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The key deadlines to remember are:

- **30th April 2023**: submission of abstracts and drafts papers.
- **12 May 2023**: notification of acceptance
- **30th June 2023**: submission of full paper and registration

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The strategic approach for risk management and sustainability

Introduction: after studying “The risks of sustainable business strategies” and “Strategic risk leadership in an ever-changing world,” a new sub-project was recently started in which a strategic approach for resilience and risk management is being developed. In this abstract we substantiate the aim of this study, the scientific gap, the urgency and need from practice, a background about sustainability ambitions, a narrative about ESG, and the methodology to realize a new strategic approach for risk management and sustainability.

Aim of this study

There is an urgency and need to develop an innovative strategic approach for organizations to develop a sustainable organization for the future, in which they are able to respond resiliently to major environmental challenges and changes in the short term and adjust the management of the organization. On the same time, in this strategic approach learning and transforming accordingly in the long term is involved as well.

This approach will give organizations the opportunity to operationalize their boards’ and stakeholders’ ambitions to build a responsible business, with focus on governance elements, as well as interaction with social and environmental factors, risk, and strategy from a holistic view. In education, students could work with this approach in future projects for real companies.

A lot of similar definitions are given regarding risk management, for example Esposito and Ricci (2015) argue that risk management is an organizational process aimed at defining actions to prevent the destruction of value, or disvalue. In this definition, focus is on protection current values. In addition to this, learning and transforming to adapt to a new context and focus on “responsible strategic goals” will be involved in this study to help organizations to be resilient in their environment.

Scientific gap

In the disruptive and changing environment many organizations are struggling to survive and thrive amid unprecedented changes in business and society (Ragas & Ragas, 2021). Changes in the external environment (e.g., regulatory, competition, or crisis events) often trigger a managerial exploration of innovative action related to business model elements (Osiyevskyy & Dewald, 2018). Little is known about the *determinants* and the *limitations* relevant for effective risk resilience. In this regard, it is desirable that studies on risk and risk management go beyond the traditional management, finance and/or accounting perspectives to include the behavioural perspective as well. Interdisciplinarity seems to be the key to find proper answers to difficult and impactful questions (Florio, 2022).

Need from practice.

The need from practice will be measured in three different ways.

In workshops to students and researchers. These workshops are about risk leadership in an ever-changing world. The workshops are given at the University of Economics in Katowice, School of Business and Economics of University CEU San Pablo in Madrid, and Inholland University of Applied Sciences in Haarlem in March and April 2023. The traditional risk management approaches, such as COSO IF (2017) and ISO31000 are mentioned, related to the rising societal questions in the volatile,

uncertain, complex, and ambiguous world. The human image of the “homo florens”, and the contribution of this view to a more balanced sustainable future, is also being explained. Students and researchers are asked to give their opinions about: “Risk management needs a new innovative perspective to remain useful in the VUCA world”, and “I think the “homo florens” will help to develop a sustainable future”. Table 1 shows the results. Respondents’ opinion is that risk management needs a new innovative perspective and the human perspective of a ‘homo florens’ will help to develop a sustainable future.

Table 1: need from practice to develop risk management.

	March 9, 2023, Katowice	March 14, 2023, Madrid	March 15, 2023, Madrid	April 18, 2023, Haarlem
Question	7 respondents	23 respondents	12 respondents	32 respondents
1. Risk management needs a new innovative perspective to remain useful in the VUCA world (7-point Likert scale)	6,0/7	5,9/7	6,2/7	4,6/7
2. I think the ‘homo florens’ will help to develop a sustainable future (7-point Likert scale)	5,7/7	6,1/7	5,5/7	4,8/7

In a survey to professionals, students in year 3 of the bachelor’s degree Finance & Control, will execute a project about performance and risk management for a real organization of at least 10 employees. Professionals will be asked about the performance and risk management in their organization, the way they set goals, the residual risks they face while using risk management, how sustainability is involved, and the freedom they need to develop to a (more) sustainable organization, partially based on a validated scale about perceived sustainability (Lee, 2020). In June 2023, the professionals will receive a questionnaire, because then the student assignment is completed.

Narrative about ESG

Research and analysis are conducted on the strategic approaches required for resilience in a volatile, uncertain, complex, and ambiguous (VUCA) world. Environmental, social and governance (ESG) factors, Sustainable Development Goals (SDGs) and the European Green Deal must be integrated into an organization's performance and risk management strategy to achieve its sustainability goals.

In today's global economy, ESG factors have become an integral part of risk assessment and management (EBA REPORT, 2021). A report from the Harvard Law School Forum on Corporate Governance shows that companies with strong ESG performance have better financial performance, risk management and long-term sustainability (Mishra, 2020). Risk management practices should therefore incorporate ESG factors to identify and manage ESG-related risks, improve operational efficiency, and foster reputation and engagement among stakeholders. The SDGs provide an innovative framework for tackling global sustainability challenges such as climate change, poverty, and inequality. The adoption of the SDGs has led organizations to align their strategies with these goals to contribute to a sustainable future and create long-term value (United Nations, 2015). A risk management strategy should consider the impact of operations, products and services on the SDGs and identify how they can contribute to their achievement.

The European Green Deal is a comprehensive plan by the European Union to promote sustainable economic growth while achieving climate neutrality by 2050 (European Commission, 2019). The Green Deal will have a major impact on companies operating within the EU and become more sustainable. A risk management strategy should therefore consider the potential impact of the Green Deal on the business, identify opportunities for innovation and growth, and adapt to future regulations.

In summary, integrating ESG, SDG and Green Deal considerations into risk management strategy is essential to achieving sustainable goals in a VUCA world. Organizations that take a proactive approach to identification will be better positioned to manage their risks effectively contributing to a sustainable future.

Sustainability ambitions in a VUCA-world.

Sustainable development is not a fixed state of harmony, rather a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development, and institutional change are made consistent with future as well as present needs (United Nations, 1987).

In the Brundtland report (1987), the world was not defined as a Volatile, Uncertain, Complex and Ambiguous world, though the definition of sustainable development expresses the changing environments and the need for action or adaption as it comes to the exploitation of resources, investments, technological development and institutional change and Governance (United Nations, 1987). The action and adaption needed for a positive change in society, towards a sustainable world, requires an open attitude of all stakeholders involved (Van Tulder, 2018).

The Sustainable Development Goals (United Nations, 2015) translate the needs to explicit goals. The basic needs are expressed in the goals related to Biosphere. A resilient Biosphere is a condition for achieving the goals related to Society, a resilient Society is a condition for achieving the goals related to Economy and SDG 17, the partnerships needed, needs a solid fundament, stated by all other goals. Figure 1 shows the systemic hierarchy of SDGs.

Figure 1: Systemic Hierarchy of SDGs According to Stockholm Resilience Centre



In reverse, partnering can be stated as a primary condition to succeed in reaching the goals where it comes to care for the planet, people, prosperity and peace (Van Tulder, 2018). Figure 2 shows the five basic principles of all SDGs.

Figure 2: Five Basic Principles of all SDGs



Where it comes to partnerships, the attitude and skills of the stakeholders involved play a crucial role. Where the ‘homo economicus’ makes his decisions in terms of financial profit, there is an emphasis on profit in other terms, like social, environmental and governance. The attitude of the ‘homo florens’ is therefore different from the ‘homo economicus’. Where the ‘homo economicus’ has to represent the interests of the organization or agency, the ‘homo florens’ steers on value creation for the whole system, the biosphere, society, the economy and the partnerships (Van Tulder, 2018; Goldschmeding Foundation, 2023).

Methodology for the new strategic approach for risk management and sustainability

The approach of this project will include both theory and practice. Strong elements from existing strategic, performance and risk management models will be used. Therefore, strategic and risk management models will be analysed, and a new approach will be developed with additional elements. ESG will of course be a starting point here. In a focus group session of experts who are working at Inholland UAS, insights will be gathered as input for the new strategic approach.

This methodology uses a combination of practical and theoretical views to incorporate ESG (Environmental, Social and Governance) factors into risk management techniques.

The COSO framework is used to provide complete guidance for planning and implementing an effective enterprise risk management program. Internal environment, event identification, goal setting, risk assessment, and risk response are the five interconnected components of the COSO integrated framework (2017). As a result, framework implementations provide guidance on how to include his ESG variables in each component to enable effective ESG risk management.

The next phase of this methodology is to develop a risk-strategy alignment approach. This strategy takes into account the Sustainable Development Goals (SDGs) and the Green Deal. Identifying and prioritizing ESG risks, aligning with strategic objectives, and implementing risk management strategies are part of the risk-strategy alignment methodology.

Additionally, strategy requires knowledge of the potential impact of the SDGs and the Green Deal on company products, operations and services while creating opportunities for innovation and growth. In the final stage, the sustainability plan is put into action. Operationalization involves creating a toolkit that companies can use to successfully implement their sustainability goals. This toolkit incorporates ESG factors into risk management methodologies, links ESG risks to strategic objectives, and provides practical guidance for defining risk management strategies.

In addition, we provide monitoring and reporting support for sustainability performance, enabling companies to measure their progress towards achieving their sustainability goals.

In summary, the project methodology provides a practical and theoretical framework for incorporating ESG factors into the risk management process, applying elements of the COSO framework, and building alignment between risk and strategy to achieve long-term ESG objectives. Implementing a sustainability strategy enables better ESG risk management and contributes to a more sustainable future.

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