ERAU Student
PMGT 614
WBS 7.6 Handling Risk

17-4. Below are four categories of risk and ways that a company is currently handling the risks. According to Section 17.11, which risk handling options are being used? More than one answer may apply.

a. *A company is handling its high R&D financial risk by taking on partners and hiring subcontractors. The partners/subcontractors are expected to invest some of their own funds in the R&D effort in exchange for sole-source, long term production contracts if the product undergoes successful commercialization.*

Share & Transfer. The company is sharing the risks with the partners/subcontractors along with transferring a portion of the risks with others, that is the partners/subcontractors.

b. *A company has decided to handle its marketing risks by offering a family of products to its customer base. Different features exist for each product offered.*

Mitigation/Enhance. By choosing to offer multiple products, the company is spreading the risks out. By giving the customer multiple options, the company is improving the probability that a customer may find a particular product within the family of products that meet their needs or wants.

c. *A company has product lines with a life expectancy of ten years or more. The company is handling its technical risks by performing extensive testing on new components and performing parallel technical development efforts for downstream enhancements.*

Mitigation(Control). The company is being proactive by testing and evaluating new components for the product and the company is forward thinking when performing parallel technical development efforts.

d. *A company has large manufacturing costs for its high-tech products. The company will not begin production until it has a firm commitment for certain quantity. The company uses learning curves and project management to control its costs.*

Mitigation/Transfer/Share. By requiring a firm commitment before commencing production, the company is *mitigating* the risks through active measures. Also, the company is *transferring*/*sharing* a percentage of the risks by the buyer. By doing this, if the product fails or does not the customers' expectations and the customer chooses not to continue to purchase the product beyond the commitment, the company does not eat the cost of manufacturing the product.