Sample essay on risk management

Business, Company

- Identify one possible risk in adopting each of the potential alternatives.

The most possible risk present in purchasing a new fleet of truck would be whether enough financing could be achieved or not. This is because the fleet of truck is one of the non-current assets of the company like Building and Machinery. Acquisition of a new fleet involves considerable cost. It is important to arrange finance so that the new proposal could be afforded. Other risks such as experienced staff is not an issue for the company as it is already maintaining a fleet of truck for 7 or more years and has experienced staff available.

The largest risk associated with hiring an external company is whether the company would be able to perform its duties or not. There might be several reasons for such a fear. The company's staff might not be experienced enough. Its fleet might be outdated. It may not have previous experience of working in JUST IN TIME environment. The company may not be able to transport the inventory of that quantity that the organization is producing. There could be various reasons, and the possibility of these could increase the risk that the external company may fail in its operations.

- What is the probability that each risk will occur?

The probability that the company would not be able to arrange finance depends on the financial condition and past transactions of the company. If the company has enough funds available and it can arrange resources internally, the probability of a financial trouble is low. Even if it cannot arrange resources internally and has to seek finance from an external source such as a bank loan, the company's previous transaction would have a large impact on the future financing. If the chances of approval of the loan are higher, the probability of a trouble is still low.

For external company, the probability of the occurrence of risk depends on few factors. If the company has previously performed duties like this, the probability of risk is low. It could be higher if the external company is performing this kind of operation for the first time or is at initial period of its operations.

- What is the potential severity of each risk should it occur?

The potential severity could be very drastic as if company is unable to arrange sources for financing of the fleet, the entire project has to be ended and the company would have to work with its present fleet of truck until it is able to arrange resources for it.

For external company, the severity is quite high. This is because the organization at present is not able to meet the requirements of its largest client and transport inventory on time. If the external company also fails in the task, the client company could end its contract with the organizations.

- How should an organization manage each risk?

The organization should make sure it can generate funds internally. If that is not a possibility, it should negotiate with a bank providing a future prospect of this transaction. (Ukaj) The H. R department can involve and assist the finance team before and during the negotiation with a financing institute.

Organization should manage by making a complete analysis of the external company’s operations, its previous projects, its fleet capacity, its financial condition, the strength of the staff, its experience and its future plans (Holmes). The detailed analysis would help the organization to make a better decision whether the company should be enabled the subcontract or not.

The H. R department could assist in identifying the experience and strength of staff of the external company.

Works Cited

Holmes, Andrew. Risk Management. Oxford, U. K.: Capstone Pub., 2002. Print.

Ukaj, Fatos. 'Impact Of The Risk Managment And Quality In Tourism Trends.' Journal of Environmental Management and Tourism (JEMT) 2 (2 (2010): 187--193. Print.