

Positioning of greater global competitiveness



**ASSIGN
BUSTER**

In order to improve Adidas strong competitive position in Chinese market and to sustain the long-term success of its group, Adidas believes it is necessary to take certain risks. Adidas have a mature risk management system. Adidas risk management system defines how Adidas manage its risks. Adidas specify which risks they need to avoid, which they need to abate, which they can transfer and which they will have accept and take the necessary precautions for in order to minimize our overall risk, and then at the same time create chances to expand their business and improve their competitive advantage.

By the risk management process, we can understand Adidas how to safeguard and improve their strong competitive position. The Adidas group has a decentralized risk management system when we believe that risks are best identified, assessed and controlled where they arise, so this situation will reflect that different business segments and regions carry different kinds of risk profiles.

In addition, Adidas group also has a centralized risk management that provides relevant risk management tools and know-how, assists line managers in the risk management process, collects and organizes the identified risks on a group-wide basis and monitors these risks development. By the management of integrating risks, Adidas used this information in its decision-making processes, so that Adidas could make a good decision. Therefore, understanding Adidas' risk management process is important to improving their competitive advantage. Adidas risk management process is composed of the following steps:

1. Risk identification: Adidas constantly monitors both the macroeconomic environment and developments in the sporting goods industry as well as internal processes to identify risks as early as possible. Therefore, Adidas have defined a catalog of potential risks for Adidas group. Also, in the sporting goods industry and the environment, we operate the relative management at different levels within their organization in identifying risks. These risks are divided into several parts which are external risks, financial risks, strategic risks, and operational risks. 2.

Risk assessment: Identified risks are evaluated with respect to potential loss and occurrence probability. The occurrence probability is categorized as high, medium or low. The extent of potential loss is measured quantitatively including a calculation of the potential best and worst case situation and their impact on the short- and long-time financial health. On the other hand, when risks cannot be quantified, Adidas would qualify them and estimate their financial impact. 3. Risk treatment: Based on Adidas' risk management principles and risk management guide, management decides which risks Adidas avoid, reduce, transfer or accept.

4. Risk controlling: Adidas group centrally monitors how risks influence in different areas and operational processes. Adidas' risk management aggregates individual risks into an overall risk forecast. In addition, risks are regularly reviewed and evaluated on a business case basis incorporating relevant risk components without be bound to one specific process such as changes in the Group's strategic direction. Risks and opportunities are reported formally to the risk management officer and monitored in successive periods.

Adidas' business unit reviews also include in-depth analyses of the reported risks. At the same time, Adidas have implemented ad-hoc reporting processes for immediate risks. 5. Risk management documentation: Adidas' group risk management manual is a core element of their integrated risk management system. The manual outlines the principles, processes, tools, risk areas and key responsibilities within their group. According to the above statement of Adidas' risk management; we can fully understand that Adidas have a complete risk management processes.

The risk management is very important to Adidas group because it will helpful to prevent and handle the occurrence of risks in Chinese market. By handling risk management, Adidas can accumulate the experience of exploring market changes and create their commercial opportunities in order to improve and create their competitive advantage in Chinese market. By the way, I believethat Adidas will still keep a stronger position on the sporting market because they do a lot of efforts in risk management and strategies.