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Managing Risks

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International conference of the Crisis and Risk Network (CRN)

Managing risks

Modern highly complex societies are threatened by a wide variety of risks. At an international conference in Brunnen in the week beginning 11 June 2007, experts discussed how nations, businesses and international institutions should handle the situation.

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Modern threats such as a global pandemic, the collapse of critical infrastructures or terrorism are an ever-present topic of public discussion. Our closely interlinked, highly complex societies have become extremely vulnerable. We are exposed to a multitude of risks that can hinder the realisation of social and private goals or even make them impossible. This means that fast, efficient and effective strategic risk management is a key challenge for national governments, business enterprises and international institutions.

What is the best way to deal with safety and security policy risks for which both the causes and consequences are often unclear or describable only in vague terms? How should experts and decision-makers plan for an uncertain future in an insecure world? How can risks be identified promptly, assessed correctly and prevented from occurring? Around 55 experts from this country and abroad dealt with these questions in depth at a conference in Brunnen from 14 to 16 June 2007. (2) The event was organised by the Crisis and Risk Network (CRN), which belongs to the Center for Security Studies (CSS) and is devoted to safety and security policy dialogue, strategic risk analysis and crisis management. (3)

What information is relevant?

To counter possible risks accurately they must first of all be identified - a task that is more difficult than appears at first sight. In a world of information overload the problem is often no longer one of accessing the data and facts but of filtering out from them those that are really relevant, analysing them correctly and utilising them purposefully. Several speakers were unanimous in stressing that one must know the sources from which information originates, how credible they are and what cognitive leanings (biases) the analysts display.

Another conference theme was the frequently inadequate transfer of knowledge between analysts and decision-makers, mostly involving deficiencies in communication: analysts aim their messages insufficiently at the needs of their target group or get bogged down in technical jargon.



Hurricane Katrina and the subsequent floods devastated the town of New Orleans in 2005. The main problems for the insurers were caused not by the direct storm damage but by the consequential damages, which had been underestimated by all those involved. (Photo: pbs.org)

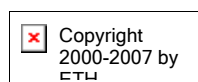
On the other hand decision-makers like to foster the stereotype of the expert obsessed with details whose information they say is useless in practice, only to be entrapped by their own activism, preferring external bought-in expertise and ignoring what is often better advice from within their own organisation. Therefore improved risk communication requires all participants to be fully transparent about their own assumptions on which they base their actions, to follow clear communication rules and to establish a firmly anchored mutual learning process.

Underestimated consequences

Despite all precautions, some risks develop into crises or even major emergencies. One of the conference's interesting observations was that consequential damage often has a bigger impact than the damage caused directly by the event. For example the insurance companies were quite well prepared for major catastrophes such as the terrorist attacks of 11th September 2001 or the hurricane Katrina in 2005. However they had underestimated the enormous losses sustained by the insured firms as a result of the prolonged interruption of business. Increased attention must also be paid to the social and psychological consequences for catastrophe victims (and their relatives). It was said that there will probably be an even more marked increase in the importance of second, third or even fourth order consequential damage in the future in closely interlinked, highly complex societies with their greater susceptibility to crises.

Footnotes:

- (1) Beat Habegger is on the staff of the Crisis and Risk Network, Center for Security Studies, ETH Zurich.
- (2) You can find more information about the conference at the conference web site (www.crn.ethz.ch/events/past-events/eventdetails.cfm?eventid=35 (www.crn.ethz.ch/events/past-events/eventdetails.cfm?eventid=35)), where a comprehensive conference report will also be published in the next few weeks.
- (3) Crisis and Risk Network (CRN): www.crn.ethz.ch (www.crn.ethz.ch) ; Center for Security Studies (CSS): www.css.ethz.ch (www.css.ethz.ch) .



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