

# Uk risk reporting practices in telecommunications



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## Introduction

Risk reporting entails all the activities involved in effort to distribute information concerning risks to all parties related to an organisation.

Telecommunication industry is one of the major institutions that undertake many risks. These risks undertaken are reported to both external and internal stakeholders of the industry. There are several sources of risks in these institutions, at the same time, various techniques on curbing them.

Risk arises when a decision is made based on uncertainty about the future.

In United Kingdom there are many firms in the telecommunication industry, due to presence of these firms, the competition is very high. There is a dynamic growth in the improvement of industry to counter the current competition in the industry. This has led to firms making very risky decisions in their bid to outdo each other in the claim for a greater market share. As economically spelt, that the higher the risk the higher the returns, firms in telecommunication industry in the United Kingdom have invested a lot on funds so as to cope with the dynamism in the industry. Risk reporting entails all the matters related to distribution of the risks among the stakeholders to the industry, therefore firms in telecommunication industry in United Kingdom have developed clear ways of articulating information to their shareholders and other stakeholders to the industry (Anderson, 2009, p 116).

This essay discusses further about risk reporting practices in the telecommunication industry in the United Kingdom, Analysis of sources of risks and features of a good risk reporting techniques.

## Literature review

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## Importance of risk reporting

According to McClelland Thatcher, risk reporting in the telecommunication industry in United Kingdom entirely comprises of measures that firms in the telecommunication industry take to update their financiers and other stakeholders about the uncertainty in the running of the business. As per his research, a firm ought to be keen enough in the evaluation of the risks related with any decision that they aim at making. This disclosure of the risks is what is referred to as risk reporting. Telecommunication industry in United Kingdom is one of highly revolutionised industry and matters to deal with risk reporting are very essential to ensure success and sustainability of the industry (Thatcher, 2008, p 17).

He emphasizes that reporting on the risk can reduce the asymmetry of information because the disclosure of this kind of the information is of great interest to stakeholders. While it is true that risk reporting could expose additional risks like helping the competitors improve their position, firms in telecommunication industry in United Kingdom receive benefits from risk disclosure. Since the invention of telecommunication technology, the need for forward looking information with particular regards to risks by the firms has become more pronounced, especially from the standard setters in different locations within the United Kingdom.

An economist, David Karl, outlines that a decision taken today determines the fate of the business in the days to come. Several factors that entail analysis of the decision have to be employed to ensure the success of the decision. The analysis of decision involves researching on risks involved with

the decision and trying to minimise on those risks. It is the communication of this information to the stakeholder that is referred to as risk reporting in telecommunication industry in United Kingdom. There are various kinds of risks related to telecommunication industry in United Kingdom.

### Constraints in risk reporting in telecommunication industry in United Kingdom

With the complexity of firms in the telecommunication industry, it is hard to immediately implement changes in the organisation. The high resistance felt in these organisations is majorly on fear of business failure due to the risk involved. The training on these dynamic changes is also very expensive to the telecommunication firms. Very common is that, with every change, employees need to be trained about the new changes in operations. The burden of frequent changes to the management has resulted in organization failing to take risky decisions. The reporting of these little risks is less complex as compared with risks that have great returns in the future. Risk reporting in such a situation, will just entail descriptive information about the uncertainty related with the decision to be made. The stakeholders, once they receive the information would help the management in reducing the riskiness of the decision or may try to improve on the decision to be made. In telecommunication industry, risk taking is very high and cannot go without being reported to the concerned parties in an organization (Camp, 2000, p 478).

It is also very hard to estimate the financial risks involved with certain business decisions. This is an aggregate problem that affects financial

reporting in the telecommunication industry in United Kingdom. Very obviously, by use of statistical and financial derivatives, one may not arrive at the exact worthiness of the financial risk he or she wants to take. Risk reporting is therefore compromised and highly affected when financial estimation is involved, this constraint of estimation cannot be solved just by financial derivatives.

In telecommunication industry, there is a lot of resilience; security and privacy are laid with firms that operate in the industry by the business. With the current situation where terrorism, corruption and malice are the hold of the day, it has become a big challenge for firms to estimate the risks involved in their business. For an organisation to be well guard from exploiting its customers from resilience it has to employ software that are very expensive to hack, though they may be very expensive, but it's the only means through which risks can be minimised.

Sources of risks in telecommunication industry in United Kingdom

Generally, telecommunication risks are classified into four classes. These are risks arising from financial, operational, compliance and strategic threats. The two major sources of risks from financial threats include: failure to have confidence on returns from an investment and lack of understanding of to define new business metrics. For a firm to counter with these challenges in the telecommunication industry well, it has to lay strong customer attraction incentives that promise it a large market of its products. This is only achieved through quality products, reasonable prices and improved customer satisfaction.

The compliance threats are the risks arising from the corporate governance, politics, law and regulations. It is the obligation of states to ensure healthy competition of the firms in the telecommunication industry without favouring any firm (Collier, 2009, p 11). The government also has the duty to punish those firms that are found with malpractices within the telecommunication industry in the United Kingdom. Tax and other dues from the industry should also be considerate to the size of the firm; this is so as to avoid exploitation of the small firms at the expense of the large ones in the telecommunication industry of United Kingdom (Elleithy, 2013, p 173).

Strategic threats comprises of all the risks related to competitors, customers and investors. These are the worries about the existence of the firm in the telecommunication industry in the days to come. The management to the firms is the only key solution to these types of risks; it should come up with good remunerations to its both external and internal factors affecting it. For instance, a reasonable return to the investors is to be ensured based on the available returns made. Good customer satisfaction is also another source of success to any business (Gelinias, 2008, p 921). Firms in telecommunication industry in United Kingdom have the obligation to compete perfectly with other firms within the industry. Perfect competition occurs whereby firms run its business without duplicating the other firm's brands and names (Reid, 2008, p 113).

The last sources of the threats are from operational threats. These entails the processes employed in the firm for its production process. The business ought to ensure that it carry out its processes in the less risky ways possible.

Accurate, complete and timely data is a foundation for effective risk management.

Features of an effective risk reporting ways in telecommunication industry

To manage risks effectively, the right information needs to be presented to the right people, at the right time. Risk reports based on the risk data should be accurate, complete and clear. They should bear the correct contents and be presented to the appropriate decision makers in a time that allows for an appropriate response. A telecommunication industry risk management reports should contribute to sound risk management and decision making by their relevant recipients, including, in a particular, the board and senior management (Kouns, 2010, p 112 )

Risk reporting in telecommunication industry should be very timely. All stakeholders to telecommunication industry in United Kingdom look ahead on data and information technology infrastructures being enhanced in the future years to ensure that, its risk data aggregation capabilities and risk reporting practices are sufficiently robust and flexible enough to address their potential needs in normal times and particularly during the times of crisis. Timely risk reporting provides enough time to deal with the risks in telecommunication industry. To ensure the usefulness of these reports, they should comply with all the timeliness related to the risk reporting. Timely reporting also ensures that the stakeholders have adequate time that enable them do research to the particular risk laid down. It will be easy now for the telecommunication industry to make a successful decision after an intensive research on a risk.

Effective distribution of the risk management reports ensures that a clear understanding on the information is made available to the public. Risk management reports should be distributed to the relevant parties and include meaningful information to be tailored to the needs of the recipients, while ensuring that confidentiality is highly maintained. Reporting policies and procedures should recognise the differing information needs of every stakeholder in the telecommunication industry. Procedures should be effective enough to ensure timeliness in availing information to all the concerned parties in the telecommunication industry in the United Kingdom.

Risk reporting in telecommunication industry in United Kingdom should be consistent and ensure frequency. The consistency in risk reporting provides a systematic procedure on how to deal with a problem. It highly saves on time since the presentation of risk reporting is provided in steps. A telecommunication industry should assess periodically the need of each report and come up with the objectivity of how fast the reports need to be produced in both crisis and on normal situations. Financial analyst expects that information is consistent to trace the development of the risks in telecommunication industries in the United Kingdom. This way it becomes easy to deal with a problem.

Clarity as a feature to good risk report cannot be underestimating at any level. Risk management reports should be outline in a concise and clear manner. It should be very easy to understand the reports on risks in telecommunication industries in the United Kingdom by all the stakeholders. This would highly facilitate informed decision making. Reports should bear



an appropriate balance between risk analysis, interpretation and data, and qualitative explanation.

## Conclusion

Risk reporting in telecommunication industry in United Kingdom has grown very comprehensive. For any risk management effort to be effective, it has to employ comprehensive criteria to measure its usefulness.

Telecommunication industry is an industry that is basically based in information communication technology in United Kingdom. For the business to stand a chance in the very competitive world of technology, intensive and logical risk management skills have been employed. The reports on the risks to the shareholders provided by telecommunication industry management are quite comprehensive to cater for all matters involved in the telecommunication industry. Risk management reports should cover all material risk corners in an organisation in telecommunication industry in the United Kingdom. The extent and depth of these reports should be in line with the complexity and size of the operations and risk profile, as well as the needs of the recipients (Cruz, M. G, 2002, p 761). Telecommunication industry does not basically deal with distance communications alone, but also other services are involved. Some of these services other than communication services provided by telecommunication industries in United Kingdom include: micro financing and banking services, tracking services, consultancy and public relations services.

Risk management reports in the telecommunication industry in the United Kingdom include exposures and position information for all significant risk

areas. Reports should also recognise emerging risk concentrations and give details of the risk tolerance and the planned recommendations for actions where possible. The comprehensiveness of the risk reports ensures availability of the required information for risk management (Liebowitz, 2005, p 231).

Risks reporting in telecommunication industry are flexible enough to provide review by the interested parties. The reviewing of the reports guides the industry management in tackling with other similar problems that arises concerning the risks within the organisation. Experience about the past is a tool of analysis to the current state of the industry (Ong, 2006, p 433).

Therefore all the reports in about risks in telecommunication industry in the United Kingdom are preserved in a way that is easy to retrieve them for reviewing in future decision making efforts. It's been argued that this kind of information would be useful to investors in telecommunication industry in their decision making process (Borio, 2006, p 77).

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