

EXERCISES

1. Answers will vary. Potential risks might include employee resistance to the new system; opposition to the new system from the human resources department (since some of their people might lose their jobs); technical risks in developing or implementing the system; operational risks if people do not use the system or update their information; and security risks if users provide false information or give their passwords to others. Strategies for mitigating risks will vary. Positive risks might include saving money on human resource functions, having more up-to-date information available, etc.

4. Below are the EMV calculations. Answers to the question about which projects you would bid on might vary based on personal risk tolerance. Just based on EMV, all of the projects have positive numbers, but Project 1 is the highest.

	Change of Winning	Estimated Profits/Losses	Product
Project 1	50%	\$120,000	\$60,000
	50%	(\$50,000)	(\$25,000)
		EMV	\$35,000
Project 2	30%	\$100,000	\$30,000
	40%	\$50,000	\$20,000
	30%	(\$60,000)	(\$18,000)
		EMV	\$32,000
Project 3	70%	\$20,000	\$14,000
	30%	(\$5,000)	(\$1,500)
		EMV	\$12,500
Project 4	30%	\$40,000	\$12,000
	30%	\$30,000	\$9,000
	20%	\$20,000	\$4,000
	20%	(\$50,000)	(\$10,000)
		EMV	\$15,000