

RISK BASED CORPORATE DECISION MAKING

Mjomba is a company that since its establishment in 2001 envisaged to become a global company by establishing multiple operating units across various countries. The company exclusively sells hotdogs and its principal place of business is along the coastal areas (beaches). Since the principal place of business is along the coastal areas, the company pre-selects only those countries with seas and oceans when expanding their business in foreign countries.

In 2018, Mjomba Company wanted to establish a new and first business venture in Africa after it has gained much success and prominence in Asian and European countries. The move to expand business into African continent was mainly to optimize its supply chain by increasing the supply chain profitability by exploiting the advantages of global sourcing. The company breeds its own chicken, mutton and beef that are key ingredients in making hotdogs. Hence, when establishing ventures the company also considers the climate in a selected country to enable proper breeding.

After preliminary analysis the company established initial two country options to start with namely Ukireini and Urusi. Data that was collected showed that the company if it establishes a venture in Ukireini the projected service level will be 97%. The company will have a service level of 93% when the venture is established in Urusi. It was further determined that the capital cost of establishing a venture in Ukireini and Urusi are USD 280 Million and USD 310 Million respectively.

Operation-wise, the company estimated that the cost of successfully meeting customer demand in Ukireini and Urusi will be USD 60,000 and USD 90,000 respectively. In the event the company fails to successfully meet customer demand due to stock outs, the cost of stockouts in Ukireini and Urusi will be USD 3,000 and USD 2,000 respectively. Using a risk based approach the company decided to establish a new venture in Ukireini. The company enjoyed massive success in Ukireini during early operations generating gigantic sales. The secret to the company's success is their stringent and thorough risk management decision making guided by a risk management plan (RMP) that instills a sense of risk control in strategic and routine decision making to the company's operations.

In 2019, the world was struck –to some extent by surprise- by global pandemic Corona Virus Disease (COVID-19) that impacted not only the business but the entire functioning of the world

at large. Ukiireini was known to be a tourist destination who visited the island's fancy beaches, initially after the outbreak of COVID-19 tourist dried up and the company experienced declined sales and profits as a knock-on effect. However, the company managed to adjust their operations in line with WHO's COVID-19 health and safety protocols and with the slow resumption of tourism the company managed to stay afloat in business albeit making just above normal profit.

When Mjomba experienced an upsurge in customer numbers and sales revenue at the beginning of 2021, the worst was yet to come. In April, 2021 Ukiireini coastal areas were hit by a tropical cyclone called Baba that caused rain-induced landslides, heavy winds that caused rough seas which washed away the wooden strongholds of Mjomba's restaurant that was located just by the shore and above sea water. The tropical cyclone led to huge loss to the company to the extent that the venture was to be wound up.

In the aftermath of the cyclone and the financial losses incurred by the company, the Board of Directors harshly condemned the management for recommending for approval the establishment of the venture along the turbulent shores of Ukiireini. In their defense, the management argued that they made that decision being risk cautious and that all possible risks were considered and that the cyclone that caused the devastating effects was simply an '*uncertainty*' that regardless of their best efforts they could not identify all conceivable risks in the company's supply chain.