

# A COMPARATIVE STUDY ON MANAGING RISK WITH RESPECT TO MANUFACTURING UNITS

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## **Abstract**

The world economy is growing at rapid pace drawing in high level of competition of survival for all the industries spread across the globe. There are ample of internal and external factor that are continuously active and hinders the smooth flow or working of many industries. Focusing only at manufacturing units it has to face and tackle numerous ups and downs on routine bases. Defining this up and down we can say that - these are different forms of risk that manufacturing units encounters on daily bases. The level and type of risk may vary, but somehow and somewhere it hinders and erupt the working process drastically. Tracking and keeping the risk factor at top the research work is based on the different types of risk that manufacturing unit's faces day in- day out. The paper also gathers, evaluates analyze and interprets the different techniques and tactics that are enabled or employed to handle various form of risk before they become huge obstacles. Thus paper highlights the risk with respect to manufacturing units.

**Key words:** Manufacturing Units, Risk, Process, Management, Organization

## **INTRODUCTION**

Manufacturing Unit's has to gear up its potential and bring in desired technological advancement to cope up with competition. These coping up has bundle of risk associated with it. Risk may come in any form and at any point of time so it is pivotal for manufacturing unit to identify the risk before its occurrence. Managing risk is very crucial aspect as it encompasses of - changes in the work process, financial changes, technological changes, market changes and much more. Risk management is considered as one of the challenging tasks for all manufacturing unit. It's correctly stated that with various other aspect that forms business - risk is also one of the integral part of business. Business is set up with growth prospective and these could be achieved if risk is managed well, the business with high risk appetite and skilled with risk management tactics opens up the ground of expansion and opportunities for itself. Risk word may imply fear or situation of anxiety but rather tackled well it could prove to be the scope of easy accomplishment of business goals. Risk can be attributed as key towards enabling business strength to cover up all the difficult phase in business.

Managing risk implies continual watch on all the manufacturing process whether internal or external that may hamper the smooth flow of carrying out of business. Manufacturing units has laid down basic framework that is carried out within the organization to check the occurrence level of risk. Thus identifying and managing risk facilities organization in building up a strong shield against various risks that may come forward in working of business.

## **RISK OCCURRENCE AND MANAGEMENT OF RISK**

Organization can forecast its survival on growth rate, turnover of the firm, future prospects, market etc but the vital concept behind achieving all this is manufacturing right quality and quantity of products. Manufacturing unit is the backbone of any organization so functioning of this unit has to be tracked continuously. As we know that there are ample of opportunities available in the market as the world has become very dynamic -along with it come threats and obstacles that are needed to be taken care of. These obstacles or threats are termed as 'risks'. Identification and Management of risk becomes an integral part of organization in order to maintain its stability. Over a period of time we have identified various types of risk that can become hindrance in smooth flow of business process so it's important to handle or manage them before it affects the business. Some types of risk and key to manage them are discussed below:

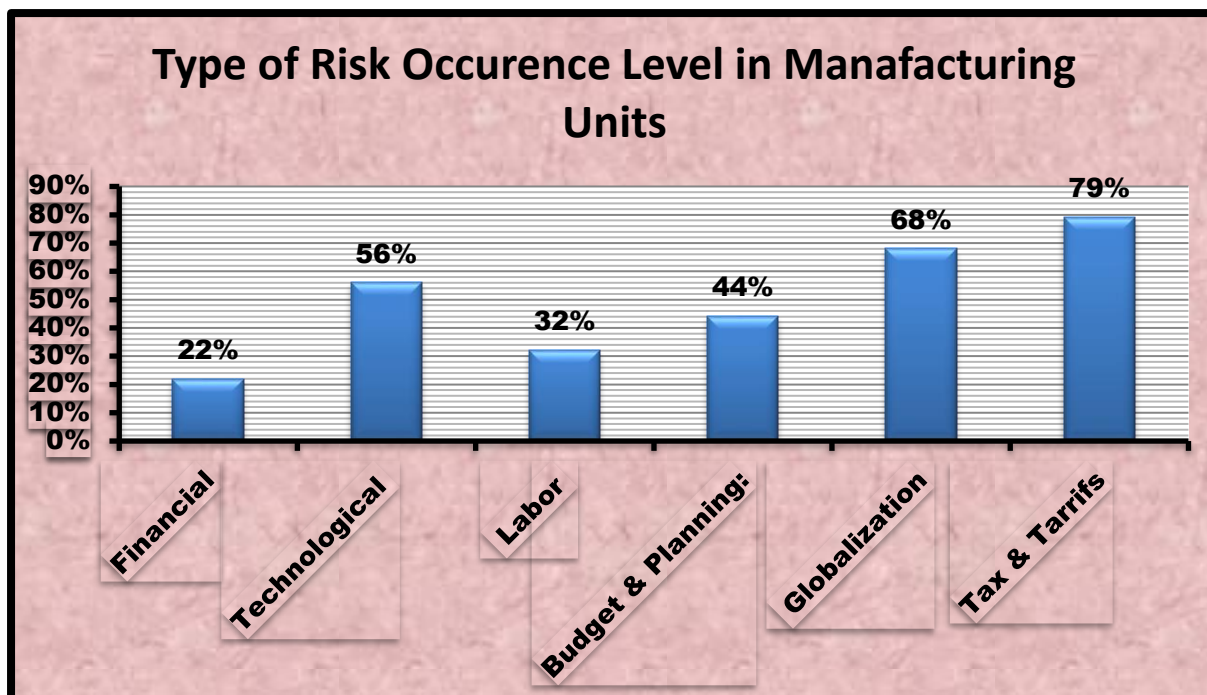
- 1) Financial Gap or Crises: It is finance that leads all the working within the organization. Every organization has its credit policy and Just in Time cycle framed up to ensure continuous and smooth flow of finance in the organization so that manufacturing process can run without interruption. But if at any point of time gap in payment received and payment to be made increases it may disrupt the manufacturing process

- immediately. Thus management keeps an eye on finances of the organization by conducting internal and external audit on continual bases. Moreover if gap prevail it also try to avail financial aid through various financial intermediaries on temporary bases.
- 2) Technological Failure or Advancement: In these seeped up era technology become obsolete very rapidly. Technology advancement is not possible for an organization every time as it involves huge cost. To handle such type of risk- management establishes effective change management by investing in and managing technologies through calculating cost incurred with rate of return.
  - 3) Wide Gap between Skilled and Unskilled Labor: Due to technological advancement organization require labor that posses effective skill to handle technological changes. But it is observed that there is still a wide gap between skilled and unskilled labor. Basically labors are reluctant to accept change and generally rebel to changes thus organization has to put in efforts to fill up the gap of skilled and unskilled labor. This type of risk is easily managed by the top level through training and motivational sessions and programs.
  - 4) Internal & External Budgeting & Planning: Planning is the first step of management if planning fails the entire business is hold in trap. Organization always prepares a framework in which all the employees in the organization work to achieve set standards. For these continuous reporting and auditing is carried out to find any error or deviation at early stage before it gets converted into risk. Moreover not only internal planning is important but announcement of budget and its layout in an economy needs to be taken into consideration, so that internal budget and plan can be formulated without deviation ensuring continuous manufacturing without increase in bottleneck time.
  - 5) Increase Globalization: Organization is set up with the aim of growth and expansion from regional to national to global. To face the competition and maintain position for a product in the market organization puts in efforts to meet the pace of globalization. This is one of the riskier factors for manufacturing units because it brings in ample of risk long with it like foreign investor, foreign market, acceptance of product in foreign market etc. Thus management has to take into consideration all the risk to avoid the risk of globalization.
  - 6) Reforms and Regulation in Trade Policies: The taxation policy in our country has changed up to a huge level. Implementation of GST has brought in ample of effect on various manufacturing units. GST formulation has led to implementation of various percentage of tax depending upon the type and nature of the product and material which has left manufacturing units in complex situation. Introduction of Make in India concept has given steep rise in tariffs levied on good imported leading to increase in cost of material for various manufacturing units. Thus management has to look into various tax and tariffs that will affect its manufacturing unit and plan accordingly. The best way to handle this risk is to look for local vendors in place of importing material and ensuring the supplier also pays GST so that organization can avail its counter benefits.

Manufacturing unit is an integral part of any organization as it is the only unit that will fetch and draw other department towards accomplishment of organizational objective. Thus we identified various risks that may come forward and lead to disruption in manufacturing units and hinder its functioning. Apart from above discussed risk there may be other type of risk that may also hinder manufacturing units but the one discussed above hits the list the most.

#### ANALYSIS & INTERPRETATION OF DATA

Taking the above risk discussed a short questionnaire was formulated and several questions were framed relating to type of risk occurrence and its level of management. Below is the graphical representation of the same:



### INTERPRETATION

From the above graphically representation we can depict that there are major six types of risk that manufacturing units face usually. Thus, we can interpret that:

- 1) 22% of respondents say that there is financial stiffness that manufacturing units face over a period of time. But due to ample financial availability options in the market, these risks are easily tackled.
- 2) Technology is the one that leads to all the work to be done in manufacturing units. 56% of respondents feel that they face technological failures due to depreciation and non-replacement on time. Sometimes getting acquainted to up-to-date technology also takes a long period of time, disrupting the manufacturing process.
- 3) 32% of skill gap is felt among the labor in manufacturing units. But this is rectified through training sessions and programs.
- 4) Budgeting and Planning is not completely disclosed by the management till the bottom level, so due to this gap, 44% of respondents say that the manufacturing process is hampered due to lack of a plan laid down and implemented.
- 5) 68% of respondents strongly agree to the fact that globalization has brought in many changes in manufacturing units and also continues to bring many risks of failure with it.
- 6) 79% of respondents say that changes in tax and tariffs have led to a devastating effect on manufacturing units. This change has led to the reformation of all the materials used in manufacturing units and its pricing policy.

### CONCLUSION

In this 21<sup>st</sup> century, a high level of privatization, liberalization, and globalization has opened the door of challenges and opportunities for manufacturing units together. These challenges and grabbing of opportunities bring risk along with growth. So, identification, evaluation, and management of risk are crucial factors for any organization in order to sustain in the business world. Risk and the way it is handled is an integral part of a manufacturing unit. Organizations have to adopt several techniques, strategies, and universal approaches to manage this risk. It's vital for a manufacturing unit to manage risk before it becomes an obstacle and hinders the manufacturing process. We can conclude that it's only the right time where manufacturing units identify risk and manage it in such a way that it does not become an obstacle but leads the unit towards the footsteps of opportunities and attainment of organizational goals.

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