Risk Assessment: Governance, Ethics And Sustainability

1.0 Introduction

Trading.com is an organization that provides courses for ordinary people to share investment as well as continuous services of mentoring. The major principle at the company is that every person can succeed to come to a share investor with the right support, education, and mindset. The company creates leads through advertising introductory webinars that are free which offer an explanation on how people can use share investments as a means to achieve retirement at an early age. The following is a Risk assessment Report of Trading.com.

1.1 Purpose of Risk Assessment

The assessment report is aimed at looking into the possible risks that are faced by the company considering its enormous growth and expansion that is going beyond the company's ability to handle, the company faces a lot of risks as it has resorted to hiring people with little or no experience in sales and this is likely to affect the overall reputation and operations of the company (Von Krogh and Cusumano, 2001). Thus, the report will explain all possible risks the company faces and how they are likely to affect the normal operations of the company going forward as its expansion into new markets is still ongoing. The risks will be associated with growth, the organization culture and also other risks associated with information handling, which will be handled separately.

1.2 Method

The method used in the case study resolution of risks is obtained from the Simons (1999) report that states that companies should always be alert to deal with emergencies and issues when they are performing well unlike when they are performing well. In this case, Trading.com is performing well in the market and it is even expanding its portfolio and branches, which has attracted need to have more employees into the company. This, however, comes with risks and the management should not just ignore that they are doing well to just sit back and expect the same to continue. Sooner, issues will start cropping up and the managers are aware of that, which is why they are not fazed at the rate of growth and addition of employees as the company founder is. Thus, the method applied here is that of anticipating and solving an issue while the company is performing well before things start going sour for the organization as it expands (L?z?roiu, 2015).

2.0 Analysis

This section of the report will analyze the different risks that the company faces in its operations in the new markets that it is expanding into an overall, how it should be able to cope with the challenges. The major risks identified are related to the company's growth, the culture of the organization since it is likely to change and also the risks associated with handling information in the company (Laffy and Walters, 2016).

2.1 Risks due to Growth

i) Pressure for performance

With growth comes a number of challenges that a business should be aware of. Just like any other well-performing company, Trading.com is aware that growth comes with a number of challenges because it will be handling bigger issues. As the company grows bigger, the problems are becoming bigger as well. The regional managers will handle more cases and more decisions than before and this might become exhausting for them. With more decisions to make, the managers are likely to make mistakes in the process because some situations are beyond their control or knowledge and consultation may be an issue because of the time provided and the pressure that has been put by top management (Olson and Wu, 2015).

Risk factor = 4

ii) Rate of expansion

The top-level managers always set very high standards and targets for the regional managers and consultants as they were previously expected to hit certain targets to get a commission. The commission basis, however, did not work for the company and this is why Jospe and the other managers decided to set a base salary for the consultants because they did exceptional work. The rate at which the company is growing makes the consultants unable to handle all the requests that are being sent to them by clients and potential clients.

Risk factor = 5

iii) Inexperience of key employees

The company needs to deal with the challenge of hiring employees on a level that they cannot be able to handle. The recruitment of the company has been challenged because finding employees that fit the right features that can help them going forward. As such, the expansion has made the company hire employees with less experience and fewer qualifications to help move the company forward. Most likely, the company will struggle to meet the targets it has set and also be able to maintain the same level of performance because the employees will not be able to deliver as the current team of employees that are well trained and experienced (Demir, Wennberg, and McKelvie, 2017).

Risk factor = 4

2.2 Risks due to Organizational Culture

i) Rewards of entrepreneurial risk taking

Another risk due the company compensating the employees like consultants based on their level of risk taking to get new clients sign up for the company. The high number of customers that the consultants have to deal with is one of the main reasons why the consultants leave the customers once they have signed up for the course and never want to follow up on whether they are doing well. They have targets to beat and the management expects them to be up to

the task all the time. Customers have been complaining of being left by management and employees once they sign up for the course. This is something that management should look at the moment when the company is doing well before their image is tainted for good. As the company grows, the management should also ensure that the quality of services provided increases or is maintained and not that they are just after money to satisfy their objectives and goals set. The customers are the present and future of the company and should always be considered as a priority for the organization (Farrell and Gallagher, 2015).

Risk factor = 5

ii) Executive resistance to bad news

The company's executives tend to be resistant to any bad news that they receive. Bas performance is not tolerated in the company and any strong competition in the industry is not welcome by the executives. This can create a bad risk because with the executives opposing bad news, they might oppose a good idea or a sign in the market that might affect their performance in the market. As a result, the company might be performing badly and the executives just want to stay in their comfort zone and not want to be informed any bad news relating their company and their performance, which will eventually lead to company failure.

Risk rating = 3

iii) Level of internal competition

Over time, as the company has developed a culture that has identified them and separated them from the rest with good performance. The organization has developed a competitive culture among the consultants to ensure that the company reaches the targets in a more aggressive way. The senior management set targets that the consultants are expected to reach to get certain rewards and also commissions (Carley and Christie, 2017). The commission-based remuneration comes with a lot of risks that might affect the company's operations in many ways. The competitive nature of the company is likely to bring rivalry among the consultants as they want to outshine one another. From aiming at personal awards and recognition, enmity may breed among the consultants as they will start viewing one another as enemies within the company. This will in return create a sense of clashing among the interests of the individual employees and is likely to bring negative effects to the company. Vested interests will be developed as a process in the company because the organization aims at achieving certain targets and the consultants and employees will be having personal interests to achieve at the cost of the company in different ways. This risk can, however, be avoided by giving different targets to different consultants and ensuring that their duties are defined clearly to avoid sharing of roles which may create unnecessary in-fights among the employees, managers, and consultants (Deresky, 2017).

Risk factor = 4

2.3 Information Handling Risks

i) Transaction complexity and velocity

Another risk is that of transaction complexity and velocity which entails handling too much information at the same time. The managers and consultants of the company have been used to handling small sets of information because of the previous size and state of the company. However, with the increase in the size and levels of operation for the company, the management might find it hard to handle all the information at once or even manage to create useful meaning out of it. This is a challenge that the company should be prepared for as of now based on the recommendations provided by Simons (1999).

Risk factor = 5

ii) Gaps in diagnostic performance

The heaviness of the risk is that if insufficient information from consultants and regional managers. The consultants and regional managers work on the basis of targets that have been sent for them to achieve (Saunders, Cornett, and McGraw, 2006). As such, they have to work hard to ensure that they achieve the targets within the stipulated time. To make their bosses at the top and the CEO happy that they have achieved or will achieve the expected results, they can fabricate information to look pleasant in the eyes of their seniors, which will put them in a good position for awards and gifts that the company promises to give to better performers. Thus, the managers might be working with wrong information that will later be seen through the results that the company achieves. Wrong results are the most likely outcome from wrong information being used and this will not be good for the company (Bremmer, 2005).

Risk factor = 5

iii) Degree of decentralized decision-making

The level of decentralized decision-making in the company is very high with all stakeholders given power to make some decisions. The regional managers are in charge of their respective branches and make decisions on their own. At the same time, consultants have the power to decide on who to go after to sign for the company and who not to. This is a big risk because the consultants are only interested in signing up the clients and getting their commission and salaries, which is the primary target for their own purposes. Such a culture has left a bad taste among the clients as they feel less appreciated by the consultants and the company employees because they fail to follow up with the progress of the course with the clients. At the same time, the consultants have not been given the mandate of ensuring that the customers are satisfied and the company is only after making profits and not actually ensuring the clients are happy. This culture will bring the company down and the CEO and managers should work to ensure that they develop other posts that will be dealing with ensuring customer satisfaction (Kozubíková et al., 2015).

Risk factor = 5

3.0 Conclusion

Managing growth and development in a company is one of the hardest duties that can be assigned to managers and consultants who have large targets that they need to achieve. This can be either positive or negative depending on which perspective the management and all

stakeholders take it on or how they handle it. Putting too much pressure on employees and management can lead to bad results because they are likely to make many mistakes in the process of trying to attain the intended outcomes. However, expansion should be taken step by step and not hurried just because the firm sees an opportunity of growing further as this might have far-reaching consequences in the future if not handled carefully. From the results, it is clear that the company is in a danger zone with a risk rating of 40.

Recommendations

Thus, it is advisable that companies manage to deal with issues when they are doing well to prevent problems from coming up and bringing down all the achievements attained. The company can start to use complex management information systems that will help them handle the information, store it and create useful reports and inferences out of it to help move the company forward as anticipated by all stakeholders. This can be done with the help of a customer care team that will be assigned with the role of ensuring that the client complaints are dealt with early enough to create a good working environment between the clients and the company management. This way, the risk will be eliminated. However, the company should involve employee training and refresher courses to sustain the performance in different regions and cities where the company has expanded into.

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