

Advising an employee essay

[Finance](#), [Investment](#)



As a leader there are a number of factors that should be taken in to consideration. The decision facing this employee need a critical thinking and requires serious evaluation of the investment opportunity in question. Such evaluation includes cost of capital (Dixit, 72). The employee need to evaluate the returns expected and the cost involved. He will need to set the minimum he can take, if the cost of capital exceeds the return then he should not invest on it.

The investment seems to be very risky because it can cost the company a lot if it fails but at the same time very profitable if it succeeds. What should be considered here is the probability of the investment succeeding (Dixit, 98). If it has more chances of succeeding than failing then considering investing in the project is the best option.

Another thing this employee should consider is the source of capital. The financiers of every investment whether shareholders or creditors need to know how much secure is their funds. If they do not want their money invested in that risky project then the employee should avoid it.

The lifetime of a project is also another factor to consider. The employee should consider how long the investment will last and the cash flows involved because the investors are usually more interested on the returns in terms of cash flows than the profit margin (Dixit, 102).

The employee should also come up with a business plan showing how much profit is expected as well as how he expects to deal with the competitors and how to penetrate in the market. The market targeted should be critically evaluated to know how reliable it will be. The employee should take me through the business plan where we will weigh all the possibilities.

In conclusion, it is evident that there are a lot of factors to consider before indulging in such a risky investment. All the parties involved who have contradicting interest should be considered in this decision and the employee should show how to consider all of them. The employee should therefore consider implementation of this investment if all the factors are considered.

Work cited

Dixit, A. and R. S. Pindyck. (1994). Investment under Uncertainty. Princeton University Press. Princeton, New Jersey.