

5.0 Recommendation and Action Plan

Much of the problems that have been highlighted in the previous sections related to the examination of governance issues and the nationalisation of Northern Rock in the UK. Relevant recommendations must be provided in order to come up to the solutions that have been mentioned in this research. It is highly important for the upper management to be engaged in constant research so that they are able to view the financial risks that the company is likely to face. As per the problem statement that has been investigated it is relatively necessary for the upper management to be cautious of the amount of loans that are being dispersed to their customers. Extra amount of loans can lower the ability to retain profits and would result in a low financial performance for the financial organisation.

Taking the example of Northern Rock, a bank must tailor investment strategies that would help in gaining more number of customers and strive for delivering better service. It is essential to recommend that being a nationalised institution reduces the performance of some of the organisations as they are not able to hire a competent work force while private organisations have a high level of scrutiny when selecting a capable employee for the organisation. In addition to the previous statement it is essential to recommend that some major operations of the bank must be handed to the private institutions for a better performance. It is also important to recommend that it is the responsibility of the creditors and the shareholders to be accountable for the failure of the bank rather than the tax payers (Congdon et al., 2009).

There is also a need to imply that there should be an effective communication between the upper and lower management. Having an effective mode of communication can help in gaining new and better ideas to overcome issues regarding corporate governance unlike that at Northern Rock UK. It is strongly recommended that the board of members play an important role

in the financial performance of the institution it is important for them to develop strategies that enhances transparency throughout the operations of the firm and ethicality. Transparency would further encourage the improvement of valuation practices.

There is also a need to recommend strategies for improving the knowledge of the employees regarding the risk management and auditing practices. As per the study of (Tahtamouni and Al Nahleh, 2015) the knowledge of financial risk management and auditing is essential to manage and steer a particular business away from a problematic situation which is full of uncertainties. It is also essential to recommend that improving the skills and abilities of the staff by providing them with adequate training. Training and development can lead to employees able to handle complex situations and helps them to assess the situation of the organisation.

A bank should hire third part financial and commercial advisors that are responsible for delivering mechanisms that do not cause the bank's strategic position any harm and to develop anti crises mechanism. There is also a need to recommend the need to improve the management or leadership style in the organisation where they are required to pay close attention to the needs of their employees. The management is required to monitor if the employees are satisfied with their respective roles. As per the study of Bakotić (2016) if an employee is not satisfied then there is a strong probability that the organisation will not performing up to the mark. The use of information technology could as another recommendation or a solution to a problem that is occurring in the organisation. Information technology would optimise the operations occurring in the bank and would easily allow managers to identify any types of risks would could be a potential threat.

As per the obtained findings from the interviews it is important to highlight that the managers of banks are required to take complete details of the customers who had applied for a role. Benchmarks should have been set for customers who required since banks are known to only provide loans to individuals that have the ability to pay the loan back. The responses had indicated that Northern Rock was keen on providing benefits to its customers which was one of the reasons it had received a serious blow and it is strongly advised that it should maintain all records of the customers to avoid such risks. The banks should have the ability to evaluate the bonds and must have kept a check and balance on their liabilities and assets in order to dodge such risks. Result indicated that the bank had more liabilities than their assets which is why they resorted for external help that had increase costs.

The managers at the bank should do a background check on how securitisation would have helped in coping up with the risks. Managers at the bank should take legal action against the people that are unable to pay back the loans or take valuable documents such as legal document of the customer's residence as a technique to ensure that the customer will pay back the taken loan. Moreover the banks should also provide loan at low interest rates which would make it easy for the customers to pay back their loans.

5.1 Action Plan

Action	Responsibility	Time Period	Outcome
Training and development	Human Resource Manager	6 Months	Employees would be able to gain knowledge of risks management. They would further be skilful in procuring information from customers in order to avoid fraudulent acts
Evaluating annual reports	Directors	End of every fiscal year	Upper management would be aware of the liabilities and assets of the firm. They would be aware of the number of loans taken by each customer
Hiring a third party treasury advisor	Human Resource Department	Every 6 months	Risks would be evaluated and support would be provided in managing liabilities and balancing assets to avoid losses.