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Framework for Integration of Sustainability Risks into Enterprise Risk Management for Sustainable Manufacturing Companies in The Western Cape, South Africa

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Abstract

The purpose of this study is to develop a framework for integrating Sustainability Risks (SR) into Enterprises Risk Management (ERM) to mitigate environmental and social risk factors that affect their sustainability. Specifically, the study investigates the factors that contribute to these risks, the factors that influence the integration of the SR into ERM, the impact of integrating the SR into ERM, the framework and the approach adopted by companies in managing these risks. The study adopted a positivism approach, thereby gathered empirical data through questionnaire survey from a targeted sample of 286 manufacturing companies. The data was analysed using SPSS for descriptive analysis and SMARTPLS for inferential analysis. The study revealed that respondents rarely identify any of the investigated environmental or social risks in their organisations. Although they used companies' framework in risk management, integrating these SR into ERM have different impacts across the companies. Additionally, having a risk culture, management support, risk oversight, qualifications of the risk officers, ERM structure and portfolio are factors that influence the integration of SR into ERM. The challenges identified include time of implementation, complexity of quantifying the SR and limited guidance. Given the dearth of research study that integrate SR into ERM in South Africa, this study attempted to bridge the gap by providing a framework that will guide manufacturing businesses and risk practitioners on how to integrates the SR risks into ERM for their sustainability. The sustainability risks focused on this study is limited to environmental and social risks.

Keywords: Environmental-risk; Framework; Risk; Social-risk; Sustainability