

Introduction wrong at
any one time. small



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Introduction

In this day and age, businesses need to carry out risk analyses in order to determine the market usability, security related and operational problems linked to their businesses. This is because the business environment is quite competitive and also because a lot can go wrong at any one time. Small businesses like Carpe Sputum should give this matter even more attention because in the event that one of the risks actually occurs then the business will be adversely affected.

Risk identification

Carpe Sputum has several sources that can be useful in risk identification. It has a permanent workforce of 18 staff members who have plenty of experience with the company so they can provide useful insights.

Furthermore, the customers, vendors and suppliers within the company can also be very useful. On the other hand, because carrying out interviews with these individuals may prove to be a costly affair then it would probably be a good idea to rely on the operational functions of the company.

Environmental analyses may also be done and market related assessments can also provide an insight into the risks inherent in this business. From an environmental examination, the first risk that stands out is the financial risks of the company's capital investments. In order to provide the limbs and medical supplies, Carpe Sputum invested a lot of money into acquiring the capital. The company has risked a set amount of expenditure in production. In the future, the demand for the company's products may dwindle and this

could compromise its profitability because future sales will not be realized (Abkowitz, 2008).

Ownership of the assets within this business is another risk in the event that the item stops yielding as much return as was expected. It is not known whether this company owns its assets or has leased them. In case of the former, then the organization should be aware of the repercussions of its actions. Acquiring assets without owning them is always riskier than fully owning them because retrieval cannot occur. Since the organization is selling most of its products well then chances are some form of marketing has been done.

The organization was rather small so it relied on the efforts of its salesmen. It is not known whether these salesmen are paid on commission but if they are not then their efforts may not generate the return expected. This represents a risk to the company which must pay a fixed amount in salary and health insurance for them even if they do not deliver as much as anticipated. The human resources can also represent another risk associated with their operational occurrences. As staff carry out their tasks, they may be subjected to injuries that could cost the company a lot of money.

The inventory within the organization is also another risk to the company. It is not a guarantee that the limbs and medical supplies will sell.

Consequently, the latter organization finds itself in a situation where it is only dealing with this risk in inventory alone. It has not found a way of splitting that risk with another stakeholder who might not be as affected by

it. The company's 700, 000 dollar profits could be substantially altered if the limbs do not sell.

Risk evaluation

In order for an effective risk analysis, one must weigh the risks and determine the likelihood of occurrence. The impact of that risk upon the business also needs to be done and this can give the organization a way forward on mitigating them. The highest risks in this business are associated with injury claims.

This is because the risk has already occurred in the past and it has cost the company about 290, 000 dollars over three years. Clearly, the company will be better off preparing for such an eventuality. This also has the capacity to eat into the profits of the company by such a high percentage; therefore it needs to be given to the top most precedence. The other risks that can be rated medium scale risks are the inventory and market related risks.

The salesmen at each location might not deliver yet they are still consuming substantial portions of the firm's revenues. This has happened to many small businessmen in the past and can happen to Carpe Sputum. Inventory related risks are also another problem because it is not a guarantee that the company will sell everything it contains so preparations need to be made. This would create real risk to the company's profits (Marx, 2009). One of the issues that can be classified as low risk is the capital investment. First of all, the company has proved that it is profitable and that the assets it contains are actually productive. However, one may not be sure about how long this can last.

It would be a once-in-while issue but if it occurs, the company will be stuck with unproductive capital that it needs to get rid of.

Risk mitigation and management

Insurance will be a good way to protect against a number of the risks.

Although the organization is already providing its employees health coverage, it is likely that this cover may not be dealing with eventualities such as injury claims. The organization needs to set up a fund for that.

In terms of the marketing risks associated with the salesmen, the company could introduce a commission based system that would share risks with marketers. If they generate more sales, then they will benefit from higher incomes and would give them a bigger incentive to be efficient. If they generate minimal sales then the company need not pay for this inefficiency because their salaries will not fixed. The same concept can be transferred to capital risks.

This organization needs to lease its assets because this will imply that it does not necessarily own the assets and if they happen to yield minimal returns then it can forfeit the assets without having to dispose of it at a loss. Lastly, it has not been stated whether the company actually manufactures the products for itself or sources them from somewhere else. In order to reduce inventory risks, it can make a deal with its manufacturers or suppliers to get returns on the sale of the items. This means that the organization splits its risks in exchange for a small portion of its profits.

Contingent planning

The entrepreneur of the business needs to provide a cushion of his inventory by setting aside money that would be sufficient to cover operating costs for the business for six months. In case of an undetected issue, the company would still be able to run because its cash flow will not be interrupted (Pickett and Pickett, 2005). Another contingency plan would be ensuring employees know exactly what to do in case a business emergency occurs. The company needs to train members on how to react to minimized cash flow when the business returns are low.

It also needs to teach them how to respond to theft or loss of the firm's property in another way. These fast transitions will mean that the company can be back to profitability as soon as possible and they can be more productive.

Conclusion

The risks identified within this business can be eliminated, transferred or reduced. Those found to be inevitable can be shared with other parties that can take part of the risk and reap some rewards too. The latter category also entails insurance because insurance is risk transference. Those that can be reduced or avoided have been examined critically and some tangible solutions offered,

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