

Developing a New Management Approach by Combining Risk Management and Controlling as a Change Management Process

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2012 Enterprise Risk Management Symposium
April 18-20, 2012

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Abstract

The financial crisis has repeatedly shown that uncertainties and volatility increase in financial as well as real goods markets (e.g. demand on capital as well as on consumer goods even in mature economies).

In this context, companies have experienced that controlling systems based on deterministic and pseudo-exact values are insufficiently eligible to manage the business activities. This raises the question how management systems can be modified to generate the adequate management impulses in volatile periods. Risk management deals from identifying, evaluating and aggregating chances and risks, which again determine the potential fluctuation range of relevant performance indicators. Therefore, it could be a concept to improve the management relevance of controlling concepts.

Everyday corporate life shows that risk management is considered important; but the corresponding processes to identify, evaluate and report chances and risks are seldom part of established decision criteria. This “paradox” lets assume that risks are managed in various differing and unsystematic ways. Individualized and heterogeneous approaches, influenced by personal and subjective experience, constrain a company-wide consistent decision process that improves management quality.

The combination of traditional controlling methods and risk management is not primarily a methodological challenge. The behavior of the whole organization, practiced over a long-year period, has to be transferred into a new corporate culture of transparent dealing with chances and risks.

This paper describes the necessary change management process, which has to come along with necessary methodological modifications. It specifies, in which phases methodological and cultural adjustments should be made to ensure that the process succeeds. The result of this challenging process can be a truly risk aware organization.