

# [Example of risk management critical thinking](https://assignbuster.com/example-of-risk-management-critical-thinking/)

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Individuals and businesses face hazards whenever they undertake certain actions. All actions have the possibility of either succeeding or failing. Different risks associated with each action have dissimilar probabilities of taking place (Rau, 2010). Businesses undertake measures to control the occurrence of a risk once its possibility has been noted. This is to avoid incurring high costs in case the risk occurs. The pizza business that Bob and Mary have bought faces the threat of fire and long haul. The businesspersons can avoid these risks once they identify the causes of these perils; for example, faulty electric wires, open gas taps, and carelessness of employees cause fires. Differing locations of the franchisor and franchisee cause the risk of distance.
A business that uses spoilt electric wires and gadgets such as microwaves faces a high risk of fire; this is because these items conduct a lot of heat when they are faulty (Rau, 2010). The company should avoid using bare wires to prevent fires from damaging its property. Open gas taps release gas in a room, and when an employee lights fire near the area, the gas in the air bursts into flames. Managers of the pizza institution should teach workers how to close gas taps when they are not in use to avoid this hazard. This can be done by conducting seminars to equip employees with the knowledge of fire as a risk, and how to prevent it from causing losses to the firm (Gaudenzi & Borghesi, 2012). The organization should set standards that all workers should meet before being employed in the organization. This is because fire is a risk that has a high probability of occurring in catering businesses.
The pizza firm faces the risk of long distance from the franchisor; the management of the franchise may not be effective if the owner is far. Bob and Mary should solve this problem by installing an information system that allows the owner of the business to monitor daily transactions (Black, 2011). The franchisor and the franchisee may hold meetings online to discuss issues that arise in the daily operations. Bob and Mary can also locate the business along the coastline so that they can have access to the owner of the business.
A franchised pizza company faces risks like any other business. Bob and Mary should avoid the peril of fire by using proper electric wires and gadgets. The entrepreneurs should educate employees on the significance of making sure all gas taps are close to avoid leaks. The managers can solve the problem of long distance from the franchisor by locating the firm along the coastline or installing an information system to ease communication between the parties involved.

## References

Gaudenzi, B., & Borghesi, A. (2012). Risk management. Milan: Springer.
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Rau, D. M. (2010). Fire safety. New York: Marshall Cavendish Benchmark.