

Chapter 5

Circular Economy and Risk Management Synergies in Disruptive Environments

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ABSTRACT

Circular economy and innovation are creating a new scenario for companies. There are many frameworks in the market, which allow a company to manage risks. In this chapter, some of these frameworks are analyzed to try to determine how helpful they are in an enterprise to succeed in managing risks. The authors have been working with one of the existing risks frameworks of risk management, but digital transformation and circular economy have introduced new variables and factors that have to be taken into account. New features need to be defined into a new risk management framework, having in mind the velocity of change of information technologies. Success factors are also considered to complete this perspective.

INTRODUCTION

Nowadays, globalization together with circular economy have an impact on strategic management, and there are new issues and features that may be considered. Companies have to try to afford new challenges and have new behaviors that make them survive in the market. They must be agile and do proper decision-making. Effectiveness and optimization of resources, processes and products is a key issue. Nowadays we work in a hyper connected environment and every company is influenced by external factors. For this reason, it is important to start working in new approaches regarding the management of a company, and obviously, related to Risk Management (RM), and the configuration of a team of CRO

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(Chief Risk Officer). It is needed to have a CRO as a leader of the group, but he has to hire a good team of CRO, each of them specialized in different items due to the new consideration of risks from a higher point of view, as we are going to describe. The sooner the team is created, the better for the company, because changes happen so quickly that the company needs to be prepared to face them quickly, maybe this will determine the life of the company. The capacity of the company to evaluate and lead with new risks and the leader's ability to improve resilience is determinant to succeed and to assure continuity of the business.

Risk management in companies sometimes is not considered a part of the strategy to succeed or to take the competitive advantage in the market. It is usually considered as an additional workload that does not add any value to the company. When a company is positioned in a disruptive environment, circular economy and continuously changing market, a traditional perspective relating to risk management does not work and gives no competitive advantage in the market. Risk management may help this project or service to succeed and to be efficiently completed on time and with the required quality.

It is a fact that risk management is one of the main areas of the Project Management Institute (PMI) Project Management Body of Knowledge (PMBOK), and it is featured in the Association for Project Management (APM) of the United Kingdom, that means that everyone is conscious about the value that risk management has for all project managers. It is necessary to spend more time doing an exercise of study and preparation from another point of view, the view of a CEO (Chief Executive Officer), without going down to the level of the problems and risks of each project, but focusing on a long-term point of view and considering the company as an organization with a mission in the society (Raz, Shenhar, & Dvir, 2002).

This study starts with the hypothesis that risk management may help a project to be successfully completed on time and with quality, and thus, this could be considered a discipline that might help a company to achieve its goals. So, in this chapter, an amount of more than 20 different projects developed in the European Union (EU) in the Information Technologies (IT) market is analyzed. The objective of this chapter is to understand how important risk management is in a company, studying some of the features, advantages and requirements of a risk management system or framework to make a company succeed in the market and in circular economy, gain the competitive advantage, and propose a proper risk management framework to cover these points. From the experience of managing these projects in the last 10 years, authors have detected good and bad practices when talking about risk management, so a risk management framework that includes these success issues is proposed and recommended at the end of the chapter, based upon this wide experience.

This chapter starts with a background analysis of circular economy and risk management process; after that, some existing risks, categories and risk frameworks are analyzed. The importance of a set of success factors and good practices are also analyzed and evaluated in this group of different completed projects to achieve benefits and value in a company, to understand how they help a company to obtain benefits when managing risks. After this analysis, a framework is recommended considering some important points and key issues to achieve the objectives of the organization.

CIRCULAR ECONOMY

The actual environment in which any company is moving, has led to new needs, among them it can be highlighted the concern about overexploitation of finite resources, since this entails a high impact and

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