

# External Risks



**External Risks** arise from factors, which cannot be controlled by your company

## Types of external risks

### 1. Natural Factors

Weather and other natural disasters potentially poses major risks to a large number of companies.



- Natural Calamities
- Availability of raw materials
- Weather conditions
- Disasters



### 2. Political factors

Political factors can change a governmental policy, rules and laws for running your business

- Change in reforms
- Change in the contracts
- Change in government
- Embargo

### 3. Barriers to enter/exit

Barriers to entry/exit are obstacles that make it difficult to enter/exit a given market.

- Opening capital
- Government
- Consumers references

### 4. Threat of substitute products or services

The existence of products outside of the realm of the common product boundaries increases the propensity of customers to switch to alternatives



### 5. Threat of new entrants

Profitable markets that yield high returns will attract new firms. This results in many new entrants, which eventually will decrease profitability for all firms in the industry. Unless the entry of new firms can be blocked by incumbents, the abnormal profit rate will trend towards zero

## Conclusion

Never forget about these types of risks, in different ways they can impact on your business. Your company have to be ready to them and presume them in advance because if not you have to pay for costs

