



# THE UNCOMFORTABLE CONVERSATION: UNDERSTANDING VALUE THROUGH RISK OWNERSHIP

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**Celeste Young and Roger Jones**

Victoria University

Bushfire and Natural Hazards CRC

Corresponding author: [celeste.young@vu.edu.au](mailto:celeste.young@vu.edu.au)





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## ABSTRACT

Celeste Young and Roger Jones, Victoria Institute of Strategic Economic Studies, Victoria University, VIC



Being able to effectively determine risk ownership is critical for effectively managing natural hazards. This, however, is not a simple task: the risks are systemic, the impacts can resonate across multiple time lines and geographical scales and, in many cases, ownership is shared. As risk ownership is frequently not formally allocated to particular activities, allocation is often a negotiated process. This requires being able to combine expert and local knowledge with economic understandings to support decision making in this area. This type of planning extends beyond surviving an event and rebuilding, to focusing on sustaining the values we treasure most, by planning for the future we want, in the face of changes that go beyond our previous experience. This presentation will explore these different aspects and show how they have been brought together in a risk ownership framework. This framework has been co-designed with end users and provides a companion process that integrates strategic risk into current risk assessment and planning processes. This process uses the identification of values (what is most important), and who owns these, as a premise for assessing risk. Risk ownership provides not only a focus for specific activities, but also acts as a connecting thread that runs through the strategic risk assessment process – binding ownership of values and ownership of assets in a way that supports actions rather than disabling them. Our presentation will explore how the different phases of this process can be used to help communities identify what is most important and to explore risk reduction strategies to protect these. It will also show how valuation methods can provide a pathway for building a more comprehensive understanding of how to make long-term investments aiming to avoid damage and loss. It will show how drawing together the threads of this difficult conversation to a point of consensus, actively supports resilience activities and strategic thinking.



## INTRODUCTION

Natural hazards are dynamic events that damage assets and values that are key to our existence. They have no boundaries and can cross property and state lines, with reverberations that often transmit all the way to governments and into board rooms. These reverberations can echo through communities for years, creating new risks and compounding pre-existing vulnerabilities. They are often unpredictable and can happen concurrently. As a result, people and places may be recovering from one event only to experience another.

Natural hazards and vulnerabilities are also changing in response to factors such as climate change, new technologies and changing demographics. Longer term management and flexible approaches are needed to effectively manage this changing risk profile of natural hazards. As a result, these events require strategic planning across the areas of prevention, preparedness, resilience and recovery. One of the objectives of the BNHCRC project *Mapping and Understanding Bushfire and Natural Hazard Vulnerability and Risks at the Institutional Scale* was to develop a framework for understanding the ownership of risks from bushfires and natural hazards, in order to improve risk governance and support strategic decision making.

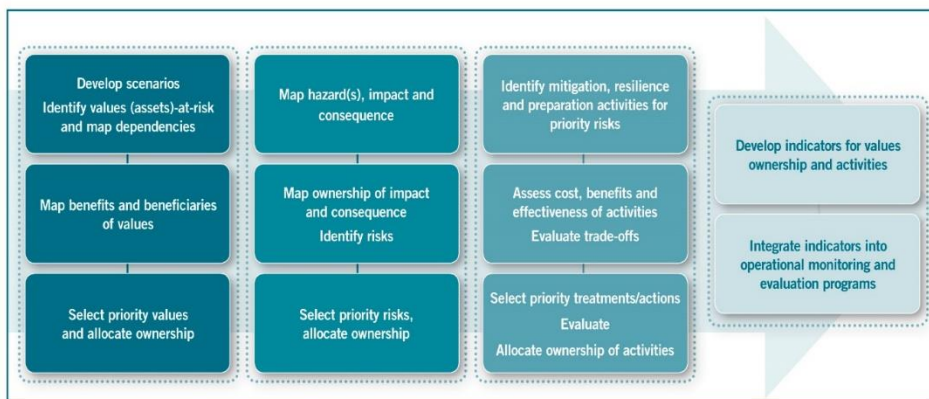


## BACKGROUND

This presentation introduces the *Risk Ownership Framework for Emergency Management Policy and Practice* which was developed in collaboration with Emergency Service agencies and risk practitioners. The project was undertaken through a combination of scenario-based workshops, which explored decision making preferences across multiple hazards with end users, a desktop study of publicly available policy and plans across the government sector, and the development of economic theory linking individuals, communities and groups, and institutions to support risk ownership decisions.

This framework is intended for use by government, community and business agencies who are part of, or work with the Emergency Management Sector. It has three components:

- Key concepts and knowledge areas needed to support risk ownership and strategic decision making.
- A values-based companion process that links ownership of values to ownership of risk (Figure 1) which can be integrated into current assessment processes.
- Tools that can be used to support the process.



**FIGURE 1: VALUES-BASED DECISION-MAKING PROCESS. (YOUNG, ET AL., 2017)**



Objectives of this framework are to:

- Support more effective strategic planning and management of natural hazard risk through better identification and uptake of risk ownership.
- Identify key risk owners at the beginning of the risk process and include them as an active part of decision making.
- Provide a companion process (Figure 1) that use values as a starting point for risk assessments, providing a pathway for better management and the implementation of systemic risk.
- Assist the development of arrangements that support longer term activities, such as the building of resilience, and the shorter term activities that support this.
- Support development of new knowledge and the collation of new types of data to support strategic decision making.

As social contracts and shared arrangements are key aspects of risk ownership, the framework was developed with a focus on consensus building as part of the process.



## WHAT IS RISK OWNERSHIP?

Risk ownership is a term used to define who owns a risk and how they own it. If a risk is not owned, or its ownership is not acknowledged or is unclear, it is highly likely that risk is not being managed. Making this concept workable required combining the two traditions of risk ownership from economics and risk management.

In its assessment of natural disaster funding arrangements, the Productivity Commission aligned risk ownership with assets stating "... asset owners are generally best placed to manage risks to their property" (Productivity Commission, 2014, p 314). This is a standard economic interpretation but provides substantial challenges when governments are asset owners on behalf of the community, or those assets provide a wide range of benefits for both public and private parties. In contrast, the international risk standard, ISO 31000, defines a risk owner as "... a person or entity that has been given authority to manage a particular risk and is accountable for doing so" (ISO, 2009).

By combining both the ISO definition with the expanded definition of an asset owner to include those who receive the benefits from that asset, risk ownership can be expanded to a broad range of end users who have a stake in the effective management of strategic natural hazard risk.

The RAP criteria – who is responsible, who is accountable, who pays – was developed to provide a simple mechanism that would help define levels of ownership related to key activities.





Owners can be categorised as institutions, groups and individuals. Each category helps classify the different actors who make up the ownership system and can be used to define how they exercise ownership (Table 1).

LEVEL	DEFINITION	EMERGENCY MANAGEMENT CONTEXT
<b>Institutional</b>	Formal or informal structures and arrangements that provide 'the rules of the game' (North, 1990) that govern and shape behaviour of a common set of groups and individuals.	Community, state, local and federal government, boundary organisations, business and industry.
<b>Group</b>	Groups of individuals who share a common interest or purpose.	A particular community, organisation, agency or network (this can also be a virtual community).
<b>Individual</b>	Individual person or legal entity.	Risk manager, house owner, property manager.

**TABLE 1: LEVELS OF RISK OWNERSHIP (YOUNG, ET AL., 2017)**

These levels can be assessed across three decision-making areas:

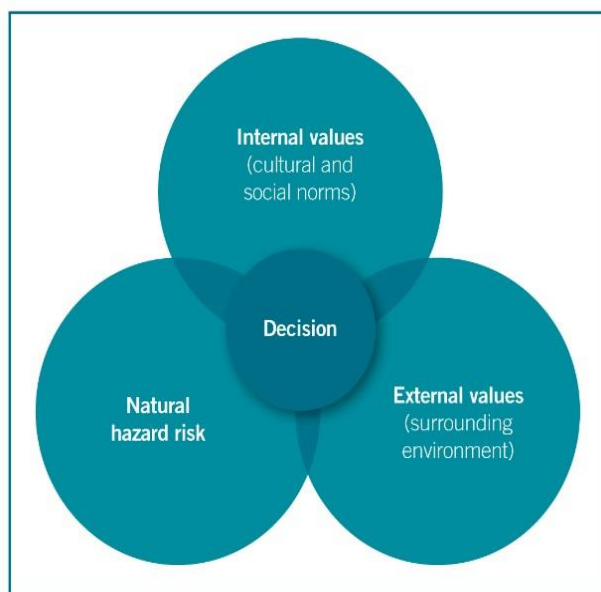
- Ownership of the assets at risk from natural hazards.
- Ownership of the risks associated with short to long-term impacts and consequences of natural hazard events (both direct and indirect effects).
- Ownership of actions in relation to those assets (values) at risk to either mitigate, build resilience to, or recover from natural hazard events.

Ownership of values and the associated natural hazard risks are often shared. This can lead to a lack of clarity as to how a risk is owned or what aspects may be unowned. This is particularly the case with over-arching, intangible values that depend upon multiple stakeholders, such as resilience and community wellbeing.

Risk ownership can also be unacknowledged until an event occurs – unprepared owners may not be able to fulfill their ownership obligations as a result. In other cases, the size of the event can exceed the capacity of owners to effectively prepare for or recover from such an event. In both cases, the risk may be transferred to another owner. For example, the cost of recovery from the 2011 floods in Queensland resulted in all Australians paying a flood levy. Damage and loss that is not compensated or transferred by a risk owner may be accommodated, but can result in increased vulnerability to future events.

The impacts of events can also result in the loss of important values that sustain communities. For example, damage to key environmental assets that sustain tourism or agriculture can lead to a loss of income and employment in small communities.

## VALUES AND DECISION MAKING



Types of values associated with decision making in relation to natural hazards fall into three key areas (Figure 2):

**Internal values** – Values internal to an individual, a group (e.g., community or organisation) or institution. These determine what the priority is.

**External values** – Social, environmental and economic values (assets) that surround an individual community or institution.

**Value attributed to risk** by individuals, groups or institutions.

**FIGURE 2: DIFFERENT VALUE COMPONENTS RELATED TO DECISION MAKING (YOUNG, ET AL., 2016)**

Values can be highly subjective and often depend upon who is doing the valuing as to what is given priority. As a result, it is important to understand how the interaction between these different components determines what is valued and why.

Decisions that are aligned with values are more likely to support motivation for action which will be sustained. This is because these decisions are supported by the beliefs that determine what is most important, (Schwartz, 2012, p 4). This is important because risk ownership actions need to be maintained across strategic planning horizons, where activities are longer term and the benefit from this may be seen as remote. Values can also provide a way of prioritising areas of risk and are a powerful tool for bringing together “multiple perspectives” in a way that supports decision making (Hall & Davis, 2007).

Values-based approaches define important values through meaningful deliberation and rely on a level of consensus between stakeholders as part of their process. This can provide a pathway for negotiating trade-offs and obtaining shared understandings across different groups and agendas that support action. An example of this type of process is Appreciative Inquiry, a form of transformation management, which identifies values through the collection of individual “stories” and creates a collaborative vision that contains these values (Nauheimer, 1997).

The use of values as the basis of the risk ownership process framework places the focus on what is most important as a starting point for assessing risk and is a key part of being able to scope and focus activities.



## TRADE-OFFS

By locating and utilizing the skills and interests of risk owners at the individual, community and institutional levels, delegations of ownership for different actions can be assessed and trade-offs made between different owners. For example, benefits of an action may be partly public and partly private, opening up the potential for co-funding arrangements between different institutional partners. Locating aspects of the circular economy where the returns will flow into the local community and potentially be re-invested within a region, can also help make the case for investment. It also broadens the scope of investment from “Who pays?” to incorporate time, material resources and skills. Non-monetary investment is also more likely to be allocated to high priority non-market tangible and intangible values, whereas monetary investment is spent on rebuilding damaged assets.

Starting simply and bringing in more complex assessments when needed is the best strategy. Ideally, the criteria for assessment are determined before the assessment begins. This is where stakeholders set up their rules of engagement for agreeing as to what they value the most. Criteria can be based on factors such as cost effectiveness, return on investment, maintenance of specific values, ability to represent policy, ease of implementation, degree of ownership and ease of financing. Qualitative and robust measures that use simple criteria to sort options can be used as a starting point. Straightforward questions such as “how well owned are our key values?” and “what level of resourcing is required to develop ownership?” provide the basis for this sort of assessment.

Methods for evaluation can range from informal voting, ranking methods, multi-criteria analysis, return on investment and/or cost effectiveness (Young et al., 2017; Jones, et al., 2017). Options such as new infrastructure, buy-back and retrofit schemes, and public and private insurance strategies will require comprehensive cost-benefit analysis.

Trade-offs between a broad variety of actions across the different phases of strategic risk management (e.g., preparedness, prevention, resilience and recovery) cannot always be assessed through the standard economic methodology of calculating return on investment via cost-benefit analysis. Many of the values that communities deem important such as community health and welfare, connectedness and resilience cannot be easily costed. Often assessments of these types of values require damage-cost curves across a range of hazards such as storm, fire, flood and heat wave and can be beyond the capability of less well-resourced organisations.



## CONCLUSION

“We can’t do this without our communities and know we can’t just keep telling them what to do because that just doesn’t work....We have to think about this in the longer term otherwise we are just setting ourselves up to fail.”

Tasmanian workshop participant  
(Young, et al., 2016)

Resilience is fundamentally changing how we need to think about natural hazard risk and who owns it, as everyone is now a potential risk owner. For risk ownership to be fully realised, people need to understand the risks they are faced with, be willing to accept them and have the capability to undertake the actions associated with that ownership. This requires collaboration and well-structured processes and facilitation, and is a long-term proposition. Maintaining trust during this process is pivotal and requires the creation of spaces where diverse people with different agendas can reflect, discuss and achieve a consensus beyond the pervading ‘just in time’ decision-making context. Discomfort is part of the process, particularly at a community level where emotions and passion need to be acknowledged and managed carefully.

“People don’t value what they don’t understand, and I think some values and risks get dismissed because they are seen as too much hard work.”

(Victorian Workshop Participant, Young et al., 2016)

If we are to achieve broader and more effective risk ownership within and beyond the Emergency Services sector, we need to start embracing these “difficult conversations” about what values are at risk and how we need to respond to this. Natural hazard risks are also becoming increasingly complex as the social, environmental and economic systems that shape them change. Negotiation through this complexity to a point of consensus, where risk ownership is accepted and acted upon, is a crucial aspect of effectively managing these risks. To achieve this community, governments and organisations need take the time to make conscious and well-informed decisions. The risk ownership framework can be used to support this process in a way that will help ensure that our decisions today enable rather than disable, our future sustainability.





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