios	IPB claims ratios
1980	40466.00	41576.00	102.74	112.89
1981	47896.00	46264.00	96.59	107.05
1982	52472.00	60111.00	114.56	120.33
1983	56332.00	75490.00	134.01	174.80
1984	91625.50	104325.50	113.86	142.90
1985	109211.50	129876.50	118.92	202.32
1986	109703.00	100006.00	91.16	141.27
1987	125327.00	116209.00	92.72	147.98
1988	130164.00	120970.00	92.94	149.97
1989	137330.00	137875.00	100.40	156.86
1990	141669.00	163664.00	115.53	158.38
1991	148320.00	172399.00	116.23	168.18
1992	153783.00	169099.00	109.96	160.32

Source: Insurance annual reports 1980 - 1992; Statistical bulletin 1993

APPENDIX B

INCOME OF LOCAL AUTHORITIES FROM ALL SOURCES

Figure 4. Income received by local authorities from all sources 1981 - 1989
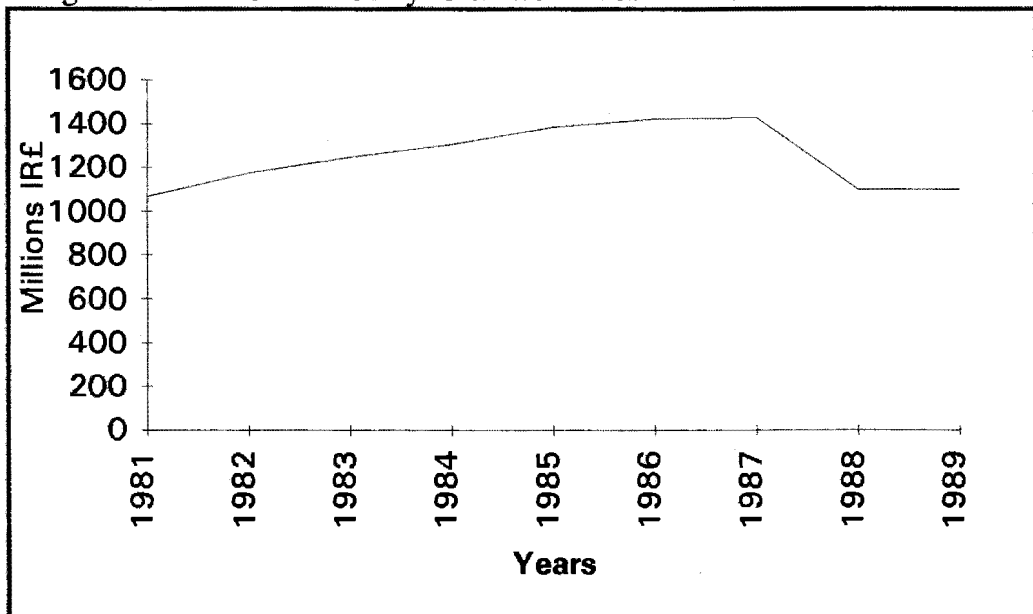
Source: Returns of Local Taxation, 1990, Department of the Environment.

APPENDIX C

MAP OF IRELAND

Figure 5. Map of Ireland showing county councils and corporations

PLACENAMES IN ENGLISH

0 10 20   40   60   80 km
0 10 20 30 40 50 miles

ULSTER

DONEGAL
TYRONE
LONDONDERRY
ANTRIM
FERMANAGH
ARMAGH
DOWN
MONAGHAN
CAVAN
LOUTH

CONNAUGHT

SLIGO
LEITRIM
MAYO
ROSCOMMON
LONGFORD
GALWAY

LEINSTER

MEATH
WESTMEATH
OFFALY
KILDARE
DUBLIN
LAOIS
WICKLOW
CARLOW
KILKENNY
WEXFORD

MUNSTER

CLARE
LIMERICK
TIPPERARY
KERRY
CORK
WATERFORD

Letterkenny Lifford Strabane Portrush Coleraine Ballymoney Larne
Londonderry Limavady Ballymena Newtownabbey Bangor Newtownards
Omagh Cookstown BELFAST Lisburn
Ballyshannon Enniskillen Dungannon Portadown Armagh Newry Downpatrick Banbridge Newcastle
Sligo Monaghan Castleblayney Dundalk
Ballina Carrickmacross
Castlebar Westport Carrick-on-Shannon Cavan Ardee Drogheda
Roscommon Longford Navan
Tuam Mullingar Swords DUBLIN
Athlone Maynooth Dun Laoghaire
Galway Athenry Ballinasloe Tullamore Edenderry Naas Bray
Loughrea Tullamore Kildare
Birr Portlaoise Athy Wicklow
Ennis Nenagh Carlow Arklow
Shannon Airport Thurles Kilkenny Gorey
Limerick Tipperary Carlow Enniscorthy
Listowel Abbeyfeale Mitchelstown Clonmel New Ross Wexford
Tralee Mallow Fermoy Carrick-on-Suir Waterford Tramore
Killarney Cork Youghal Dungarvan
Macroom Midleton Cobh
Bandon Kinsale Clonakilty Skibbereen

APPENDIX D

CHARACTERISTICS OF LOCAL AUTHORITIES IN THE REPUBLIC

OF IRELAND AS AT 1990

Table 9. Statistics relating to county councils and corporations

Corporations	Population	Area (Hectares)	Receipts IR£	Expenditure IR£	Staff[1]
Cork	127,253	3,731	44,835,206	46,486,979	
Dublin	478,389	11,499	204,951,064	206,004,925	
Galway	50,853	2,170	13,063,488	13,072,554	
Limerick	52,083	1,904	18,969,782	20,374,671	420
Waterford	40,328	3,809	12,207,940	12,710,699	300
County Councils					
Carlow	29,971	88,983	9,211,184	9,710,245	
Cavan	49,464	188858	15,102,142	15,039,175	
Clare	82,533	318,060	729,935	26,397,839	
Cork	251,226	738,536	89,872,181	91,397840	
Donegal	116,350	481,786	32,585,374	33,638,331	750
Dublin	361,505	78937	134,230,830	138,300,757	
Galway	123,718	590,085	34,419,762	34,614,831	
Kerry	94,047	467,085	29,415,997	29,892,085	
Kildare	106,311	167,021	40,025,713	39,053,424	
Kilkenny	65,120	205,793	21,478,018	21,938,823	
Laois	52,314	171,954	14,982,610	15,167,487	
Leitrim	25,301	152,476	10,859,532	10,684,915	
Limerick	109,873	266,676	30,130,194	31,062,851	600
Longford	23,903	104,387	8,689,534	9,006,913	

[1] Information obtained at interview in October 1993.

Corporations	Population	Area (Hectares)	Receipts IR£	Expenditure IR£	
Louth	41,033	78,653	20,025,313	20,765,145	
Mayo	94,389	538,207	36,355,209	37,427,483	
Meath	97,988	233,215	28,112,131	27,967,037	
Monaghan	39,742	128,095	14,467,244	14,658,047	
Offaly	46,592	198,348	14,166,435	14,451,737	360
Roscommon	51,897	246,276	19,040,398	19,532,423	
Sligo	37,454	178,421	13,110,889	13,264,676	
Tipperary N.R.	43,454	197,821	13,135,871	13,397,340	
Tipperary S.R.	47,999	223,940	20,120,593	20,944,545	
Waterford	44,376	179,424	16,875,335	18,011,846	
Westmeath	53,710	175,793	21,637,360	20,867,399	
Wexford	83,380	234,614	26,830,589	27,686,732	850
Wicklow	58,335	200760,	23,172,988	23,769,639	

Source: Returns of Local Taxation, 1990, Department of the Environment.

*Shaded boxes indicate the local authorities who were the case studies.

APPENDIX E

CORRESPONDENCE TO THE COUNTY/CITY MANAGERS

Document 1

23 July 1992

County/City Manager

Dear   ,

I am involved in teaching and researching risk management at the University of Limerick and am carrying out research into how a risk management programme can best be implemented.   I understand from the Irish Public Bodies Mutual Insurance Company and the IPA the local authorities have been requested to implement a risk management programme.   The results of this research will assist others in their approach to implementing such a programme and fill a much needed gap in researching this area.   If others can commence a risk management programme effectively this can eventually reduce the cost of insurances by reducing claims.

I am aware that you are a busy person but I would request an hour of your, or the person or persons responsible for implementing the risk management programme's time, to ask a number of questions relating to the programme. All interviews will be strictly confidential and no information will be provided to third parties without your express permission.

I would be obliged if you would be good enough to complete the attached form and return it to me if you agree to be participants in the research.   Thank you for your time.

Yours faithfully

Brian C.Greenford

Document 2

Brian C. Greenford

c/o Department of Law and Insurance

College of Humanities

University of Limerick

Plassey Park

Limerick

I am prepared/not prepared to take part in your research.

If you are prepared to allow your local authority to take part in the research please complete the following:

Name of person who will provide

data...

Local

authority...

....

Telephone

number...

Most convenient time to contact person concerned to arrange

appointment................................

Document 3

LETTER SENT AFTER APPOINTMENT

19th November 1992

Name of interviewee

Dear

Thank you very much for seeing me in September to discuss the present state of your risk management programme. I found our discussions very useful and they will be of great assistance in my research.

I would appreciate receiving a copy of your five year claims experience as this would greatly assist in my research.

Once again thank you for your help, it is greatly appreciated.

Regards

Brian C. Greenford

APPENDIX F

LISTS OF POINTS COVERED AT THE INTERVIEWS

Lists of points covered at the interviews

- What steps were taken prior to implementing a risk management programme.

- Why the authority became involved in risk management.

- Who actually had the manual.

- Who had access to this document in the local authorities.

- Was any other documentation provided.

- The size of the organisation.

- The risk manager's place in the structure of the organisation.

- Organisational culture.

- Reporting procedures.

- The means of handling risk.

- Claims history.

- Who was involved in risk management and how they were co-ordinated.

- Training and skills of persons involved in risk management.

- What resistance was met in implementing the programme.

- What impediments were found to achieving the implementation of the programme.

- If resistance was experienced or impediments discovered what steps were taken to overcome them.

- The nature of the risks faced by the local authority.

- The identification and evaluation of risk.

- The importance of risk management to the local authority and the risk manager.

- The respondent's understanding of risk management.

APPENDIX G

RESEARCH SCALE FOR MEASURING SUCCESS OF THE

IMPLEMENTATION PROCESS

•Task   **Yes/no**

- Do you have a risk management philosophy?
- Do you have risk management statement?
- Have you set objectives for risk management?
- Did you consider who would be affected by the programme?
- Do you have a safety statement?
- Do you have a method of reporting incidents?
- Do you have a formal method of continuing assessment of risks?
- Has a risk management audit been carried out?
- Is a risk audit carried out regularly?
- Is there a means whereby once a risk is reported some action is taken?
- Do you evaluate risk by any means?
- Do you review your insurances annually?
- Have you considered self insurance?
- Do you have a loss prevention programme?
- Do you review your claims regularly?
- Do you investigate all accidents?
- Have you a risk controller who investigates accidents?
- Is there an accident investigator who is trained in investigation?
- Are staff trained in the area of safety?
- Do you contest claims where there is a chance of succcess?
- Do you contest claims you consider fraudulent?
- Do you use your claims as a means of ascertaining the nature of risks being faced by your organisation?
- Do you use any other means of risk identification?
- Is there a relationship between the requirements of SHAWAWA and risk management?
- Is risk management involved in environmental issues?
- Do you have a disaster plan?
- Is the risk manager involved in the plan?

- Do you have an evacuation plan in your buildings?
- Has this been exercised in the last year?
- Do you have a risk management committee
- Do you monitor the programme?

APPENDIX H

LOCAL AUTHORITY CLAIMS

Figure 6. Number of liability claims incurred by Offally county council
1987 - 1991

Figure 7. Number of claims experience by Waterford Corporation 1987 - 1991

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Figure 8   Severity of claims experienced by Waterford corporation 1987-1991

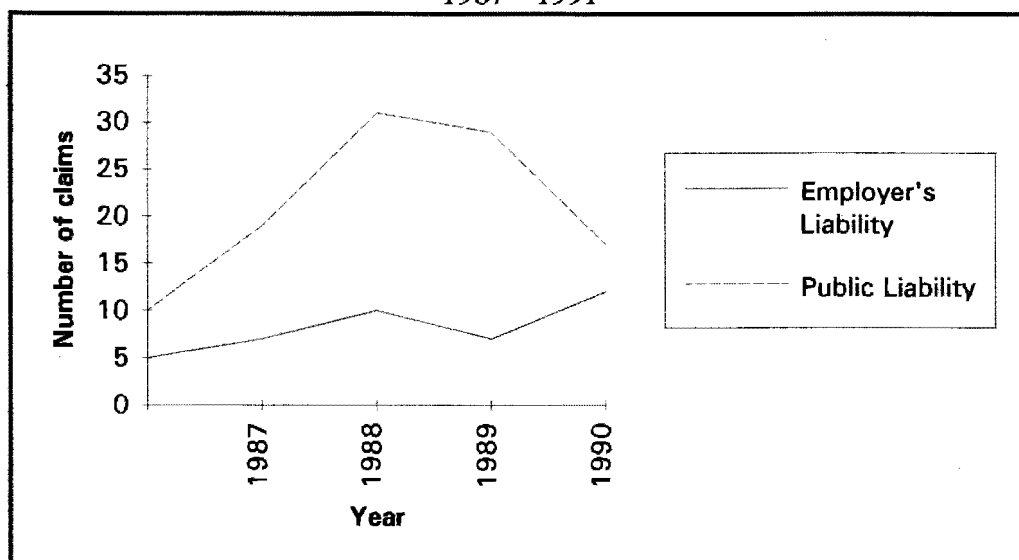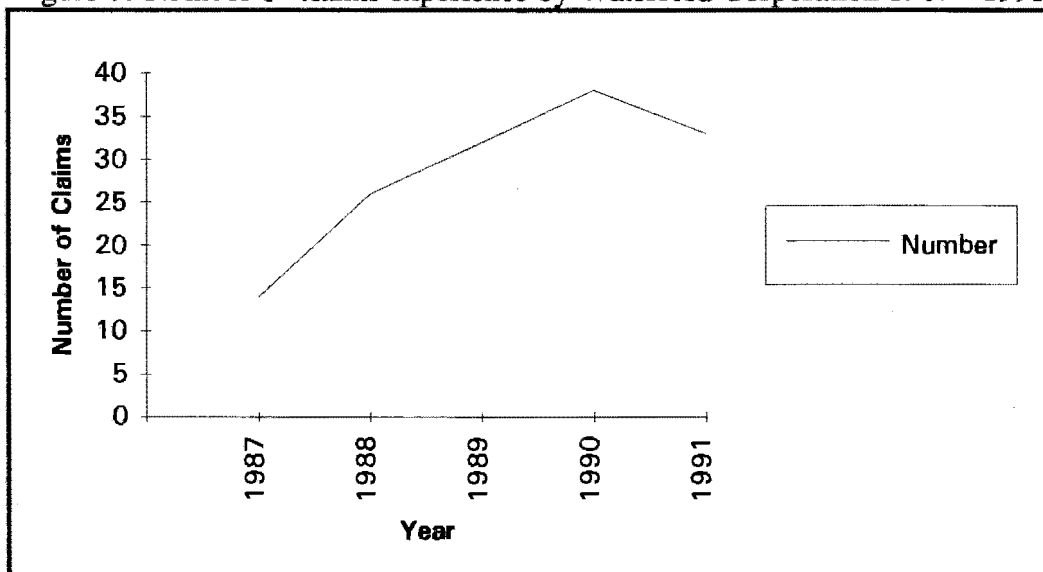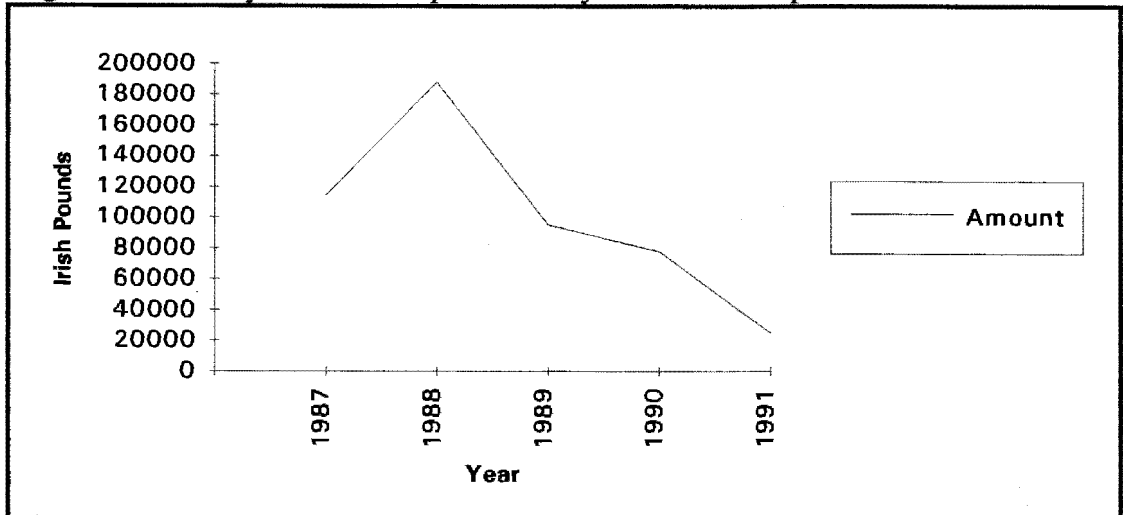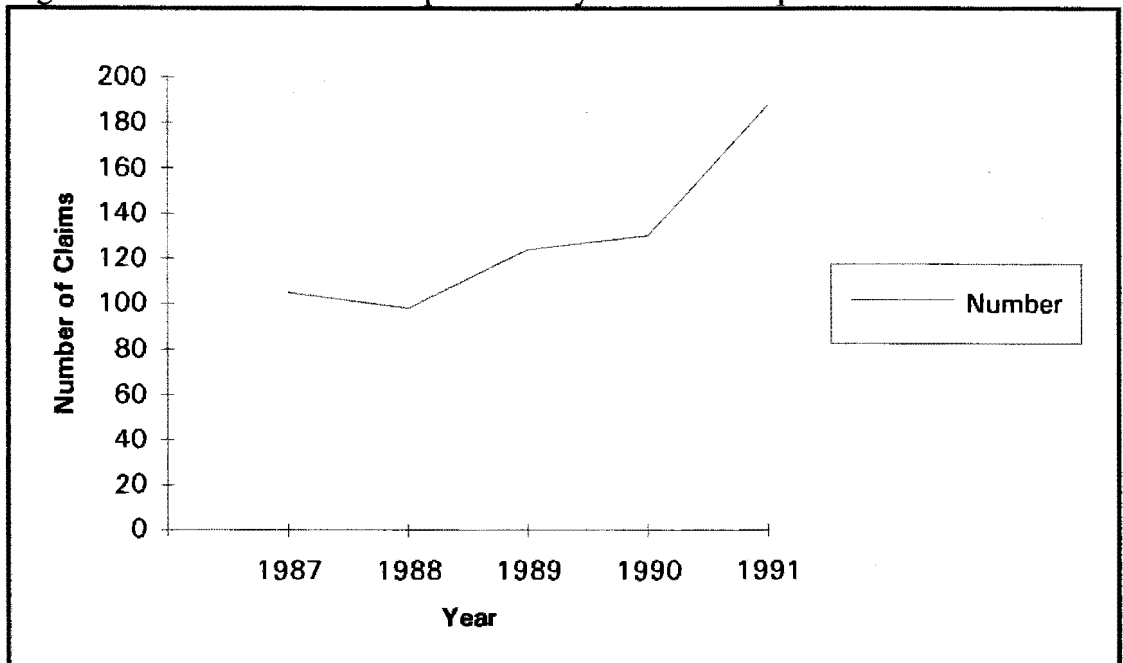Figure 9   Number of claims experienced by Limerick Corporation 1987 - 1991

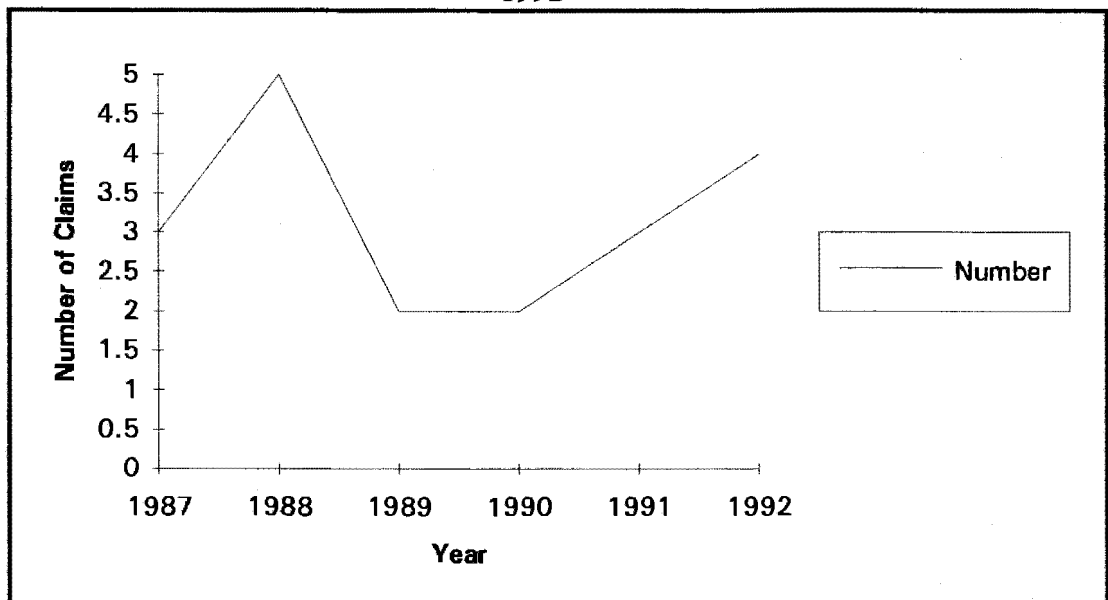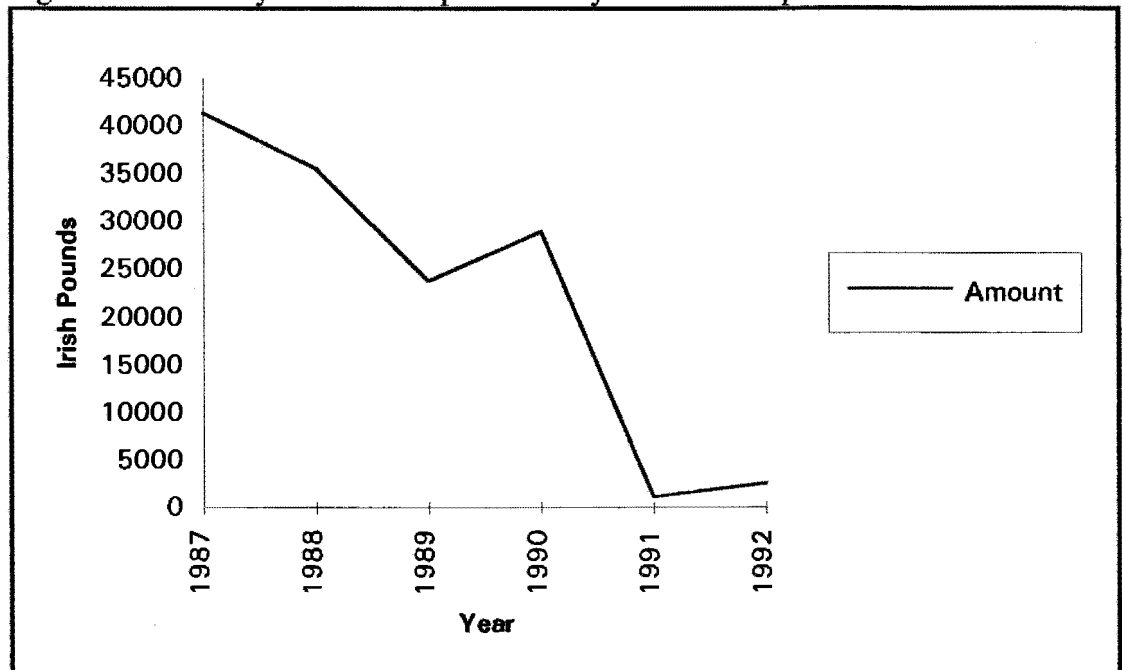Figure 10 Frequency of claims experienced by Wexford corporation 1987 - 1992

Figure 11 Severity of claims experienced by Wexford corporation 1987 - 1992

APPENDIX I

THE RISK MANAGEMENT STRUCTURE AS SET OUT IN IPB'S

MANUAL

IPB'S RISK MANAGEMENT STRUCTURE

2.1   Overall Structure

Below is a brief summary of the stages involved in the introduction and implementation of a Risk Management Programme within the local authority.

1.   *Decision by County/City Manager to implement a programme with the primary objective of reducing risk.*

2.   *County/City Manager adopts the Programme by drawing up a Policy Statement as detailed in 2.2.*

3.   *Appointment of Risk Manager whose role is outlined w.3.* (further section of the manual)

4.   *Identify loss trends by reference to IPB Risk Management Computer System.*

5.   *Identify the risk exposures facing the Local Authority - Liability and Property.*

6.   *Examine Risk Control as detailed later.*

7.   *Maximise the possibility of transferring risk to other parties.*

8.   *Avoid the acceptance of risk from other parties.*

9.   *Establish the criteria to insure.*

10.   *Decide if appropriate to retain certain monetary levels of risk.*

11.   *Budget for losses and insurance premiums.*

12.   *Examine and reappraise present insurance covers.*

13.   *Establish set procedures for reporting incidents and handling losses/claims.*

14.   *Implement a comprehensive Risk Reduction programme as detailed in the Appendix.*

2.2   Role of the County Manager

*The management systems and characteristics of Local
Authorities required to identify, evaluate and control risks
are exactly the same as those required for success in any
other area of individual or commercial activity.
Management from the top down must be involved.   Top
management should prepare a written Policy Statement
relating to the management of risk and the organisation
and arrangements.   the purpose of the Policy Statement
is to:*

- *State objectives.*

- *Define responsibilities by job description.*

- *Prepare Programme framework.*

- *Review effectiveness.*

*The Policy Statement should emphasize that Risk
Reduction is feasible, that management role is important
and nothing else is more important.   It should emphasise
that monitoring of the Programme will take place from
top management down the line to the ganger.   It should
state that evaluation of risk performance by reference to
predetermined aims and standards with analysis of
reasons for success and failure will take place.*

(IPB Manual 1988:5)

APPENDIX J

THE TASK OF RISK CONTROLLER AS DESCRIBED IN THE RISK

MANAGEMENT MANUAL

ROLE OF THE RISK CONTROLLER

It has been found possible, in one County Council, to appoint an executive engineer whose sole responsiblity is that of Risk Controller.

Certain risk management responsibilities may be delegated to a Risk Controller whose function would be as follows:

1.   *Devise and implementa a co-ordinated incident reporting system within each unit of the Council's operations.*

2.   *Investigate all serious accidents and ensure that immediate appropriate measures are taken: (a) inspection of locus to note measurements, etc., (b) completion of comprehensive Area Engineer's report with appropriate measurements, sketch map, etc., (c) photographs, (d) witness statements, (e) advice to insurers, (f) remedial action.*

3.   *Responsible for the implementation of a practical risk reduction programme.*

4.   *Identify areas of risk and feed back this information to Risk Manager.*

5.   *a) Liaise with insurers on teh investigation of accidents and, in particular, claims.*

     b) Consult with insurers on the question of liability.

     c) Consult with insurers on quantum relating to uninsured claims and the strategies to adopt for settlement.

6.   *Identify trends which result from examination of reports.*

7.   *Monitor claims results and provide information service where appropriate.*

8.   *Ensure remedial action is taken to prevent further mishap at accident location.*

9.   *Submit monthly reports to the Risk Manager, highlighting areas of concern.*

10. *Advise on implementation of Hazard Surveys by executive engineers.*

(IPB Manual 1988:8)

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Implementation of the risk management programme

APPENDIX K

EXTENT TO WHICH THE RISK MANAGEMENT PROGRAMME HAS BEEN IMPLEMENTED

Implementation of the risk management programme

Code for Local Authorities

Offally County Council	O
Limerick Corporation	L
Limerick County Council	LK
Wexford County Council	WX
Waterford Corporation	W
Monaghan County Council	MO
Donegal County Council	D
Tipperary North C C	T

Research Scores

	Task	O	L	LK	WX	W	MO	D	T
1	Do you have a risk management philosophy?	1			1				
2	Do you have risk management statement?	1							
3	Have you set objectives for risk management?				1	1			
4	Did you consider who would be affected by the programme?		1		1	1			
5	Do you have a safety statement?								
6	Do you have a method of reporting incidents?		1		1	1			
7	Do you have a formal method of continuing assessment of risks?								
8	Has a risk management audit been carried out?				1		1		
9	Is a risk audit carried out regularly?								
10	Is there a means whereby once a risk is reported some action is taken?				1	1			
11	Do you evaluate risk by any means?				1				1
12	Do you review your insurances annually?		1		1	1	1		
12	Do you review your insurances annually?		1		1	1	1		
13	Have you considered self insurance?		1		1		1		
14	Do you have a loss prevention programme?					1			1

Implementation of the risk management programme

		O	L	LK	WX	W	MO	D	T
15	Do you review your claims regularly?		1		1	1			1
16	Do you investigate all accidents?		1	1	1	1			
17	Have you a risk controller who investigates accidents?	1				1		1	
18	Is there an accident investigator who is trained in investigation?		1		1				
19	Are staff trained in the area of safety?	1	1	1	1	1	1	1	1
20	Do you contest claims where there is a chance of succcess?		1		1	1			
21	Do you contest claims you consider fraudulent?		1		1	1			
22	Do you use your claims as a means of ascertaining the nature of risks being faced by your organisation?	1	1	1	1	1	1		1
23	Do you use any other means of risk identification?		1	1	1	1			
24	Is there a relationship between the requirements of SHAWAWA and risk management?	1	1	1			1		
25	Is risk management involved in environmental issues?								
26	Do you have a disaster plan?	1	1	1	1	1	1	1	
27	Is the risk manager involved in the plan?								
28	Do you have an evacuation plan in your buildings?							1	
29	Has this been exercised in the last year?							1	
30	Do you have a risk management committee	1	1			1			
31	Do you monitor the programme?					1			
	Total On Research Scale	8	15	6	18	18	6	5	6
	IPB's Scale	6	6	3	5	5	5	4	4

APPENDIX L

AN ANALYSIS OF PAST CLAIMS ACCORDING TO THE IPB MANUAL

ANALYSIS OF PAST CLAIMS

IPB provided the local authorities with an analysis of past claims and included

this in their manual.   This is as follows:

> *"the most serious liability risk facing local authoriities at*
> *present is the increasing incidennce and increasing cost of*
> *third party claims.   About 70% of these are related to roads*
> *and pavements.*

> *The increasing incidence derives mainly from five adverse*
> *factors:*

> *i.*   *The tendency for victims of road accidents and motor*
>   *insurers to sue the local authority, alleging that the*
>   *accident was due to defects in road design or*
>   *materials....*

> *ii.*   *the proliferation of small claims in socially deprived*
>   *areas....*(This underlines the social nature of claims.
>   Ireland has a very high unemployment rate with 80%
>   unemployment in some areas and this affects the
>   number of claims that are being made).

> *iii.*   *the real, actual deterioration in the condition of roads*
>   *and pavements throughout the country....*   (This is
>   due to cutbacks made by central government who
>   control local government income.   This position may
>   improve in time when structural funds are received
>   from the European Union).

> *iv.*   *over the past number of years it has become*
>   *increasingly difficult for Local Authorities to*
>   *successfully defend actions in Court.   This is due to*
>   *the attitude of society and our Courts that the plaintiff*
>   *should nearly always succeed, and that compensation*
>   *should be generous.*   (There is in fact little evidence
>   of this especially as one corporation has announced its
>   success in the defence of actions.   This perception

may have prevented IPB from defending many actions in court and thus contributed to their losses.)

v.   *the increased incidence of fraudulent claims. We estimate that these account for approximately 30% of all public liability claims against Local Authorities. There is increasing evidence that many of these claims are being instigated by organised groups or families throughout the country. The introduction of our Claims Software Package within each local authority will help combat this problem. However in view of the attitude of our courts to Local Authority claims, we still find it difficult to defend spurious claims.*
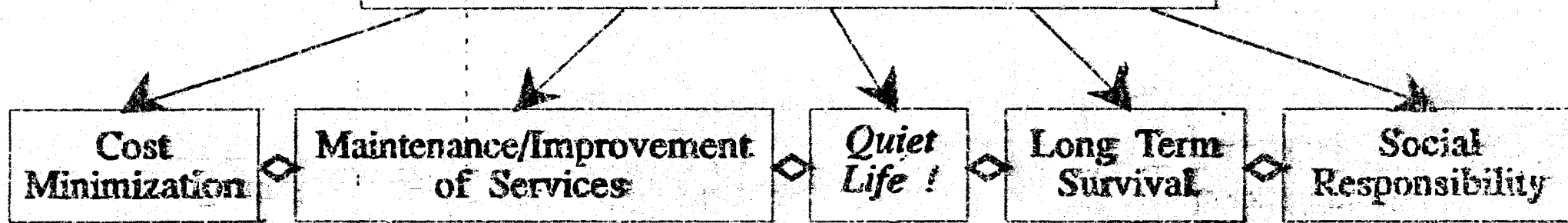
(IPB Manual 1988:10).

APPENDIX M

RISK MANAGEMENT OBJECTIVES AS FORMULATED BY COVENTRY CORPORATION, UNITED KINGDOM

Source: Airmic conference, public sector risk management. 1992, 22 October: Nottingham

APPENDIX N

ROLE OF RISK MANAGER AS RECOMMENDED BY IPB

2.3   ROLE OF RISK MANAGER

The Risk Manager will be the central focus and prime mover for the Risk Management Programme.   His job is to manage the Risk Management Programme.   The person best suited for this job is the Finance Officer who is accountable to the County Manager.

His job is to implement the policy statement as drawn up by the County/City Manager.   His functions are:

(1)   Assemble Risk Management Programme and monitor its progress.

(2)   Identify the risks by assessing extent of the Local Authority's liability arising form its activities and use of property.

(3)   Control the risks by administering insurance programme and self insurance arrangements.

(4)   Ensure implementation of the Programme through sectional heads and operational managers who are responsible for safety and accident prevention and incident/claims reporting.

(5)   Establish an incident action plan within each functional area so that immediate appropriate measures are taken, i.e. notification to engineer, inspection, photos, statements, report, advise insurers, remedial action.

(6)   Review regular incident reports from each area of operation and identify trends.

(7)   Arrange quarterly meeting with the Risk Management team to review overall effectiveness of the Programme.

(8)   Establish which activities are covered by health and safety legislation.

(9)   Monitor new legislation, court decisions, claims results.

(10)   Liaise with IPB on claims.

(11)   Co-ordinate information service on incidents, claims, trends, techniques of risk reduction, impact of legislation.

*(12)   Ensure that all employees are fully knowledgeable of job
         safety instructions relating to their area of operation.*

*(13)   Promote awareness of safety throughout the Local
         Authority by encouraging all employees to report unsafe
         features relating to any Council/Corporation.*

*(14)   Provide quarterly printout to Management Team on
         incident reports and claims. activity.*

(1989:7)

APPENDIX O

RISK CONTROL AS DESCRIBED IN THE IPB MANUAL

4. RISK CONTROL

4.1 The only effective and lasting way to reduce expenditure which relates to risk is to improve the record of the Authority both in numbers and cost of accidents/claims.

All claims must be paid. All methods of funding for risk, including insurance premiums are claims related. Measures must be introduced to reduce with the possibility of a loss-producing event occurring or the severity of the loss if it occurs, or both.

A programme for reducing risk should initially concentrate on measures which can be taken quickly without undue expense. Further steps may involve re-organisation of existing procedures and possibly additional finance.

There are financial constrains placed on all Local Authorities, but it is only by applying risk control techniques that effective cuts in the cost of claims can be achieved with the consequent reduction in overall cost of risk expenditure.

The services of insurers, professional advisors and public agencies should be exploited in an effort to maximise the effect of a risk control programme.

4.2 The risk control strategies, the cost effectiveness of which the Local Authority must weigh up, may be classified as:

(a) risk avoidance
(b) risk transfer
(c) risk retention
(d) risk reduction

4.3 **Risk Avoidance:** This strategy involves a decision to simply discontinue a particular hazardous operation and therefore avoid the risk altogether.

For example, stopping all cash payments and use only cheques.

4.4 **Risk Transfer:** This strategy can be accomplished through insurance or with a written contract. Risk transfer is dealt with more comprehensively later.

4.5   ***Risk Retention:*** *This step in the process of Risk Control involves creating a fund to deal with whatever risks remain after you have avoided, transferred, or reduced the risk as far as economics and practicality will allow. This strategy is referred to in greater detail later.*

4.6   ***Risk Reduction:*** *This approach may also be regarded as the risk improvement approach and relies on a comprehensive safety and accident prevention programme. Each employee must be encouraged to consider themselves i the role of safety officer. The ,main elements which must be considered in a risk reduction strategy are covered in the Appendix of this report.*

The Real Cost of Accidents:

4.7   *However, management must be convinced of the sound economic reasons for implementing a risk reduction programme. Accidents costs money - there is the uninsured costs and the insured costs.*

4.8   *The most obvious cost relates to that resulting from employers liability compensation i.e. rise in premiums, but what about the hidden costs? The following should be objectively considered:*

     (a)   *Safety administration/accident investigation (local and headquarters - investigation, reports, statements, etc.)*

     (b)   *Cost of medical treatment.*

     (c)   *Cost of lost time of other injured employee.*

     (d)   *Cost of lost time of other employees.*

     (e)   *Cost of replacement labour.*

     (f)   *Cost of payments to injured employee i.e. sick pay, etc.*

     (g)   *Cost of loss of interruption in*

work/production.

(h)   Cost of replacement of damaged property.

(i)   Cost of repairs to damaged property.

(j)   Other costs, for example, photographs, transport, fees, etc.

Significant strides can be made in accident prevention without spending any money at all, but an effective economic argument can be made that accident prevention will be cost effective as well as having legal and humanitarian advantages.

APPENDIX P

COPY OF THE CLAIMS HANDLING SECTION OF THE IPB MANUAL

8. CLAIMS HANDLING

The Risk Manager, responsible for implementing the Risk Management programme should also co-ordinate and process all accident notifications and claims.

Efficient claims handling will reduce the cost of the risk.

8.1 NEED TO REPORT

The need to report accidents promptly to insurers arises for two reasons:

1. insurance policies require you to notify insurers immediately of any accident or incident which may give rise to a claim. A break of this condition would entitle an insurer to repudiate liability under the policy and refuse to handle the claim.

2. the sooner a claim is reported, the sooner the matter can be dealt with. If there is a liability, the claim should be settled as quickly as possible. If there is no liability an early report enables the insurer to recognise that he has a defence and thus get the matter as quickly as possible to trial.

8.2 We should be told at the very beginning if the council did something wrong.

No action can be taken on a claim until insurers know the facts and this requires a clear and detailed engineer's report. It is recognised that this is not always easy as the claimant's letter may not give precise details of the accident location.

If it can be established that the work was carried out by another party, for example ESB, Telecom, Contractors etc., inform insurers immediately so that they can divert the attack away from the council. If not done quickly, proceedings may be issued against the council/corporation only.

8.3 IBNR

Incurred but not reported claims are a problem for all insurers, but a particular problem for IPB as insurers of Local Authorities. A significant number of accidents happen on the highway each year for which Local Authorities have no responsibility. If serious injury is sustained and no cause of action lies against any party, it is likely that the Local Authoritiy will be sued. In a majority of these cases, notification of the claim is not received until the Statute of Limitations (3 years for personal injury and 6 years for material damage) has almost expired. However the IPB experience in handling Local Authority claims indicates that, in a majority of cases, a local engineer, overseer or ganger was aware that the accident had happened, but did not believe that the Local Authority would have a liability.

If a serious accident happens on the highway, it should be discreetly investigated by the local engineer to ascertain if there is any way in which the council/corporation may be introduced to the Action, at a later stage. A record should be taken of the investigation and photographs if possible. If in doubt inform insurers.

8.4 ACCIDENT LOCUS

This information must be established as early as possible. Telephone the claimant or solicitor and arrange to see the claimant on site. Give no information from the council's point of view, but note any information obtained from the claimant.

A photograph of the locus will later prove invaluable.

8.5 NON-FEASANCE/MIS-FEASANCE

Following the outcome of the 1987 Supreme Court Appeal in the case of Sheehan-v-Cork Corporation and Ireland, Local Authorities still have the defence of non-feasance available. Engineers should indicate in their reports whether or not this defence is available in their view.

In effect, non-feasance means that no works have been carried out and the defect in the highway arises from normal wear and tear. If however repairs have been carried out at a particular location and have deteriorated within a short period of time, the Authority are likely to be found guilty of mis-feasance.

INCIDENT REPORTING

8.6 GENERAL:

a. Every employee must know what to do.

b. Set out written procedure.

c. Post notices that all accidents — even minor ones — must be reported.

d. All reports through Executive Engineer.

e. Don't delay — investigate it now.

f. Interview everybody.

g. Take detailed written statements — they must be signed.

h. Report any accident in your area which could conceivably give rise to any claim against the Council.

i. Tell insurers — everything.

j. Outline action required to prevent recurrence.

8.7 ACCIDENTS INVOLVING MEMBERS OF THE PUBLIC

1. Establish exactly where the accident happened. Contact claimant or solicitor and arrange to see claimant on site.

2. View accident locus immediately. Don't delay!

3. Note what claimant says, but give no information from Council's point of view.

4. Take photographs.

5. Maintain appropriate records, diaries, etc.

6. Complete report form.

Where accidents happen on highway (this extends from ditch to ditch) insurers must know:

A. Council Works Not In Progress

   (i) description of locus on day of accident.

   (ii) what date was work last carried out at location — what was nature of that work.

   (iii) what records exist to show when work began and ended.

B.   Council Works in Progress

(i)   description, with dimensions and sketch (photo if possible of the position, number and type of warning signs, lights, barrels, planks, etc. If reflectorised. Nature of works. Width of available carriageway.

(ii) Who put signs, lights, etc. in position. When were they last checked?

(iii) Positioning of flagmen, Council vehicles, etc.

(iv) Condition of road surface.

(v)   Detailed signed statements from (a) person in charge, (b) whoever put signs, etc. in position.

C.   Works not carried out by Council

(i)   Obtain full name and address of party responsible, e.g. E.S.B., B.T., road opener, contractor.

(ii) Was work carried out on behalf of Council?

(iii) Obtain copy of reinstatement order.

(iv) If possible, obtain full name, address and policy number of insurers of party responsible.

D.   Serious road accident in your area

If you become aware of a serious accident in your area, especially where only one vehicle is involved:

(i)   Investigate it. Discreetly if possible.

(ii) Note condition of road. Take photographs.

(iii) Could injured party involve Council?

8.8.   ACCIDENTS TO EMPLOYEES

CIRCUMSTANCES:

(i)   Describe events leading up to accident.

(ii) What was employee doing? Describe in detail.

(iii) What happened?

(iv) Why?

(v) Who assisting? Describe how.

(vi) Was it a safe system of work?

WITNESS:

(i) Who was in charge?

(ii) Who saw accident?

(iii) Obtain detailed signed statements.

(iv) What was said afterwards?

PLACE OF ACCIDENT:

(i) Inspect it immediately.

(ii) Was safety equipment (a) supplied, (b) in place?

(iii) Retain evidence for inspection.

(iv) Photograph or sketch.

(v) Give measurements, weights, heights, condition of ground etc.

EMPLOYEE INJURED:

(i) Name, address, age, occupation and length of service.

(ii) Describe site and nature of injury.

Outline action required to prevent recurrence.

8.9 MOTOR

(i) Describe all circumstances.

(ii) Sketch map showing position of vehicles before and at time of impact — with measurements.

(iii) Full name and address of driver and owner of third party vehicle involved.

(iv) Reg. number and make.

(v) Name and policy number of third party insurers.