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MICRO ENTERPRISE ESTONIA

The risk story 4



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Micro enterprise from Estonia

Context of the Company and the Supply Chain

Company was founded in 2015 and employs five people. It produces and sales special steel products. The company office is located in Tallinn.

The company's supply chain is rather demand oriented: It chooses the suppliers based on current need/projects; most orders are one-time.

Company W does not see many vulnerabilities in the supply chain since there are no long-term relationships and obligations.

Digitalization of SC

Digitalization is viewed by management as obstacle rather than a benefit to its operations. Management believes that digital interactions complicates order placements and hence it unreasonably consumes time (e.g., too many forms to fill).

Risk Management

The company does risk management because of the ISO certification and the CEO is in charge of it. The company has developed its own risk management tool:

- Ranking: risks are specified and ranked (from high to low);
- "Streetlight" risks are specified, and their probability reflected in color schemes (from red-high to green-very low);
- Currently, the company is assessing around 30-35 risks and reviews their probability weekly;
- The chart of potential risks is reviewed annually and adjusted to the market situation.

Practice of Risk Management: In case a risk situation occurs, the CEO will conduct an assessment. Potential countermeasures are discussed with other

organization members or consultants. The final decision on how to handle/mitigate the risk belongs to the CEO.

Risks: Currently, the company is primarily exposed to financial and operational risks.

- Financial risk, i.e. payment risk. Management is concerned about payment collections/nonpayment. To minimize such risk, Company W issues invoices as early as possible and tries to collect payments soon after. Daily Company W reviews collections;
- Operational risk. Due to limited production capacities and few employees, the operational risk is very high. In case an employee gets sick, equipment gets broken or there is no electricity, the company can no longer operate as desired;
- Market risk. Customer risk as well as the danger that a direct competitor can increase the production capacities are high too;
- Cyber risk. Company W believes that cyber risk is insignificant to its operations because it is small;
- The COVID-19 related risk is associated with the people's health. The company cannot afford a lack of employees.

Benefits of risk management: Visualization of risks is helpful for taking concrete steps.