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Introduction of Risk Management into Municipal Offices Across Poland as an Example of Organizational Change[1]

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Abstract

Purpose: The aim of this paper is to determine the factors that influence the process of implementation of risk management process into municipal offices across Poland.

Methodology: The Polish Public Finance Act requires public sector entities to put in place a risk management system within the framework of management control. The author conducted in-depth interviews with key personnel responsible for risk management in public administration units.

Findings: The results of the research show that public sector organizations face certain problems in the process of implementing a risk management system. Employees seem to resist change. As a result of the project, four factors that influence the process of introducing risk management have been identified.

Implication: Public sector organizations are mostly large, bureaucratic organizations, governed by numerous regulations, which all in all tends to hinder efficient management. The results of the discussed research are to support public entities in the process of implementing change.

Value: The paper explores the importance of overcoming barriers to the process of implementing risk management in the public sector.

Keywords: risk management, public organizations, change management, public finance

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Introduction

Contemporary organizations, including those operating in the public sector, function in a turbulent environment, which forces them to constantly adapt to ever-changing conditions (Koźmiński, 2004). The way organizations operate today is subject to big changes (Sułkowski, 2013). The economic crisis and the growing speed of economic, political, and social transformations force organizations to operate in an increasingly complex environment. In order to function efficiently and effectively, organizations have to adapt to requirements imposed by the environment and, in effect, introduce many different changes. Those organizations that not only keep pace with changes, but also anticipate them, will be the only entities to survive in the market, and to gain and maintain a competitive advantage (Ścibiorek, 2010; Kożuch, 2004).

In recent years, modern management in the public sector has undergone radical changes (Izdebski and Kulesza, 2004; Hausner, 2008; Hensel, 2008; Hensel and Glinka, 2012). Public administration is becoming increasingly focused on solving problems and implementation of projects or programmes rather than on standards and procedures (Izdebski and Kulesza, 2004). Public management puts more emphasis on efficient management of a number of changes which are neither obvious nor fully defined (Hausner, 2008). Entities operating in the sector of public finance are to become modern organizations that look to the future and dynamically respond to changes – and this attitude should be reflected in the approach to risk management (Jenninson, 2004).

Risk management in the public sector is a new phenomenon. The Public Finance Act of 27 August 2009 requires entities operating in the area of public finance to have a system of risk management in place as part of management control. It is to become a tool for heads of units, used with the view to increasing the probability of achieving objectives and executing tasks, as well as ensuring efficient use of public funds.

The majority of both Polish and foreign authors focus on the process of risk management itself, on implementation of this process in private organizations, or on the issue of management control as a whole.

Just as any organizational change, risk management process may give rise to resistance to implementation thereof among employees. I have therefore decided to conduct qualitative research in order to understand the process of risk management implementation in municipal offices in Poland. The study includes interviews with 21 persons, conducted between November 2011 and November 2012.

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Public Sector in Poland

If we look into the reference books, public sector is defined in many ways (Wiatrak, 2005). One of the most general definitions is that quoted by Stiglitz (2004). He recognizes public sector as a state. Pursuit of non-for-profit activities requires presence of organizations whose operations will be in line with the public interest, and which will be focused on fulfilling the needs in that scope. They should be analysed with respect to financing, to evaluation of the results of their work, and to the relationship between their financing and the outcomes achieved. This makes it possible to determine the correlations between different tasks and organizations, to manage them, and to change the ways they interact with one another (Wiatrak, 2005).

The scope of the public sector in Poland is regulated by the act on public finance of 27 August 2009. The area of public finance is composed of governmental sector, non-governmental sector, and social security sector.

A vital component of the public sector is public administration (Kowalczyk, 2008), meaning the entirety of activities conducted by various entities, bodies, and institutions to satisfy the public interest. There are also many definitions of public administration, so let me refer to two of particular significance to this article. According to Waldo (1955), public administration involves organizing and managing people or resources in a way to achieve the objectives of the government. The second definition says that public administration is a way in which politicians in the government and non-electable employees of the public sector take advantage of politics, maintain the governmental 'machinery' in operation, and ensure that public policies are implemented in practice (Chandler, 2000). Public administration performs an auxiliary function to the society, and is a group of people who carry out certain services to the benefit and on behalf of the society (Kieżun, 2005).

An organization operating in the public sector is called a public organization. Its main function is to satisfy the collective social needs using public goods and services (Kożuch, 2004). It pursues specific goals and values, and is distinguished by the nature of interorganizational bonds and of the relationships with the external environment.

The goals pursued by public organizations may be defined as: complex, indeterminate, sometimes non-feasible due to being under constant pressure and assigned to support the main coalitions. Moreover, they are formulated in a quite general way, which makes it possible to prove that they have been achieved if only partially. This vagueness of formulation may be also used in the defence of own position, to avoid responsibility, and to introduce ostensible innovation in the process of political debate.

Public organizations are, however, highly formalized, which is proven by the nature of the decision-making process typical thereof. It encompasses a big number of procedures, is less flexible, and is characterized by a low inclination to risk (Kożuch, 2003). One of the reasons for such formalization is the need to make managers accountable to the stakeholders (Rainey, Backoff, Levine, 1976 as cited in Kożuch, 2003). Public organizations are also described with the term of 'fruitless obsession' (Kożuch, 2004, p. 94), which involves paying excessive attention to rules and procedures instead of focusing on results. This is also why public organizations tend to produce documentation in copious amounts (Boyne, 2002 as cited in Kożuch, 2004). A significant limitation typical of public organizations involves also stiff principles of employment, advancement, and dismissal of their employees (Kożuch, 2003).

According to Wiatrak's (2005) postulates, in order for public organizations to be able to function well, it is necessary to determine their goals and the scope of operations in the right – well-thought-out – way, as well as to plan the order of achievement of those goals on the basis of the resources at disposal, taking the interests of the stakeholders into consideration.

Reforming the public sector

The present condition of the Polish public sector (Hensel, 2008) results, first of all, from historical considerations. The inefficiency and ineffectiveness of centralized planning, the basic mechanism of economic management in the communist times, led to an economic crisis, which means that the decision-makers responsible for transformations had little financial means at their disposal, which in turn limited the possibility of application of (expensive) management solutions. Furthermore, the system of management of the Polish People's Republic was not adapted in terms of quality to the requirements of the market economy, which meant that the change of this system should come in hikes, and not by way of evolution. Another historical aspect to be taken into account involves consolidation of the past modus operandi and ways of interpreting the reality among the employees of the public sector, isolating them from sources of knowledge about modern management methods. The second factor affecting the shape of this sector is connected to the experiences of the times of transformation. Numerous irregularities accompanying the transition from centralized planning to market economy have influenced the organizational solutions applied later on. For instance, it's enough

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to look at the irregularities in the relationships between public bodies and private entities, which have shaped the public procurement law, quite restrictive in its present form. The aforesaid period of transformation was also characterized by a low level of approval of market solutions. This resulted from, among others, the fact of deterioration of the material status of a big part of the society. The third factor affecting the public sector is the import of management models from other countries. One of the most influential trends was the concept of New Public Management (NPM), whose aim was to ensure effectiveness of operations of public administration through application of mechanisms typical of the private sector. It is reasonable to ask a question of to what extent the solutions of NPM can be transferred to countries other than that where they originated, e.g. to the countries of Eastern Europe. According to Czaputowicz (2008), there is no single model of public organization management that would be appropriate for all countries. To answer the question, we could refer to an opinion by Hausner (2002, p. 61): we should not transfer solutions introduced in certain countries to another unquestioningly, since the effectiveness of such solutions depends, among others, on the past experiences related to organizational culture. Countries act according to their own political priorities and to their historical considerations. In the case of most of them, the cultural standards have been shaped through decades or centuries, which makes each attempt of reforms not taking these factors into consideration doomed to failure (Czaputowicz, 2008).

There have been many researchers analysing the effects of reforms of the public sector, including March and Olsen (1983), and Czarniawska (2010). In this article, I would like to present the findings of research by Czarniawska (2010), as she focused in her studies on the effects of large-scale, significant reforms, and one of such reforms is introduction of the process of risk management to the sector of public finance. First, Czerniawska (2010) studied the effects of the commune reform in Sweden, and then she compared her findings with the results of studies on the reforms of the USA government, the reforms of townships in the USA of the 19th century, and the reforms of communes in Italy. The results of these studies show clearly that the effects of the reforms, although considered positive, were questionable, and the opinions on the assessment were divided as well. Czerniawska (2010) argues that the reasons for such perception of the effects of the reforms are – first of all – the will to make the operations of the public sector lawful, and the desire to show that public organizations act as they should. Public sector organizations may not gain profits or legitimize themselves by means of goods/services, which is way they tend to prove that the procedures they abide by are correct. Second, organizations tend to adapt to their environment. The changeability of the latter forces changes in public organizations, and the reforms in this regard are useful because they signal to the external surrounding of a given organization that adaptational initiatives have been taken. Czarniawska (2010) also highlights that the reforms which concentrate on changing structures (forms) end in a fiasco, regardless of whether the forms (structures) have been transformed or not. It is yet difficult to say when the reforms focused on changing the process of organization bear the desired fruit. This stems from the fact that usually nobody knows what the desired result of such reforms is.

Most of the reforms in the public sector is of transitional nature, so it is hard to assess them. This comes from the fact the reforms are introduced one by one, before any qualitative change takes place. Still, it might be fair to say that contemporary public management is oriented on economic and organizational effectiveness of the process of management, and is characterized by the ability to survive, develop, and act effectively in conditions of general uncertainty – i.e. in circumstances of unpredictability of the external and internal business environment (Koźmiński, 2004, p. 65). An example of such reform is introduction of the obligation of risk management.

Change Management

Change is the subject of research in many disciplines, including sociology, psychology, or management. As a result, source literature abounds with numerous definitions of the term. According to Woodman (1989), change means *any significant modification of a certain part of an organization*. Another definition suggests that change means a shift from the known to the unknown, from relative certainty to relative uncertainty, from the familiar to the unfamiliar (Cohen, Fink, Gadon and Willits, 1995). A change contributing to the development of an organization is also referred to as innovation and rationalization. This points to valuation of changes in the status quo within a given organization and its environment within the categories of growth and decline (Kożuch, 2004).

For the needs of this paper, I have decided to apply the definition according to which change is an event, an *empirical observation of difference in form, quality, or state over time in an organizational entity* (Van de Ven, Poole, 1995, p. 512). Change may involve or concern a product, a programme, a strategy, but also an entire organization. This definition provides us with a broad perspective on organizational change, and emphasizes the role of the environment in shaping it.

The consequences of change may reach beyond the area where it occurs, and therefore the understanding of when and how changes are to be made is an important management function.

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The public sector is currently facing many challenges, such as continuous improvement of the quality of customer service, or acquiring and taking advantage of EU funds. Terms like 'restructuring' or 'reorganization' are used quite often in this context. Globalization has also brought about a variety of questions which the public sector needs to address (Kamiński, 2008). The ever-changing environment and the uncertainty due to socio-economic phenomena make these organisations change the way in which they operate. What's more, the increasing competitiveness in the area of economy and a shift from perception of public institutions only in economic terms boost the innovation of such type of organizations (Malinowski, 2011; Kulikowska, 2009). If those organizations meet the demands of their environment, they become more flexible, and able to respond to challenges they face (Kuc, 2010; Ścibiorek, 2010).

External factors motivating implementation of change in the public sector (Kulikowska, 2009):

a) **Economic factors**: often perceived through the angle of the existing and potential (institutional and individual) buyers of public services, who have a strong impact on a given organization. The process of globalization and marketization of the public sector has compelled institutions to respond to the needs and expectations of the market; if they don't, they will simply lose their customers.
b) **Technological factors**: changes in the public sector may refer to "hard technological factors", i.e. the structure of public administration and local government, information management systems, or analysis and dissemination of information from the public sector. "Soft technological factors" concern three essential elements, i.e. development of new skills and implementation thereof in the public sector, the model of social responsibility, and the role of professionalism in the field of public management. These factors contribute to streamlining the way organizations function and operate.
c) **Changes in laws and regulations**: these factors affect the public sector through:
   - transformation of the environment, triggering market evolution through e.g. creation or elimination of financial facilities, and transformation of the competitive environment;
   - evolution of limitations, the effects of which are felt directly by the institutions required to comply with certain rules, or elimination of the already existing rules.
d) **Sociological factors**: they originate from e.g. changes that take place within the society and from the changing expectations and preferences of the population. A less formal approach and an increasing individual responsibility have been largely shaped by social changes.

In most cases, changes in the public sector occur at a slow pace. This can lead to frustration among employees who are aware of the need for change, for decisions regarding implementation of changes, and for the process of change itself (Kulikowska, 2009).

Fernandez and Rainey (2006) have identified eight factors that managers should pay attention to in the process of implementing change in the public sector:

1. **Supporting the need for change**: top management needs to communicate the need for change and convince other members of the organization and the key external stakeholders that change is essential. This process usually begins witch a vision of the organisation's future, which is to show the direction of change, and forms the bedrock for the development of the appropriate strategy in that scope. Public sector managers often use their authority – including their political power – and external forces to communicate the need for change.
2. **Developing a plan**: leaders have to create a good strategy to implement changes. The vision of the organization's future needs to be turned into a plan, with objectives and actions that are likely to generate changes. It is important that the objectives are clear and that the idea of change is consistent with the expected results. The ambiguity can cause confusion and allow managers of public organizations to reinterpret the law and implement only a selected part of all planned changes.
3. **Providing internal support for change and overcoming resistance**: managers need to form a coalition and reduce the resistance to change through extensive participation in the process of change. Researchers have noted that crisis and external challenges, as well as violence, criticism, persuasion, inducement, rewarding, compromise, guarantee of employment, psychological support, ceremonies that build loyalty and recognition can help overcome the general disapproval of and reluctance to change. A keen and active participation of managers in the process of change is considered a key element in overcoming resistance. In the public sector, meetings with stakeholders – employees, trade unions, taxpayers, employers, executives, members of parliament etc. are also important. In addition to that, it is essential to delegate tasks to mid-rank managers and let them make decisions. Top management has to, however, carry on playing the key role through encouraging and rewarding innovation and supporting the idea of change.
4. **Support of top management and commitment**: every organization should have an agent of change to coordinate the process of implementation of change. It is also necessary to have a permanent leader of change within the organizational framework because there is a high turnover of top executives in the public sector compared to the private sector.

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5. **Building external support**: leaders need to be supported in their actions by political environment and by key external stakeholders. The impact of such actors on the effect of change stems from their ability to impose change and to control the flow of resources within public organizations. Political forces, in turn, can affect the appointment of the leader of change. Changes that can be implemented quickly and cost-effectively enjoy a greater support of political forces than those which are expensive and require a substantial amount of time and effort.
6. **Provision of resources**: it is necessary to have a sufficient amount of resources in order to implement changes successfully. Literature sources indicate that every change requires certain outlays and a compromise. Any planned organizational change requires transfer of resources towards new activities, such as development of implementation strategy, communication of changes, staff training, initiation of new processes, reorganization or restructuration of the organization, and testing of innovations. Lack of sufficient resources may result in inability to complete the process of change, in tensions between employees, and in neglect of the key functions of the organization. Boyne (2003) observed that resources are among the most important factors behind improvement of the quality of public services. In addition, sufficient funds are also of vital importance in establishing all the necessary administrative and technical facilities.
7. **Institutionalization of resources**: managers and employees need to institutionalize change effectively. For change to be sustainable, members of the organization need to change the existing procedures and policies so that they become part of the daily routine. Armenakis, Harris and Feild (1999) created a model of institutionalization of change. It assumes that leaders can change formal structures, procedures and practices, modify human resource management, introduce pilot projects to collect data, track progress and participation, as well as involve employees in activities that reinforce learning through practice and experience. Change in the public sector should be progressive or have a limited scope given frequent political changes that can result in a decline in the commitment to change.
8. **Continuation of change**: leaders have to introduce systematic changes in organizational sub-systems. On the one hand, changing only one or two such sub-systems does not suffice to trigger transformation. On the other hand, implementation of many changes without understanding their structure and the nature of relations between particular sub-systems may generate additional costs and result in an extended implementation period. Compliance of connections between individual sub-systems, however, may be difficult to achieve in the public sector – unlike in the private sector, as the agents of change operating in the former enjoy less freedom.

The process of risk management is among organizational changes introduced into the public sector. One of the requirements imposed on Poland in relation to its accession to the European Union was to implement proper systems of financial management and control among public finance sector units, and to develop financial control standards. The Public Finance Act of 27 August 2009 imposes an obligation on public sector entities to introduce a risk management system – as part of the framework of management control. Management control is one of the elements of the Polish public finance reform. According to Kuzińska (2009), the aim of this reform is to organize the public sector, and its implementation began already in 2002.

Pursuant to the provisions of article 68, section 1 of the abovementioned Act, management control in public finance sector entities is executed through actions taken to ensure that objectives are achieved and tasks are performed in an effective, efficient, economical, and timely manner, in line with the law. Section 2 of the said act sets out the objectives of management control:

- compliance with legal provisions and internal procedures,
- effectiveness and efficiency of actions, reliability of reports,
- protection of resources,
- respecting and promoting the principles of ethical conduct,
- effectiveness and efficiency of information flow,
- risk management.

According to the legislator's intention, the management control system is to support the management of an entity and to contribute to the pursuit of its mission, goals, and objectives (Kumpiałowska, 2011).

Management control means self-improvement of organizations, continuous diagnosis, and monitoring and streamlining of processes carried out by organizations (Standardy Kontroli Zarządczej, 2012, p. 18). Its aim is to increase the efficiency and effectiveness of various public sector entities. Ministers, mayors and other heads of territorial units, as well as heads of particular public entities are responsible for execution of management control in practice. It is not a novelty in Polish public administration, as control – or audit – in this context is one of the functions of management, next to planning, organizing, and directing; its role is therefore auxiliary (ibid.: 19). Furthermore, it is not a new task or project, as management control means continuous assessments of organizations in terms of their ability to achieve certain objectives and to improve tools of management (ibid.). The Ministry of Finance (ibid.) emphasizes that management control should not mean an obsolete, formal structure involving employees in generating

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piles of documents filled with content that has little to do with real tasks and issues dealt with by a given organisation's management and staff. The President of the Supreme Audit Office, Józef Płoskonka, summarized the purpose of introduction of management control in the following manner: *Compliance with the law is undoubtedly fundamental, but today we expect more from the authorities, namely that they are able to achieve certain results. (...) Good public governance means efficient and effective public management. This translates into finding efficient and effective solutions to citizens' problems. This is what this tool, this concept designed to support the process of management is about. To solve problems of ordinary people in the most efficient way* (NIK, 2012).

Management control is based on the COSO model of internal control and goes far beyond the conventional notion of control aimed primarily at identifying anomalies or instances of breached law or procedures. Moreover, one of its elements is internal audit, which involves independent assessment of performance of management control. Therefore, no internal audit unit should *have a direct impact on the management of a local authority* (Standardy Kontroli Zarządczej, 2012, p. 22).

The Ministry of Finance points out that it is not necessary to create a separate unit in charge of management control. Coordination of tasks can be entrusted to an existing organizational unit, as all management staff shall participate in the performance of tasks related to the functioning of management control. Furthermore, the Ministry of Finance emphasizes that tasks related to management control shall not be entrusted to *units of institutional control (internal, departmental), as this misleads the personnel – including executives – into believing that management control is another form of traditional institutional control* (Standardy Kontroli Zarządczej, 2012, p. 49).

Risk management is a new phenomenon in Polish public administration. In 2006, the Ministry of Finance published a handbook entitled *Zarządzanie ryzykiem w sektorze publicznym. Podręcznik wdrożenia systemu zarządzania ryzykiem w administracji publicznej w Polsce* (Risk management in the public sector. Implementation of a risk management system in public administration in Poland), aimed to help public sector entities through the process of implementation of a risk management system.

Two aspects of standards of management control should be taken into account in the context of risk management. Firstly, each organization should establish its mission, objectives, plans and tasks, and monitor the status of their execution. Objectives are attained through performance of tasks. They should form an integral part of organizational operations. When objectives and tasks are defined, it is necessary to appoint a person or organizational unit responsible for their execution. There should be also indicators based on reliable information, which should make it possible to verify whether targets have been met, whether they are objective and relate to the results that are to be achieved. YES/NO logical values are to be avoided; what's more, these indicators should not be descriptive or based on subjective assessments (Announcement No. 6 of the Minister of Finance of 6 December 2012).

Secondly, organizations should identify risks associated with their plans, analyse them, and take appropriate actions. Risk management is a process conducted by top executives and other employees, and included in the strategy. Its aim is to increase the probability of achieving objectives and executing tasks successfully. This process is a key element of management control and should be documented (Standardy Kontroli Zarządczej, 2012).

Just as any organizational change, risk management process may breed resistance among top executives or employees prior to its implementation. The literature review in this area shall form the grounds for identification of factors that influence the development of change and the key elements that should be taken into account in the process of planning implementation of risk management process in municipal offices.

Research method

The research I have conducted has allowed me to answer the following question: what are the success factors for implementation of risk management in an entity operating in the sector of public finance?

The research was based on a qualitative method. While investigating the process of implementation of risk management, I set myself in the world of my interviewees (in their natural environment) and I was interpreting my findings using terms my interviewees used. The methods applied were derived from grounded theory (Glaser and Strauss, 1967; Konecki, 2000), and at the stage of data collection, I had also recourse to certain tools of anthropology of organization (Kostera, 2003). Grounded theory does not allow for generalizations, but helps understand the rules that govern a particular phenomenon. In the case of the conducted research, it enabled me to comprehend the factors that shape the implementation of risk management.

The empirical material has been collected through interviews, analysis of internal documents, and observations. These methods allow for a better understanding of the risk management process, as each of them makes us perceive the object of the study differently. Each research practice can *provide valuable and important insights and knowledge* (Nelson, Treichler and Grossberg, 1992, p. 2, as cited in Denzin and Lincoln, 2009).

The cases for the research were selected based on the critical incident technique (Flanagan, 1954). It makes it possible to identify of similarities, differences, and patterns in people's behaviour, and to understand how and why people engage in various activities (Flanagan, 1954; Chell, 1998). With the use of this technique, I have managed to identify patterns of behaviour or events that contribute to implementation of risk management or hinder it.

The project involved studying the operations of municipal offices in Poland because they are entities operating in the sector of public finance and, at the same time, display certain characteristic features in terms of management control (Garczarek, 2010):

- they are not expressly required by the law to draw up an operational plan for each subsequent year, to prepare a report on implementation of such operational plan, to submit statements on the state of management control for a given previous year, or to publish these documents in the Public Information Bulletin;
- they are not obliged to carry out activities involving setting objectives and tasks within a task system that forms part of plans adopted by particular organizational units, and controlling the efficiency and effectiveness of implementation of these plans based on objective performance indicators,
- the amended Public Finance Act did not grant local authorities the right to empower mayors or chairmen of the board of local government units to influence the managers of subordinate entities with respect to implementation of management control. Therefore, they must exercise powers granted under other laws.

Selection of organizations

According to the critical incident technique (Flanagan, 1954), I searched for organizations that had been successful and failed in implementing the process of risk management in municipal offices. It was important to take into account different perspectives in the course of selection – in order to identify similarities, differences, and patterns in the introduction of the risk management process. There was also a panel of experts (internal auditors) involved in the selection of organisations. The panel was organised with the support of officials representing the Ministry of Finance, who allowed me to participate in a meeting of internal auditors. I prepared a questionnaire which I used to ask the question of what indicated that a given municipal office managed risk in the proper way; I also asked the interviewees to name five municipal offices that provided examples of good practice in the scope of implementation of risk management, as well as five municipal offices that had initiated the process of implementation of risk management, but encountered issues preventing them from taking further actions in this respect. The questionnaire was distributed among the participants of the meeting. Seven municipal offices were selected based on the responses obtained. They are presented in Table 1.

Table 1. City halls included in the study

City Hall	A	B	C	D	E	F	G
City population in 2011	> 600	> 600 k	> 500 k	> 50 k	> 100 k	> 400 k	> 400 k
Successful implementation of the process of risk management	NO (changes related to implementation of the process in progress)	**YES**	**YES**	NO	NO	**YES**	NO

Source: own work.

I conducted in-depth interviews in each organization (Konecki, 2000; Kostera, 2003) with persons who had participated in the process of implementation of risk management – from top executives to ordinary employees. This way I was able to identify similarities and differences between particular municipal offices, and understand the reasons behind people's involvement in this process (Flanagan 1954; Chell, 1998).

Research process

When conducting the study, I used a variety of data sources e.g. transcribed interviews, internal documents of the city halls, e-correspondence, which allowed me to analyse the problem from different perspectives.

Coding was carried out by means of the Dedoose software. In order to make sure that the results were accurate, reliable and valid, I also applied the triangulation method (Konecki, 2000). The author used more than one method of data collection, the preliminary findings of the research were presented during a conference and seminar. Moreover, the author uses different data sources and different theoretical perspectives.

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Findings

The results of the research conducted in the selected municipal offices have shown that implementation of risk management causes a number of problems. The main issue is the manner in which the obligation of implementation of risk management has been imposed on these entities: this requirement was ordered by the state. According to Binning's theory (2010, as cited in Smollan, 2011), organisation itself can resist change imposed top-down. There are also many cases of the so-called blame game (Hood, 2011; Hensel and Glinka, 2012). It takes place when its participants try to shift the responsibility for unfavourable reforms in order not to bear the burden of failure that would be remembered for a long time (Standardy Kontroli Zarządczej, 2012). Therefore, employees of the public sector prefer not to take any action rather than implement a risky reform. The staff of the municipal offices included in the study were trying to blame the Ministry of Finance – who imposed the said obligation – for unimplemented risk management process. Employees of the municipal offices believed that the Ministry of Finance had succumbed to a fad which would soon be forgotten. The interviewees stated also that they did not implement the process of risk management, as they had been waiting for the Ministry to provide them with detailed guidelines specifying what was expected of them.

Secondly, there is also the issue of the lack of commitment and, in effect, lack of support from the top organizational level in introduction of the process to municipal offices. In some municipal offices, the obligation to have a risk management process in place was completely ignored. Furthermore, executives tended to shift the duty to coordinate the process to organizational units, driven solely by the name of the obligation imposed by the Ministry instead of its substance. Moreover, top executives do not take part in risk management training, which can be interpreted as a proof of lack of commitment; it also sends a strong message to employees: "this process is not important". In addition to that, top management does not communicate or cooperate with their employees. Staff members are not provided with feedback regarding activities taken by top executives; as a result, they cannot see the benefits of the process of risk management. They also do not know what kind of documents are available at the office, and where they are kept. On top of that, executives do not ensure coherence and integration of processes taking place at the office.

Thirdly, employees themselves are responsible for problems related to risk management implementation. Resistance to change (Bedeian, 1980, as cited in Buchanan and Huczyński, 2010) is expressed through the lack of involvement in the process of risk management, which manifest itself, for example, in failure to meet deadlines. Lack of training and experience in risk management means that risk analyses performed by the staff are flawed and, in effect, generate erroneous data. Moreover, employees believe that the problem can be solved through purchase of software that will reduce the number of mistakes and improve the quality of data. Rządca (2005) describes a similar process, where top management tends to agree to purchase and implement a set of IT tools until it turns out that the system suddenly fails.

Fourth, the causes of problems with implementation of risk management process identified in the study can be interpreted in terms of the phenomenon of organizational fiction (Kieżun, 2005). The process of risk management is implemented in municipal offices by employees who do not accept its principles and consider it unnecessary. In order to meet the statutory requirement, they create procedures and pretend that the process works. Those implementing this process act opportunistically: even though they do not agree with the idea of the new obligation, they implement it because this is the safest thing to do in a given situation.

Fifth, one of the concepts that can be applied to analyse the emerging causes of problems with the implementation of the risk management process is that of organizational game (Crozier and Friedberg, 1982; Koźminski and Zawiślak, 1982), which concerns mostly the race for positions within the office. Furthermore, risk management is associated with game of financial resources. Employees are burdened with an additional obligation, without any remuneration or reward in return; as a result, they are not willing to perform tasks related to this process. In addition to that, on account of introduction of risk management to municipal offices, a game of information resources ensues.

These are the factors which generate problems with implementation of the process of risk management. Hence, the data generated in the process is not used in day-to-day management, and risk management does not contribute to streamlining the operations of municipal offices, nor to attaining the set objectives.

Factors determining successful implementation of risk management in municipal offices

The research results have allowed me to identify four factors behind successful implementation of risk management in municipal offices; these include: top management support; appointment of a leader and a team; good internal communication; a consistent and continually-improved process. They are presented in Figure 1 as gears – to show that they are mutually interdependent and drive each other. Top executives' support

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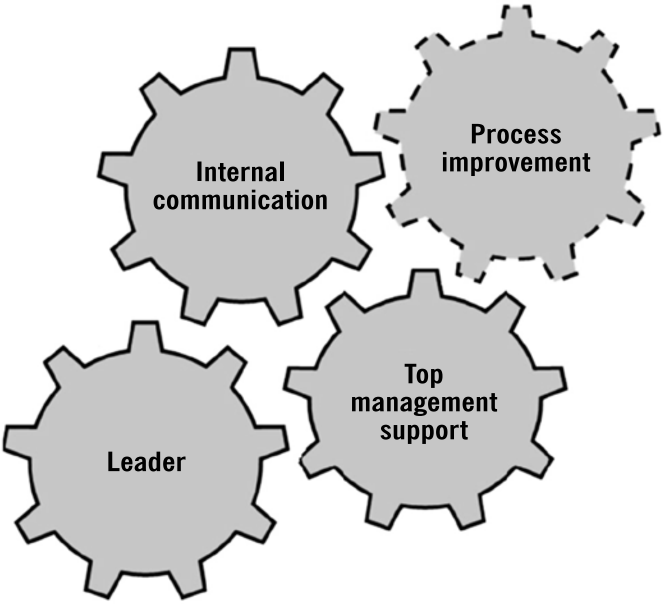
is necessary at every stage of the process; it is to make employees aware that implementation of risk management is the office's priority. Such support can take the form of appointment of a person in charge of the process – the so called change leader. The third factor is internal communication. Municipal office staff should know what is expected of them with respect to risk management process. The leader and the management in turn should be aware of the problems faced by their staff. This requires effective communication. The last factor is a consistent and continually-improved risk management process, which is to ensure that it addresses the processes already taking place at the office and the nature of the turbulent setting in which a given municipal office operates. This factor has been marked with a dotted line, as not all interviewees have mentioned it.

Figure 1. Factors determining successful implementation of risk management in municipal offices



Source: own work.

1) Top management support

Top management should be in charge of the process of risk management implementation. Executives may delegate tasks related to the process, but ultimately, they are responsible for the final outcome. Involvement and support of the organisation's top-level employees makes everyone realize that the process of risk management is of high priority and endorsed by the office.

> *Undoubtedly, there needs to be willingness and a genuine need – not simply to meet the statutory requirements, but a real need to increase the efficiency and effectiveness of management. This is how it should be perceived. Willingness and support from the management are two determining factors.* (MO_A_I3)

The importance of this factor is also confirmed by the results of a study conducted by Klimczak (2009), according to which it is the first step in the process of risk management implementation, and it means obtaining an unequivocal support for the initiative. Such attitude of top management helps the office overcome difficulties that may occur at later stages of implementation.

According to the rules of change introduction formulated by Kanter, Stein and Jick (1992) and Fernandez and Rainey (2006), top management should communicate the need for risk management within the office and be involved in the process at every stage. Executives have to convince members of their organization that risk management is essential and that this process has an impact on the effectiveness of the office's operation.

2) Change leader

At the initial stage of risk management implementation, top executives should appoint a leader in charge of coordinating the process.

> *Top management needs to explicitly state that they want the leader to do it and that it needs to be done under that leader's command and supervision.* (MO_B_I1)

As indicated by Kanter, Stein and Jick (1992), organization should not introduce substantial changes without a change leader. The process of risk management entails a major change within the office, as it concerns all operations and involves all employees, on all levels of the organization.

The leader is the initiator (trigger) of changes and a symbol of the new order (Drzewiecki, Chełmiński and Kubica, 2011). Such person shall perform the function of an internal agent of change (Fernandez and Rainey 2006; Pathack, 2011). Interviewees point out that the leader needs to have appropriate authority and to rank high in the organizational structure. This entitles them to make strategic decisions that are subsequently implemented. In a municipal office, where conformity with rules and principles is important, the leader's authority should stem from a formal appointment (Kozielski, 2012).

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> *Empowerment within the organization is also important, as the office is a very hierarchical environment. If there is a need for communication with executives, the leader must be an executive.* (MO_B_I1)

In the process of risk management implementation, staff should know that they would be assisted in case of any problems. The leader should answer questions, address doubts, and respond to any emerging difficulties.

Interviewees suggest that the leader should head a team of employees. The results of my empirical studies indicate that it should be a multidisciplinary team consisting of employees representing a broad and varied area of expertise and experience.

> *At first, a small team may be established; it cannot, however, be democratic: there must be a leader who knows how to encourage others to do what needs to be done. The leader must be appointed to watch over the entire process, to make sure deadlines and all requirements are met.* (MO_B_I1)

This has also been pointed out by Klincewicz (2012), who makes reference to synergy: teamwork is conducive to finding solutions that individuals would not be able to arrive at independently.

3) Internal communication

Communication during implementation of risk management is to ensure that all employees know what risk management process is about and what is required of them (Fraser, Simkins, 2009). According to Kotter (1996), it should be assumed that the process of communication is faulty, that less information is transmitted to recipients, and that information may be distorted.

Top management should inform employees about their decisions and changes. Organisation should also introduce reporting mechanisms designed to ensure that changes in the process of risk management are properly communicated, that all relevant information pertaining to the risk management system is up to date and available at the appropriate level, and that a process of communication with stakeholders is in place.

> *Bottom-top information flow is also important, even if it is faulty at times.* (MO_B_I1)

Communication failure may result in misunderstanding, misinformation, duplication of processes, or conflicts.

> *Inevitably, risk must be assessed by people who need, first of all, to understand what they are doing and to be willing to state, in all honesty, where problems may arise, what the real situation is, and whether the task is at all feasible, or whether the vision is simply unrealistic.* (MO_C_I2)

Rayner (2003) claims that it is of utmost importance to ensure that everyone in a given organization understand and use the language of risk management and discuss risk in the context of their daily work for management to be effective.

In the light of the above, we should mention another important aspect, which remains outside the scope of control of municipal offices, but still affects them to a big extent: the aspect of risk management guidelines defined by the legislator. The legislator – the Ministry of Finance in this case – should clearly communicate the requirements imposed on municipal offices. The latter should be aware of what exactly is expected of them.

4) Continuous improvement of the process of risk management

The process of risk management should be integrated with other processes taking place within the office. Thus, the objectives that are to be achieved and secured through risk management process will become important from the perspective of the in-office operations (they will stem from the adopted strategy), and it will be possible to measure the risk in relation to all tasks performed at the office.

> *Management control, activity-based budget, risk management, (...), ISO 9001 (...) are the tools that must be skilfully applied: not independently, but together. They need to contribute to the achievement of goals.* (MO_B_I1)

This aspect is described in ISO 31000: 2012. Risk management is a focal point for managing an organization, as risk analysis is carried out with respect to the objectives of the organization. Therefore, the said standard (2012, p. 9) recommends integration of the risk management process *into the organization`s overall governance, strategy and planning, management, reporting processes, polices, values and culture*. ISO 31000 (2012, p. 8) also indicates that only *the adoption of consistent processes within a comprehensive framework can help to ensure that risk is managed effectively, efficiently, and coherently across a given organization as a whole.*

Moreover, the process of risk management should be updated and improved. Otherwise, it will not address the needs of a given municipal office operating in a dynamically

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changing environment. If the process is not regularly updated, it will no longer fulfil its function.

> *Management system needs to evolve and be systematically improved, so that risks can be identified in connection with that system.* (MO_B_I2)

Conclusions

The research presented in the paper was conducted with a view to identifying the factors behind successful implementation of risk management in municipal offices in Poland. The research project included conducting in-depth interviews with the employees of these entities, followed by an analysis and interpretation of the collected material.

Implementation of the process of risk management is not an easy task. The conducted research points to a number of issues accompanying introduction thereof, which is in line with the proposed theory. The findings indicate four factors that come into play in the process of implementation: top management support, presence of a leader, internal communication, and process improvement. The interviewees emphasize that implementation of risk management requires above all support and involvement of top management. Such attitude sends a particular message to employees: the process is a priority and the organisation needs the change it entails. Thus, all employees can become involved. The support of top management is a prerequisite, but it does not guarantee a successful implementation. It is also crucial to appoint a change leader whose mission is to introduce risk management effectively. The leader should be supported by management and occupy a high position within the organizational structure. The leader is to be in charge of the intended change – in this case, implementation of risk management. An interdisciplinary team should be also appointed to assist the leader, as the capabilities of an individual in today's rapidly changing environment may prove insufficient. Another element necessary for successful implementation of risk management is effective internal communication. The management of a municipal office should ensure an adequate flow of information, so that data is available to whoever needs it and whenever they need it. Last but not least, integration and improvement of the risk management process are of key importance as well. The process should not be conducted independently, but needs rather to become an integral part of the organization. It should be also constantly improved if it is to respond to the challenges of the ever-changing environment.

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