

# Honeywell:

Business



(Assignment) Honeywell: Case Study Business of every sort involves certain risks among which some are insurable and some are not insurable.

Honeywell, a multinational corporation that carries out a number of businesses has a lot of insurable risk factors. From the given case it is clear that Honeywell used to insure it against the probable risks separately up to a period of one year. At this juncture, the decision of the treasury team to bring the risks of the entire operation units under a single roof, that is, grouping many risks into a portfolio of risks through an integrated risk management program is praise worthy. If such a program is developed, Honeywell can reduce the premium which is comparatively high under traditional insurance plans, with portfolio effects. Honeywell's treasurer Paul Saleh was receptive to such an innovative plan but what deterred him, is the organizational barriers (Case study). Since the new integrated risk management program is a multiyear insurance based strategy, it can cover all traditionally insured global risks and currency translation risk in this master insurance program. Apart from the existing plan, the integrated risk management program would bring about an approximate annual total retention of \$30 million rather than a separate retention for each individual risk. If this program turns out to be a success, Honeywell can incorporate other risks like commodity price risk, interest rate exposures and the like in to the contract. The treasury management team also assumes that the insurance premium cost too would be much lesser than the existing plan (case study).

As the new integrated risk management program has a number of positive dimensions, it may seem to be appreciated and adopted at first sight.

However, the findings and suggestions of the top management are highly

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remarkable in this regard.

The estimation of the treasury team to save 20% of the annual premium requires the in-depth evaluation of the Finance Committee as one can't be sure about this. In addition to this, the question whether Honeywell would get the same degree of protection as it does under the existing plan, remains intact. Though this question is answered, ambiguities remain as to how would the insurance underwriters afford such a generous "discount" given in the competitive nature of their business? Moreover, the business community has not viewed the integrated risk management program as receptive. In general, there remains severe anxiety about the success of the proposed plan.

Though the new idea of an integrated risk management program by combining all the probable risks in to a single portfolio seems to be risk taking, the management must go forward with the policy of adopting and implementing this. For, risk bearing is one of the unwritten duties of an entrepreneur. If the new program turns out to be a success, it would add to the reputation and sustainability of the company. To sum up, from the above discussion it is evident that Honeywell's business activities involve considerable rate of risk factors; and therefore, the firm should accept the new integrated policy to ensure the effective way of risk management.

#### Works Cited

Honeywell, Inc. and Integrated Risk Management. Harvard Business School.