Contemporary social concerns

Finance

Dr Kallman has identifies seven major techniques that managers should use in managing risks. The first step is to conduct a statistical analysis (Kallman and Maric, 2004). Statistical analysis gives managers the ability to forecast the standard deviations and mean values of the company's financial ability. This is only carried out when there is sufficient data and information concerning the performance of the company. Managers will therefore use these analyses to project the future costs, sales and financial outcomes of the business organization under consideration. Managers usually accept the results that emanate from the statistical analysis of the organizations data. This is because the information gathered emanates from the real performance of the organization. The second method that Kallman (2003) advocates for is the analysis of a contract. In a business organization, it is a common practice to sign contracts. There are purchases agreements, insurance contracts, employment agreements, etc. Kallman and Maric (2003) observers that these contracts must be carefully reviewed by risk managers for purposes of ensuring that the organization does not expose itself to contractual risks that are unacceptable. Contractual risks include exculpatory waivers/ clauses, or harmless agreements which are not favorable to the organization. Kallman further denotes that the third step is to use surveys and checklists for purposes of building an organizational risks strategy (Kallman and Maric, 2003). An example of checklists includes the insurance checklists. Insurance checklists are provided for free, and the organization completes them for the insurance company (Johnstone and Bedard, 2003). They help in identifying potential risk areas. Risk management surveys on the other hand are very comprehensive. These surveys have the capability of identifying a variety of unique risks, and hence it is important for an

organization to use them in collecting data for purposes of building an organizational risk strategy. The fourth step in Kallman's risk strategy is the use of a chart analysis. Charts help in identifying risks, and an example is the flow chart of an organization (Kallman, 2003). The organizational flow chart gives an illustration of how the resources and materials of an organization are used, and the time management practices of the organization. Flow charts have the capability of identifying superfluous processes and bottlenecks. The fifth step is seeking the opinions of risk management experts in the various fields (Kallman and Maric, 2004). An expert can either be internal or external. External experts of an organization include insurance agencies, bankers, auditors, safety engineers, and lawyers. External experts usually charge for their services, while internal experts arte not limited to high ranking officials in an organization. It can be a sales man at the counter, who gives his or her experiences while selling the products of the company. The sixth step is to analyze the financial statement of an organization. The annual report of an organization provides an avenue of identifying the various risks that the organization encounters. Assets, variable expenses and critical cash flows are identified. A careful review of these statements by a risk manager will help in identifying potential risks, and therefore developing a plan. The final step is to conduct personal inspections, for purposes of identifying operational risks. The manager will observe how employees carry out their duties, and they should do it on a regular basis. However, there are other strategies developed for purposes of managing risks. Johnstone and Bedard (2003) identify four ways of eliminating risks. The first step is to avoid the risk under consideration. This step involves eliminating the activities that gives makes the organization to be at risk. For example

banking organizations always suffer from credit risk. According to this argument, the banks should avoid lending money to customers, and thus they should look for other avenues of acquiring profits. The second step is to reduce the risk under consideration. This includes creating procedures, policies, and practices that will help in mitigating the risk under consideration. An example includes training the employees of an organization on the better methods of handling customers. This will ensure that rival organizations do not take advantage of poor customer relation skills, to take away their loyal customers. The third step is to identify the alternative steps and actions that can be used to identify the risk under consideration (Christoffersen 2012). These alternative steps might include taking up of insurance policies to cover the risk under consideration, or pooling of resources with other similar firms for purposes of sharing the risks under consideration. The fourth and the final step is to accept the existence of the risk, and because of an analysis of the cost benefit analysis, the organization decides to stop taking any measures. These strategies in risk management differed to a great extent with the strategies advocated for by Kallman. The first difference is that Kallman identifies seven major steps of managing risks. Johnstone and Bedard (2003) on the other hand identify four main strategies of managing risks. Dr Kallman on the other hand emphasizes on the identification of the risks that the organization faces. All his seven strategies aim at identifying the risk that an organization faces, he does not give a particular method of solving the risk identified (Christoffersen, 2012). The enterprise risk management theory on the other hand identifies the methods of solving the various risks that an organization faces. This can be through developing policies that will ensure the organization shares the risks

with other stakeholders, to taking of insurance cover for purposes of mitigating the risks. In my own opinion, there are other factors that an organization needs to consider for purposes of managing risks, and this includes the use of technology in the process of risk mitigation. In the current century, information technology has evolved, and it is now possible to develop software that have the capability of identifying a risk an organization faces, and a possible solution. An example includes the developing of an interactive website using web 2. 0 technologies for purposes of connecting with the organizations clients, and acquiring feedbacks concerning the nature of its services and products. References:

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