

## Risk Types And Trends In Business

Apple Inc. is a large manufacturing company that specializes in mobile and computer technology manufacture and distribution to a global market. The firm has a huge customer base which therefore means that it attracts huge potential as well as risks. The risks are by high degree devastating and can only be mitigated through proper implementation of R&D reports. On the other hand, compliance with measures put in place by stakeholders in every market niche the company explores is also a useful approach. In this regard, the current analytical paper aims to explore the risk types and trends associated with Apple as a publicly traded manufacturing firm.

### Strategic Risks Taken by Apple

The principle challenge faced by Apple Inc in terms of strategic risks is inherent from competition coming from other mobile manufactures globally that use a cheap operating system compared to the IOS. Competition emanates from mainly Microsoft in terms of computer operating system and Android manufacturers. Since Apple is the only authorized manufacturer and seller of Mac-OS, it remains infringed in terms of price cuts from Windows manufacturer because Windows is cheaper and can accommodate many applications. Although this has been the case, the firm has retained its bullish performance in stock exchange as well as in emerging markets like China and parts of Asia.

According to Apple's annual report of 2011, the organization faces risks in terms of its Intellectual Property rights from its competitors. If it fails to retain this advantage from its main challengers in the market then the financial power may be affected negatively. In other words, if say one mobile operator steals the rights from Apple such as when Samsung did recently then it faces huge task to remain competitive in the market (SEC, 2011).

### Operational Risks Taken by Apple

Some major operational risks taken by Apple come from global market uncertainty which poses a huge challenge to the firm. If this happens businesses and customers reduce spending due to tighter credit promotion, unemployment and bad news in volatile markets.(SEC,2011)

On the other hand, the firm depends entirely availability of technological engineers and managers who are always in high demand in the Silicon Valley. In the event that it fails to meet the expectation of these individuals, then it faces a serious challenge to retain them because their services maybe required elsewhere and at a competitive value. Consequently, this problem offers a huge operational risk which needs to be taken in with much seriousness it deserves.

In addition, Apple faces operational risk from distributors, resellers and carriers. Since the firm sells most of its products through wholesalers, national retailers, and regional retailers, it faces

the risk of competition from competing manufacturers. Moreover, resellers operate on narrow margins and therefore run a risk when economic conditions are not favorable hence incurring losses. In other circumstances, carriers subsidize the purchase of mobile devices such as iPhone, and this promotes fears of continued subsidy in poor economic conditions. In case there are fears that demand may go down then resellers always restrain from ordering new products in future thereby affecting the financial standpoint of the business.

Third party software developers often pose a risk to the firm over the years. If for instance a developer of certain software that attracts the intent of clients fails to develop the software the firm runs into financial shortfalls.

### Financial Risks Taken by Apple

Being one of the best manufacturers company in the world Apple is not immune to financial risks. According to SEC, the company faces numerous financial risks when the banking system and financial markets are faced with financial turmoil. During the third quarter of 2012 the company's traded stocks at the NASDAQ: AAPL fell by over 40% reaching \$100 mark and below. In its fourth quarter things changed but later in 2015 the stocks dropped again pointing to the volatility of the industry and the high degree of risks in its financial market. One given reason for this challenge was the overdependence on iPhone sales, and lack of investment in other products (Ross, 2015).

Another financial risk that Apple faces on a daily basis is the volatility of the dollar to other currencies in countries the firm is trading its products. The exchange rates in these nations affect the uptake and distribution of the products on a daily basis and therefore it is essential for the firm to work with such currencies which affect profits. For instance, if the Chinese Yuan appreciates against the dollar, Apple is hit twofold compared to other currencies because its biggest customers are from China and US (Golson 2014).

### Compliance Risks Taken by Apple

Global laws and regulations have impacted the firm regarding compliance over an extended period of time. They increase the risk of costs on production leading to low sales margins in certain markets. A good example is a Chinese market which has retained a confusing title over the years of Apple investment in the Asian market.

In particular regions, Apple faces risks of the third party intellectual property right use for commercial basis. For instance, it has a series of cross-licensing agreements with firms such as Microsoft Google and HTC which reduce the risk of constant litigation but such have always backfired (Golson, 2014). For example, in 2012 Apple was hit \$368 million penalties for

infringing a VPN network intellectual property, although it was later reversed, the effect remained devastating (Golson, 2014).

## Conclusion

By being one of the leading publicly-traded manufacturing companies, Apple is not immune to the significant risks in business, today. One given positive aspect is how the firm has focused on R&D to create and come up with the yearly release of iPhone and other new products so as to remain relevant in the market. Also, the nature in which the firm is bullish in the securities exchange is a positive lesson that other players in the industries can emulate. Thus mitigating ways of reducing financial, operational as well as compliance risks remain of fundamental significance to any firm trying to remain active in the industry.

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