*Strategic Management*, 9e: Chapter 10 study guide

Six ways to reduce risk

1. Consider building alliances. There is often more strength from combination with other companies. It may also be more profitable for potential enemies to join than fight.

2. When taking a high-risk strategic approach, seek ways to minimise the downside exposure of the company and avoid jeopardising all the company’s activities. If the opportunity does not work out, then it is clearly preferable to have attempted to reduce such risks so that the company is able to continue trading elsewhere.

3. Build shareholder protection where possible. This may be undertaken by careful structuring of risky strategic deals such that shareholders are not unnecessarily exposed to failure.

4. Seek ways of moving out of weak strategic areas before being pushed. If a market sector is likely to prove exceptionally vulnerable, it may be wiser to withdraw while it is still profitable.

5. Consider a staged development of a risky strategy. Many companies take several years to build their share in markets: the time perspective allows for development to be undertaken in stages. This reduces the risk but does not eliminate it.

6. Appoint good professional advisers: accountants, bankers, lawyers and consultants. Both the specialist expertise and more general advice reduce the risk and build protection.