

No in operation. a risk
can be defined



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No risk truck company risk identification

The No Risk Truck Company is a company based on manufacturing of heavy and medium duty contractor and construction trucks. Therefore, just like any other business unit, it is entitled to its equal share of risk in its daily routines as long as it is in operation. A risk can be defined as any activity or event that poses a degree of harm either by causing loss or another kind of misfortune to the business or its employees.

Basically, there are two types of risk any investor is worried of. First and foremost, is the non entrepreneurial risk in the form of fire, pollution or embezzlement of funds, to name but a few. The second risk type would know be the entrepreneurial risk which involves the whole process of bringing a business idea into operation. That is, introducing a complete new concept to the market. If the company doesn't set its priorities right then it gets its forecast all wrong and registers loss (Sadgrove, 2005). The company is a victim to quite a number of risks which include; financial risk which refers to the risk associated with borrowing money to raise capital.

At some future date a company is expected to pay up this debt including any interest that might have accumulated. Also, there is the risk of the markets. In this case, since the firm is not a monopoly, despite its dominance in the market, it has no control of the market prices which keep fluctuating. Political risk also comes into play. The political or economic environment in any region could easily change. This has its effect on the market and eventually the company as it influences sales.

Lastly, there is the risk of advertising. From the excerpt we are informed ' To help assist customers, the No Risk Truck Company offers Premium Care Roadside Assistance.' This refers to a type of coverage which ensures that in case of any failure of the trucks on the road, within the geographical limit, there is immediate response to assist your truck to be on the move within no time or providing towing services in case the problem persists. This comprehensive coverage provided by the firm gives risk a chance, in that it adds to the liabilities of the company in the event a client needs assistance on the road. In some cases, depending on the company, the policy doesn't clearly indicate the area covered. This may be a problem in case a client's truck has broken down away from any of the distributors.

The directors may have introduced such coverage without much thought on many breakdowns, more than the firm can cover. Usually such a move is meant to attract customers to purchase their products. However, this risk can be managed through each of the following techniques; risk avoidance, loss control, risk retention and lastly risk transfer (Sadgrove, 2005). Risk avoidance refers to completely shunning a new concept or idea due to the harm associated with it.

The No Risk Truck company can opt to avoid the coverage in whole to save on the costs associated with the coverage. However, avoidance is not always an option especially where the benefits outweighs the cost. When it comes to loss control the issue here is to manage the risk in such a way that harm expected is minimized to reasonable levels. The company for instance could limit the number of clients entitled to the coverage through offering warranty

for any failure within a certain period, for instance, or covering clients who purchase trucks worth a certain value.

On the other hand, risk retention can be defined a plan of self insurance whereby an organization holds on to some funds meant to offset those financial needs that arise unexpectedly. The No Risk Truck Company can set aside funds to maintain the risk associated with the coverage. Such funds could be obtained from a proportion of the profits at the end of accounting periods. Lastly, the company can opt to transfer the risk. This is a situation where the role of any replacement upon loss becomes the responsibility of a specific insurance firm. The company could insure all the trucks it sells in that case.

How to identify and/or evaluate the risk

There are quite a number of strategies to use when identifying risk in a firm.

For instance, policy and procedure review can be utilized to portray how the organization functions. This can either be done at the internal or external levels of the organization. However, this strategy can be influenced by the local politics in the organization.

Another strategy that would work well is the analysis of financial statements. This can help reveal risks by forecasting losses coming from a particular sector after a particular event. In our case, the financial analysis would reveal higher costs at the Premium Care Roadside Assistance department. Lastly, there is the physical inspection strategy. This involves physically carrying out a head count of the failed systems in the company. For the No Risk Trick Company, this would involve counting the number of trucks

present for repair and maintenance. Also the number of trips to respond to distress calls by clients and number of breakdown towing.

These are expensive activities for the firm therefore the more they occur the more risky it is for the company. All profit and non profit making organizations have an obligation in managing their risk levels for them to exist or maintain a competitive edge. Risk management refers to the process of addressing risk situations attached to organizations' routine activities. In connection to this, there are things to consider when implementing risk management techniques. For instance, availability of resources in the firm should not be an issue. This is the most important factor to consider as it influences all activities an organization carries out.

Availability of resources will spell out clearly how much will be set aside to offset the total cost of the premium roadside assistance, for instance.

Another important factor to consider is the worth of the risk. In the event benefits outweigh the cost then such is a viable option. The company should consider doing whatever it takes to retaining the risk. Here is where the company digs deep into its pockets to fund the risk.

In our case, the coverage could woo customers to purchase trucks from the company thus increase sales. As such, the risk is worth undertaking. The risk is viable.

Reference List

Sadgrove, K (2005). Complete Guide to Business Risk Management.

Gower house. Gower publishing limited.

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