Risk management: the next source of competitive advantage

Ehsan Elahi (Based at the College of Management, University of Massachusetts, Boston, Boston, Massachusetts, USA)

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Abstract
Purpose
This paper aims to show how proper risk management capabilities can lead to competitive advantage for a company. There is much evidence that suggests that the current very high level of volatilities in the business world is going to get worse in the years and decades to come. This trend of increasing uncertainties and the resulting risks for businesses, demands a strategic-level attention to risk management. This strategic-level attention is warranted by the fact that proper risk management capabilities can lead to competitive advantage.

Design/methodology/approach
The work is conceptual in its approach. The paper also provides many examples from a wide range of industries, as well as the results from other research works to support the finding of the paper.

Findings
The paper first shows how firms' perspective of risk management is evolving. It then characterizes the main drivers behind the trend of increasing uncertainties in the business world which results in higher levels of risk exposure for companies. Finally, the paper characterizes four different ways through which proper risk management capabilities can lead to competitive advantage (depending on different risk categories).

Originality/value
Although the importance of risk management and its potential strategic role has been widely studied in the literature, the question of how risk management capabilities can turn into a competitive advantage has received less attention. The answer to this question might help firms to better understand the strategic role of risk management and the importance of developing a proper set of risk management capabilities. This paper tries to identify the relationship between risk management capabilities and competitive advantage under different types of risks.

Keywords
Strategic risk management, Competitive advantage, Increasing level of uncertainties, Supply chain management, Risk management capabilities

Citation

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The risk-management process involves identifying exposures to potential losses, measuring these exposures, and deciding how to protect the company from harm given the nature of the risks and the company's goals and resources. While companies face a host of different risks, some are more important than others. While there are important lessons to be learned from the recent turmoil in credit and liquidity, the core message of this paper is that banks also have an opportunity to turn good risk management into a true competitive advantage. We use cookies essential for this site to function well. Please click "Accept" to help us improve its usefulness with additional cookies. Learn more about cookies, and collaboration with select social media and trusted analytics partners here. Learn more about cookies. Accept Use minimal essential cookies. Skip to main content. A source of competitive advantage. These companies go beyond compliance or cost-controlling defensive approaches and take a more aggressive stance toward risk. They have realized that their risk management capabilities can be leveraged as a source of competitive advantage. There are different ways through which risk management capabilities can turn: Advantages or Benefits of Risk Management Process. Risk management process is considered as an important discipline that the business has in its recent times. Many organizations tend to realize the advantages of enterprise risk management. Following are a few benefits of risk management in projects: a. Benefits of risk identification: It achieves competitive advantage on the logic schedules that are better. It has the deepest level of managing risks. These competitions are managed within the ups and downs of an entire life. Risk management has more defined proceedings when there is a pre-planned schedule or loss of the object. It contributes a part to stress and worry. The complexity matters when they are gathered. Competitive Priorities and Competitive Advantage in Jordanian Manufacturing. Abdulkareem S. Awwad, Adel A. Al Khattab, John R. Anchor. DOI: 10.4236/jsmm.2013.61008. 46 950 Downloads 72 661 Views Citations. Pub. Date: March 25, 2013. Open Access. Articles. IT and Competitive Advantage: A Study from Micro Perspective. Jiayu Chi, Ling Sun. DOI: 10.4236/me.2015.63038. 4 525 Downloads 6 349 Views Citations. Pub. Date: March 24, 2015. Open Access. Articles. Kautilya on Foresight, Oversight, Regulations, Ethics and Systemic Risk. Balbir S. Sihag. DOI: 10.4236/tel.2017.73027. 940 Downloads 1 303 Views Citations. Pub. Date: March 22, 2017. Follow SCIRP. Home.