

**STAKEHOLDER PRESSURE, TOP MANAGEMENT  
SUPPORT, AND THEIR EFFECTS ON RISK  
MANAGEMENT PRACTICES IN PUBLIC  
ADMINISTRATIONS**

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8<sup>th</sup> Annual Conference Risk Governance

2020





## Introduction and research questions

### What is the motivation of our project?

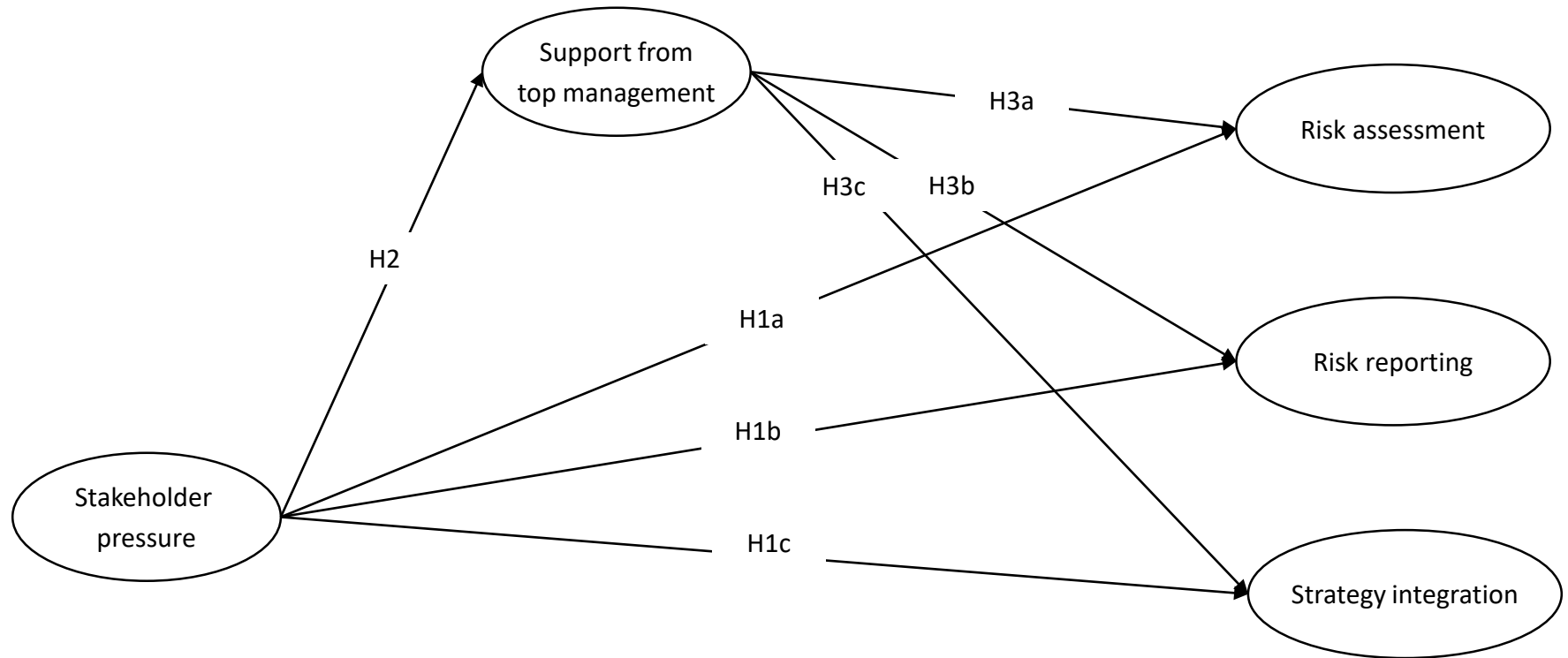
- Through improved communications and media attention, the management of risk has become the subject of growing concern to individuals, organizations, and societies at large. (Wharton 1992, p. 1).
- To cope with stakeholder pressure and to avoid blaming, public administrations should be aware of potential risks of their actions and should think about implementing sophisticated risk management (RM) practices.
- RM practices can help to reduce (stakeholder) pressure, to create transparency about the organization's work, and to increase legitimacy (Collier and Woods 2011; Palermo 2014; Oliveira et al. 2011).
- There are only very little regulatory requirements for German public risk management. The question arises whether stakeholder pressure, as an external stimuli, has an influence on the sophistication of risk management in public administrations.

### What is the goal of our research?

Examining whether stakeholders and their pressure put on public administrations, lead to more sophisticated risk management practices:

- Do stakeholders have enough power to make public administrations implement more sophisticated risk management practices?
- Does the top management have an influence in the relationship of stakeholder pressure and risk management practices?

# Research model





## Data sample and method

### Sample

- » 1.000 municipalities – including all German federal states, with more than 20.000 inhabitants
- » 79 federal agencies – including the levels

**n = 1,079**

### Data collection

- » Survey among public financial managers (“Kämmerer”, “Leiter Finanz-, Haushalt- oder Controllingabteilung”)
- » Paper-and-pencil questionnaire

### Final sample size

Completed questionnaires: 147

Return rate: 13,6%

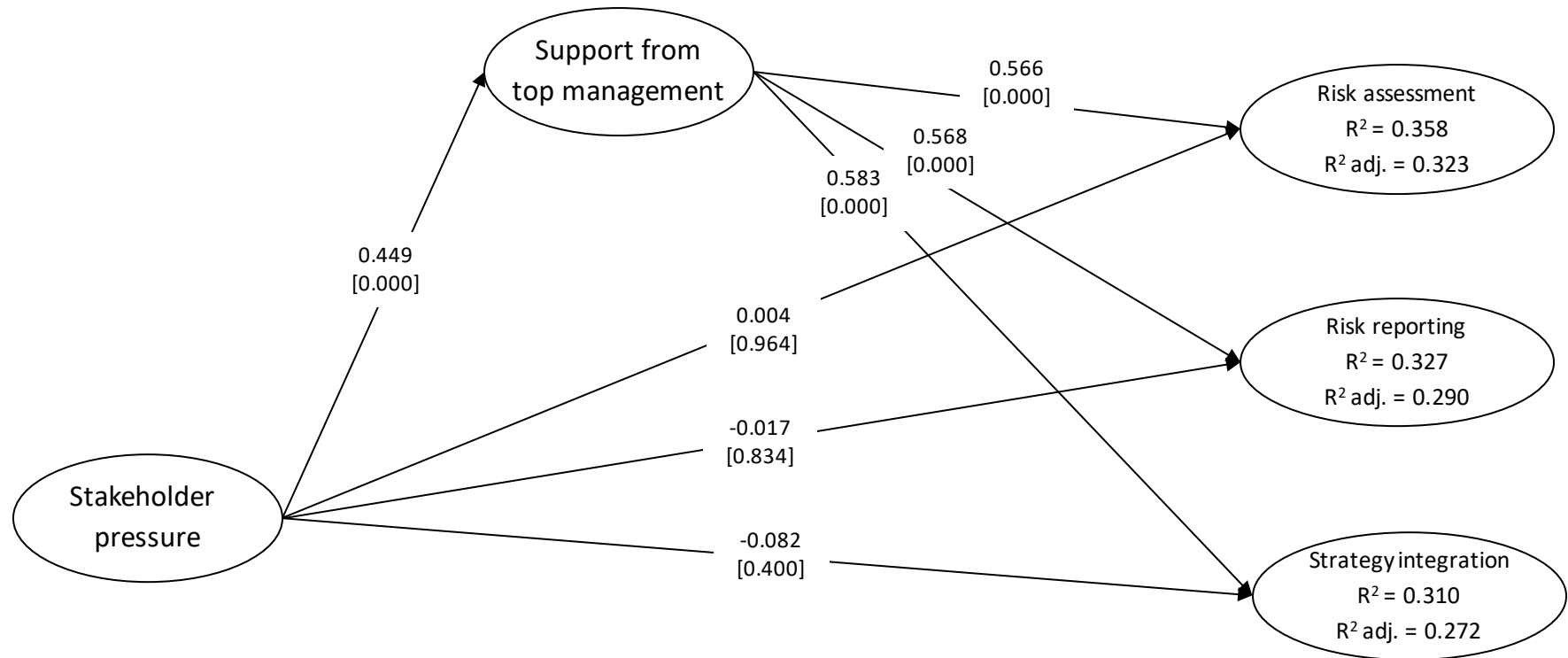
Questionnaires remaining after data cleaning: **136**

Adjusted return rate: **12,6%**

### Calculation of the model

- » Smart PLS 3.0 was used to calculate the model.

# Results I



- All control variables (age, gender, education, and years working in the public sector) and the marker variable are not significant
- Full mediations exist for
  - stakeholder pressure – support from top management – risk assessment
  - stakeholder pressure – support from top management – risk reporting
  - stakeholder pressure – support from top management – strategy integration



## Discussion

- Our findings in the German context show that stakeholder pressure does not have the power to substitute the relatively low statutory requirements for risk management implementation.
- To be successfully implemented, innovations need top management support since top management can *“focus resources, goals, and strategies on initiatives they deem worthwhile, deny resources to innovations they do not support, and provide the political help needed to motivate or push aside individuals or coalitions who resist the innovation”* (Cavalluzzo and Ittner 2004, p. 247-248; Shields 1995).
- Our findings suggest that stakeholder pressure has an impact on risk management implementation, if top management is aware of stakeholder pressure and supports risk management practices.
  - It becomes apparent that the sophistication of risk management practices depends not only on the pressure put forward by stakeholders but also on internal support from the organization’s top management.



## Contribution

### Contribution to literature

- First, we are able to show that blame avoidance and legitimacy reasons lead top managers to implement managerial tools to cope with pressures put on them.
- Second, we extend the literature (Collier and Woods 2011; Palermo 2014, Collier et al. 2007) of the use of (new) institutional theory in public administration's risk management context. We are able to show empirically that pressures lead to increased risk management practices, when top management supports these initiatives.
- Third, this study responds to the call of the "internationalization of public management research in Germany" (Wegrich 2020).

### Contribution to business practice

- Our research can help public administrations to understand how risk management practices can lead to maintaining and enhancing legitimacy.
- This study can help top management to understand their role in the implementation and use of management accounting tools, such as risk management practices.



## Limitations

### Limitations

- » First, this study may suffer from the limitations related to its being a study based on self-reported responses (CMV).
- » Second, the measures used in this paper is based on perceptions rather than archival data.
- » Third, the response rate remains in line with the limited rates which are usually registered in Europe (Nitzl et al. 2019).
- » Fourth, we focus solemnly on a German sample.



**Thank you for your attention**



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