[Name of Student]

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Identifying and Defining Risk

Risk refers to the possibility of losing or gaining something of value. It can also be described as deliberate interaction with uncertainty. Risk management refers to the prioritization, assessment, and identification of risks followed by economical and coordination application of resources in order to monitor, control and maximize the influence of unfortunate events. This essay attempts to determine three different risk sources in an organizational context and recommend how an organization can mitigate those risks. It further includes identifying a risk faced in my current role and providing effective techniques for managing it.

Customer risk is concerned with the key success factors of a customer for the project. A project can be considered a failure if the customer is dissatisfied with the outcomes. The key elements of success rely on both the requirement of customer and the environment or context within which the system would function. Customer satisfaction is one of the critical factors that define the success of an organization. There can be different elements that can lead to customer dissatisfaction including poor performance, inadequate privacy, insufficient quality, slow delivery and poor communication. For mitigating customer risk, organizations should be able to evaluate risk properly prior to forming a relationship with the customer. Specifically, the company should assess customer’s identity, sources of information, customer requirements and communication system. Braunscheidel & Suresh (2009) explored that it is critical to maintaining effective supply chain system to ensure delivery on time. Further, effective communication is one of the significant elements that can help to retain key customers.

Dionne (2013) pertinently pointed out that financial risk is considered a general term for various risks regarding the finance industry. These involve financial transactions including loans
of the company, and its exposure to loan. Financial risk is generally utilized for reflecting monetary loss’ potential and uncertainty of investor related to the collection of returns. This risk can further be divided into sub-categories, including market risk, liquidity risk, and credit risk. The market risk is related to risk regarding changing condition in the particular market in which an organization operates. Credit risk involves the risk which is incurred in businesses through the extension of credit to consumers. The businesses usually take the risk (financial) when it is providing financing of purchase to the consumers. Liquidity risk refers to the risk that a bank or organization may not be able to meet the basic financial demands. This generally occurs when there is an inability of converting a hard asset or security to cash without the possibility of capital loss or income. In order to mitigate financial risk, an organization can take certain steps which can be crucial. One of the significant techniques involves listing down potential factors that can affect the finances in one way or another. Managing cash flow is another critical component that can be utilized for minimizing financial risk. Lack of finances is one of the most crucial factors that an organization is concerned with. Liquidating products or selling off assets can be a significant way to mitigate the risk. Further, selling an equity stake or shares can enable a business to achieve cash infusion, which can eventually assist in dealing with the financial risk. Another influential method is to partner with a bigger organization to assist the company to launch the desired products. Partnering with another firm would generate less revenue; however, it would be crucial in preventing the organization from overextending the resources. Moreover, partnering would also allow the company to take some marketing and sales assistance.

Hill, Jones & Schilling (2014) explored that strategic risk arises when an organization or firm aims to attain the desired strategic objectives and goals. In this type of risk, both external and internal scenarios and events can prevent or inhibit a company from achieving the desired
goals. The external strategic risk can be related to the power of competitors and market changes. There are numerous factors that attempt to change the marketing trends. Some of the critical elements involve supply and demand, the expectation of consumers and governments. It is significant for organizations to understand that rates and prices of products change as there is a change in supply and demand of products. Customer expectations are another determinant that influences the strategic objectives. With rapid changes in business environment, expectations of consumers tend to change in an unforeseen manner. There are also internal events within an organization that attempt to give rise to strategic risks. These include insufficient knowledge and staffing. Incapable employees and staff can lead the organization towards failure. Strategic risk management must be considered by businesses in order to outsell the competitors and create a name in the market. For mitigating the risk, the organization can utilize effective communication medium to indicate the employees about strategic risk. Email announcements can be a beneficial way to create awareness about possible risks that can occur. Reason (2016) highlighted that assessment and identification of risk are important to measure the severity and likelihood of the risk. In order to meet the customer changing needs, the firm must evaluate current market and business environment. Further, pricing should be market competitive in order to attract the consumers.

Being a project coordinator, I tend to face project risk. Project risk can be defined as an uncertain condition or event that can have an impact on at least one of the project objectives. There is ineffective communication among project executives which attempt to lead the project towards failure. The severity of this risk is quite high in various projects. This negative element aims to reduce the revenue and profitability of the company. Weak communication is likely to occur in the upcoming projects. Assessment of elements that hinder communication is a critical
technique to analyze current internal communication methods. One of the most effective ways to manage communication system in project management is to conduct different training sessions that highlight the importance of communication in project success. Another influential method which can prove significant involves the implementation of effectual communication software to provide project executives and employees to coordinate with each other in an effective manner. This software would allow managing projects, access relevant files and discussing ideas and concepts.

This essay highlighted three different sources of risk that arise in an organization. It also explored the project risk which I face in my current role within the organization. The risks which are identified include customer risk, financial risk, and strategic risk. For mitigating customer risk, it is critical to maintaining effective supply chain and relationship with customers. For dealing with financial risk, crucial methods include partnering with another firm, managing cash flow and listing down potential negative elements. Further, organizations should utilize effective communication medium and develop innovative products in order to meet the strategic objectives and manage strategic risk.
References


