

Effects of Risk Analysis and Evaluation management Strategy on Organization's Supply Chain Performance.

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Introduction

Today's market place is characterized by turbulence and uncertainty. Market turbulence has tended to increase in recent years for several reasons along the supply chain. Demand in almost every industry sector seems to be more volatile. Product and technology life-cycles have shortened significantly and competitive product introduction make life cycle demand difficult to predict (WB, 2012). Considerable 'chaos' exists in supply chains through the effect of such actions as sales promotion, quarterly sales incentives or decision rules such as quantities which results into continuous disruptions along the supply chain (Singhal & Hendricks, 2005).

Today, vulnerability of Supply chains to disturbances or disruptions has increased and has received considerable attention by practitioners as well as academics (Skipper & Hanna, 2009). It's not only the effect of external events such as natural disasters but also the impacts of changes in business strategy, the impact of one entity in the supply chain failing can as well lead to a number of entities closing down and in some instances the whole supply chain shuts down. The risk implications of the entwined global marketplace that characterize today's supply chains have also been evidenced vividly in the recent global financial crisis. Many companies have experienced a change in their supply chain risk profile as a result of changes in their supply chain profile and changes in their business models. The adoption of 'lean' practices, the move to

outsourcing and a general tendency to reduce the size of the supplier base potentially increase supply chain vulnerability (Richard, 2008).

The level of decision making along supply chain in manufacturing companies, quality of service and the type of relationship with other organizations generally influences the level of outputs expected from the functional and tertiary groups (Cooper & Ellram, 2003). The diversity and complexity of organizations, growth, strategic conceptualization & pursuit of adaptive mechanisms coupled with adverse changes in technology, and the global competitiveness of different markets, is beyond the efforts of an organization alone but between the supply chains (Cox & Watson, 2001). Most literature reveal that supply chain performance in manufacturing companies is more appropriate as units of analysis than the entire organization management with the realization of the fact that those involved in the chain are in a position to lead in a number of possible directions (Miller & Ross, 2003).

Risk Analysis and Evaluation Strategy in Supply Chain

Today's marketplace is shifting from individual company performance to supply chain performance: the entire chain's ability to meet end-customer needs through product availability and responsive, on-time delivery (Chen & Labadi, 2005). Supply chain performance crosses both functional lines and company boundaries. Functional groups (engineering/R&D, manufacturing, and sales/marketing) are all instrumental in designing, building, and selling products most efficiently for the supply chain, and traditional company boundaries are changing as companies discover new ways of working together to achieve the ultimate supply chain goal: the ability to fill customer orders faster and more efficiently than the competition (Abdullah & Abdel, 2004).

The process of choosing appropriate supply chain performance measures is difficult due to the complexity of these systems in manufacturing companies. The performance of a supply chain in

manufacturing companies is characterized by its ability to remain market-sensitive without losing the integration through the chain. One of the difficulties in designing and analyzing a supply chain in these companies is that its processes are governed by the strategic attributes of the supply chain (Lysons, 2006). In today's world, supply chain management (SCM) is a key strategic factor for increasing organizational effectiveness and for better realization of organizational goals such as enhanced competitiveness, better customer care and increased profitability (Bosman, 2006).

The era of both globalization of markets and outsourcing has begun, and many manufacturing companies select supply chain and logistics to manage their operations. Most of these companies realize that, in order to evolve an efficient and effective supply chain, SCM needs to be assessed for its performance to reduce risk of disruptions (Van & Beulens, 2002). Supply chain management (SCM) has been a major component of competitive strategy to enhance organizational productivity and profitability as well as metric measure, however performance pertaining to Supply chain and risks pertaining to disruptions among manufacturing companies has not received adequate attention from researchers or practitioners today (Wegner & Bode, 2006).

Conclusion

Cooper, (2001) identifies that risk management entails having in place a corporate and systematic process for evaluating and addressing the impact of risks in a cost effective way and having staff with the appropriate skills to identify and assess potential for a risk to arise.

According to Fone and Young (2000) the identification, analysis and control of those risks which can threaten the assets or earning capacity of an enterprise is seen as a general management function that seeks to assess and address risks in the context of the overall aims of the

organisation. Risk management should be a continuous and developing process which runs throughout the organization's strategy and the implementation of that strategy. It should address methodically all the risks surrounding the organization's activities past, present and in particular, future. It must be integrated into the culture of the organisation with an effective policy and a program led by the most senior management. It must translate the strategy into tactical and operational objectives, assigning responsibility throughout the organisation with each manager and employee responsible for the management of risk as part of their job description. Risk management has become a main part of the organization's activities and its main aim is to help all other management activities to achieve the organization's aims directly and efficiently". Hood and Young (2005) support this view, pointing to the UK public sector where, over the last decade, great emphasis has been placed on integrating risk management into the day-to-day management of national and local government bodies. According to Allen (2004), the actual process of risk management normally begins by assessing two factors: firstly, the likelihood of specific events occurring; and secondly, the consequences should the events actually occur.

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