

# The new Twilight Zone between crisis and risk management

**Arjen Boin** and **Martin Lodge** discuss the unique challenges for organizing oversight

Traditionally, the worlds of crisis and risk management have been clearly demarcated and neatly separated. The world of risk management is largely one of calculating probabilities of nasty events and assessing the level of impact should these materialize. It's about managing day-to-day activities so as to mitigate the likelihood of adverse events from occurring. The world of crisis management begins where the risk world ends. It handles 'risks come true'—acute events that are described in terms of urgency, threat and uncertainty.

These worlds are governed with very different tools. The world of crisis management is one of urgent decision-making, where a distinct threat has materialized. This is the world of action-packed crisis rooms and the chaos of Ground Zero, where emergency responders do the best they can. This is the world of the well-drilled professional who acts 'mindfully' (as Karl Weick would put it). It is the world of the crisis leader who must take timely and sometimes dramatic decisions. It is the world in which the strategic domain is separated from the world of operations by different professional cultures and perennial information bottlenecks. This is the world in which technologies are often found wanting, where planned efforts to coordinate the response network are undermined by inherent capacity limits.

In contrast, the world of risk management is one of careful assessment, calculation, regulation and monitoring. No immediate threat has been discovered and no urgency exists. But the potential threat has been defined and its paths of emergence are more or less known (or believed to be known). In this world, the day-to-day operation is marked by standard operating procedures governing reporting requirements, inspections and potential interventions aimed at altering behaviours so as to ensure that crisis does not occur. It is a world of monitoring to ensure timely discovery of emerging threats, but also to safeguard the smooth operation of the system in question. This is the world of ensuring inter-agency collaboration on the basis of (usually long-forgotten) memoranda of understandings. There is generally little involvement from organizational leaders.

The borders between these traditional worlds are defined by two key variables: urgency and uncertainty. In the risk world, the level of uncertainty is relatively low; the threat is defined, the chance that it may occur is known. There is no urgency, as the threat has not materialized in this world. In the world of crisis, the opposite is true; the level of uncertainty is high as is the level of urgency. This explains why these worlds have very

different modes of governance. In practice, these worlds have been neatly insulated from each other.

Yet, this traditional distinction has become increasingly blurred. The recognition of more and more threats that may impact critical systems soon, or may not, has given rise to expanding definitions of crisis. Particularly relevant in this regard is the current fascination with so-called creeping crises, those slow-moving, hard-to-detect and ever-developing threats that lurk under the radar. Examples include demographic or climate change, the shifting security environment, exotic diseases in far-away countries, economic anomalies, energy challenges, and, of course, Brexit. Think, for example, of engaging with those banks found to be potentially at risk of requiring resolution, or, indeed, universities, hospitals or other care facilities facing potential financial collapse. These threats do not belong in the traditional risk domain, because they are hard to precisely define and consequences cannot be appropriately assessed; they are rejected in the crisis domain, as they have not reached the threshold that must be met to be recognized as a real crisis event.

This is the contemporary, and new, Twilight Zone between risk and crisis land. It is marked by deep uncertainty about both the chance that a threat may materialize and the escalatory trajectory it may follow. In this domain, threats do not develop in a linear or even progressive fashion; apparent improvements in the situation may conceal longer term deepening of the threat(s). This deep uncertainty is accompanied by an absence of immediate urgency, even if the destructive potential of the threat is easy to imagine, including likely accompanying political dynamics.

This Twilight Zone stretches into the risk domain, which has increasingly become focused on crisis, with regulatory regimes emerging to prepare and manage acute events, such as banking resolution regimes. It stretches forward into the crisis domain, which is acutely aware of creeping crises that at any moment may explode onto the societal and political stage. It is a zone that is likely to stretch wider, as our critical systems become more intertwined with other, cross-border systems. This ongoing development grows vulnerabilities to transboundary threats that originate in far-away domains but can easily travel the 'un-bordered' links between systems everywhere.

This new world of blurred risk and crisis management brings distinct challenges that create a need for a new type of organization. This is the world where some threat has been identified,

but where urgency is not, as yet, present. In fact, urgency (i.e. the 'acute crisis') may never arise. The overall system continues to operate as if under normal conditions, which makes it hard to convene special meetings in crisis rooms or initiate monitoring and measures that require scarce resources.

Attention is one of those scarce resources. Organizations are usually 'busy' and devoting specific resources to monitoring requires overcoming objections as to whether certain conditions for taking dedicated measures have been met. Furthermore, attention needs to be maintained, which is a challenge within single organizations, let alone where such efforts require inter-agency cooperation. A related challenge pertains to the source of attention: we don't know much about 'who' is or should be paying attention. This is not the stage during which organizational leaders are easily involved, although the nature of the challenge implies that they should be informed. It may well be politically unwise to ignore the threat, however vague, if only because in hindsight the very mention of the threat will have accountability implications; at the same time, paying attention is akin to developing the crisis potential of the threat (when politicians and agency chiefs pay attention, it must mean that it is important).

Another challenge is to determine when a monitored threat no longer fits the risk domain or when it must be 'promoted' to the crisis domain. When is a threat a manageable risk? When does it become a crisis? When insolvency hits and the shutters literally come down on certain activities, the issue can immediately be forwarded to the crisis domain. In absence of urgency in this twilight domain, there is always a temptation to move a threat back to the risk domain – as there are no established governance structures to deal with this particular type of phenomenon. In other cases, it may be a challenge not to go in outright crisis mode, declaring circumstances to be critical and urgent.

This blurring of the worlds of crisis and risk presents distinct challenges for the worlds of research and practice. We lack a proper mode of governance for this domain. We can point to a number of areas where this new type of crisis management has already started to assume importance, without much recognition of the unique challenges involved. These organizations prepare for 'bail ins or bail outs' or for spare capacities for 'stranded' patients, students or holiday-makers that require concerted action that goes beyond the day-to-day monitoring of organizational activities by one regulator or another. We suspect that these areas are not the only ones that feature this new type of crisis management, but they indicate how different these activities are from the traditional risk and crisis governance modes. Given the centrality of potential threats for social and economic life, it is high time that the unique properties of this Twilight Zone are placed at the centre stage of academic and practitioner attention.

#### AUTHORS

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