



**IN**

# SIGHTS

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**Risk management and sustainability  
A „win-win“**



***Modern risk management is not an abstract instrument exclusively for companies listed on the stock exchange and exposed to the capital market. In fact, it has become the order of the day for most market participants in view of increasing global supply chains in the last few quarters. With today's uncertainties, risk management is becoming an increasingly important management tool for entrepreneurs operating sustainably - also and especially in the SME sector. Supply chain disruptions due to the effects of pandemics or extreme weather phenomena make it more necessary than ever.***

The events as such are not fundamentally predictable in individual cases - especially with regard to the exact time of a possible occurrence. However, it is a fact that due to the strong interconnectedness of global value chains, vulnerability to unforeseen events has increased exponentially in recent decades.

Sustainable risk management takes into account a differentiated view of possible loss occurrences, taking into account global and regional developments.

## **Stress test for identification**

This involves not only the immediate natural risks, but also the possible political and economic consequences. For example, carbon-intensive production processes will have to reckon with increasing restrictions in the coming years (e.g. rising CO<sub>2</sub> taxes, licensing restrictions, production requirements). While many companies ideally anticipate this for their own location(s), there is no need for a necessary

stress test as part of a risk analysis of their own supply chain. In these cases, it is crucial that both the direct restrictions, such as those caused by natural disasters or political crisis situations, are systematically simulated in a stress test, as well as the indirect effects due to changing framework conditions, e.g. with regard to the medium- and long-term solvency of the participants in an entire supply chain.

## **Using risk management creatively**

Risk management as a comprehensive creative element of entrepreneurial activity - away from what used to be perceived as a compulsory administrative task. It is about more than just retrospectively checking the solvency and creditworthiness of strategic suppliers through credit rating agencies. A creative risk management anticipates corporate goals, needs, innovations, markets, interconnected supply chains, digital networks, global political developments etc. The further development of methods and tools in risk management has experienced a great push in recent years. It is time for companies that are internationally or even globally positioned on both the customer and the supply chain side to make use of these possibilities and opportunities. To this end, the structural and procedural prerequisites must be created promptly in the companies and the employees must be trained.

Companies that use risk management, especially in questions of environmental sustainability, develop a company- and sector-specific approach (which does use generally applicable principles of efficient risk management).



Within the company, the risk management processes developed in this way ensure that, for example, decisions on sustainability issues are made on an objective and transparent basis. Through internal risk transparency, the individual stakeholders within the company are enabled to identify company-specific issues with regard to sustainability risks, to recognise their interdependencies and to derive success factors from them. Conversely, this in turn influences the ongoing development of the company's own sustainability strategy.

## Transparency leads to Competitive advantage

With regard to the market, the business partners and especially the customers, the solidity of the company in questions of reliability, ability to deliver and last but not least comprehensive sustainability (economic and environmental) can be systematically and factually presented on the basis of the greatest possible transparency.

We have been able to experience with our clients that risk management oriented towards sustainability not only ensures the company's own performance, but also serves to present a real competitive advantage to external business partners.

Our customers always appreciate our pragmatic yet innovative solutions. Feel free to contact us at [info@adconia.de](mailto:info@adconia.de).

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