Decentralized and innovative organizations are in need of structure when it comes to Proactive Risk Management

A case study at Axis Communications AB of structured proactive supply risk management at a decentralized and innovative company in order to reach World Class Commodity Management.

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The development of proactive Supply Risk Management (SRM) processes, strategies, and tools in a decentralized and innovative organization can be challenging as it requires structure, compliance and a systematic approach. Nevertheless, it is needed and should be an important part of an organization's business.

We recommend a proactive SRM model which consists of four processes: (i) risk identification; (ii) risk assessment; (iii) risk treatment; and (iv) risk monitoring, with a supporting framework regarding governance and organization. The enablers of the solution are alignment, compliance, and continuity which is needed in order for organizations to reach best practice regarding their proactive SRM. Especially for those that are decentralized and innovative. Furthermore, the study is based on an in-depth analysis, comparing the activities of the company Axis Communications AB with a robust literature review of over 120 sources from academic journals and books on the topic of SRM.

The first step, *risk identification*, consists of two different scans: deep scan and continuous scan. The deep scan should cover all relevant areas where risk might be identified and the continuous scan should be a lighter version mainly focusing on updating risks. The output of this step is a risk list with categorization of all risks. One should be aware that the risk identification step determines the quality of the whole risk process. The next step, *risk assessment*, focuses on evaluating the identified risks. It is recommended that the evaluation activity includes a calculation of the risk value. The risk value can consist of several different, but predetermined, values that are multiplied. We suggest, but do not limit to, impact on revenue, probability and goodwill. Then the risks should be classified as well as prioritized. The output of the risk assessment step is a classification and prioritization list. The third step, *risk treatment,* selects appropriate risk mitigation strategies depending on the severity and type of risk. The goal is to eliminate or reduce the risk to an acceptable level. The input is based on the classification and prioritization list from the previous step. In order to create continuous improvement and learning, a database over the selected strategies and their outcome is suggested. The last step, *risk monitoring*, consists of keeping track of identified risks, selected treatment strategies, and their overall performance. Risks are to be monitored as they, by nature, can change. While monitoring of strategies and performance will lead to alignment, consistency, and comparability across the organization.

The governance and organizational framework that was developed highlights four concepts that are key for Axis to reach a higher level of proactive risk management. These concepts are: (i) top management support; (ii) risk culture and incentives; (iii) training and learning; and (iv) IT/IS support. These concepts will hopefully result in, what the authors have called, the supporting principles for proactive supply risk management. The principles are not activities or processes but are nevertheless important for proactive SRM. The principles are: (i) continuous improvement; (ii) alignment and cross-functionality; (iii) compliance; and (iv) risk awareness.

The solution is adapted to Axis situation and needs. But could, with modifications, be utilized in other companies which are also in need of improving and structuring their proactive SRM activities. The full study is published in the report "*Supply Risk Management as a mean of achieving World Class Commodity Management"* at The Faculty of Engineering – LTH, Lund University.