

# Enterprise risk management

Business



This is a method used by business organizations to manage all the available risks and then seize the opportunities that are prevalent in the business environment. It provides a framework and strategy of risk management that involve identifying particular events that surround the objective. The risks and opportunities are assessed in the possibilities of their likelihood and the extent of the impact they can cause.

The management identifies and addresses proactively the risks and opportunities, protecting the business enterprise and, on the other hand, creating value to the stakeholders in all aspects. In short ERM is an approach that is all risk based to an enterprises growth. It integrates internal control concepts and strategic planning. Siemens is a world leading electrical and electronic company. Due to the technicality of its operations, Siemens faces a lot of risks. These risks range from technological, legal, financial, political, human resource, operational and environmental.

It has a wide range of products related to information and communication, medicine, transportation and lighting. The company performed important business roles in its industry especially undertaking long term projects that were allocated on competitive bidder basis. At times, it had to bear many risks such as contractual penalties and overrun costs that were caused by unexpected problems in technology and other problems. It faced legal risks the legal proceedings which involved allegations of poor delivery of goods and services. Competition for high quality personnel was a problem towards the business operation.

Another risk was encountered in times when legal requirements had to be changed especially in the introduction of tariffs, exchange controls and trade barriers (Gladwell 2005). Due to the existence of various risks and opportunities, the company underwent a series of transformations in the 1990s. These transformations were specially focused on taking advantage of the opportunities in the market. The changes focused on the areas of control and automation, transportation and power, lighting and medical services. The medical sector provided integrated medical care solutions and services while the lighting sector produced high-tech electronics.

The real estate and finance sector started to specialize in offering risk related management, as well as corporate financing. The current business strategies adopted by the Siemens company are much aligned towards feeding the vast market where the company's clientele is located. The company has a matrix organization which is a combination of decentralized business and centralized strategies. The individual operating groups of Siemens are all responsible for the world business. Each and every group has its own management responsible for running the company at the group level.

The executive is responsible for passing on the company's strategies to the lower levels to enhance coordination. However, the operating group has a duty and responsibility of developing their own strategies. This goes together with the freedom of allocating how the resources will be used at the group level. There is very much freedom of making strategic decisions at the group level. This has made the company become one of the highly centralized in the world.