

Supply Chain Risks And Market Forces On The Manufacturer

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Risks are all those possibilities of those events that can cause loss to a supply chain firm or any business. Risks are classified into three major categories, namely, Environmental risks, internal risks and external risks.

Internal Risks

Successful supply chain management depends on various factors that will be discussed here. The supply logistics strategy is influenced by the sales goals on market penetration. This strategy ensures that customers are served well to their satisfaction. Inventory is ensured to be consistent with customer needs and manufacturing is emphasized to produce those goods that customers are demanding in the market. Another internal risk may be capital loss due to fraud and financial mismanagement while implementing the supply chain strategy(Purohit and Kumar,2013). This risk may disrupt production and supply when finances intended for paying for warehouses, distribution, and paying employees are misappropriated. This risk should be managed by effective and timely financial audits at all levels of the organization. Another risk is employee unrest and strikes from satisfied workers in the organization.

The organization should manage this possible loss by ensuring the employees I the supply chain are well compensated and are working in a conducive environment. Another serious risk is in information systems management and communications compromise. This risk may be caused information technology lapses such as hacking of the IT systems or defamation in the social media by malicious individuals with thew intention of ruining the reputation of the firm. This risk can also be controlled through information system security updates and audits and prompt responses to any accusations so as to maintain customer base and trust. Mitigation and contingency risk occur when a firm can not be able to prepare adequate plans to counter possible losses in the future.

This risk should be addressed by having an appropriate analysis of possible risks and countermeasures. If a firm does not have this capability, it should seek expert advice from risk management consultancy firms. Cultural risks do exist in a firm that has a redundant and poor business culture. If a business I slow in reacting to supply changes in the market or changes in demand, It will lose valuable customers if the changes are not addressed in time. Markets are usually dynamic, and a firm must be ready to meet new challenges that present themselves by ensuring it is adaptable and dynamic in the management of supply chains (Precoro Team,2017). (.Physical plant risk occurs where the firms physical structures such as manufacturing plants, warehouses, offices are at risk of closure or deterioration due to ware and tear or high cost of maintaining them. A firm should

ensure that the plant's physical facilities are in good condition to avoid probes with health officers and inspectors or government agencies involved in inspection on set standards of quality and certification.

External Risks

Global supply chain logistics are influenced by various market forces that affect the supply of goods and services into the market. Demand risk is one of the major external risks of a supply chain in a firm. Existence of unpredictable customers or not understanding customer needs can lead to huge losses. For a manufacturing firm, future expectations in the demand for the goods the firm is selling in the market will affect the way a commodity is supplied into the market (LaMarco, 2018). If the market is expected to expand, then the manufacturing firm will position itself to meet future increases in demand by increasing the storage space, investing in better production technology, and acquiring better human resources in anticipation of acquiring a bigger market share.

One of the external risks that may interfere with the smooth running of a business is noncompliance with regulations in emerging or existing markets targeted by the firm. New unprecedented laws that conflict with the supply strategy of the business may lead to huge losses. The firm should, therefore, put in place alternatives by diversification of its market. Supply risk may severely affect a firm's ability to avail goods to its customers if key raw materials can not be acquired in time and at a reasonable price. The risk of production disruptions and uncertainties may cause an organization severe loss (Johnson, 2014). If a firm that supplies raw materials to an organization suddenly closes down, this may lead to disruption in the production of goods, resulting in huge losses.

The firm should ensure there is diversification on suppliers of raw materials so as to distribute the risk. The firm can also expand and ensure that it has direct access to key raw materials used in its production process to reduce this risk. Economic environment risk can be serious, especially when there is high inflation, low economic growth and high bank rates. These factors cause a risk to the firm's financial stability and poor customer base due to the prevailing poor economic conditions. A firm should, therefore, diversify its business and be ready to venture into other markets in other locations with different economic stimuli. Negative climatic changes have posed a major risk to firms, causing huge losses. Occurrences of unprecedented climatic catastrophes such as El Nino, storms, and hurricanes are all hazards that cause businesses a lot of losses. A firm can diversify operations by supplying goods and also services that require little physical facilities. Taking precautionary measures such as disaster preparedness is vital to minimize loss. Sound construction techniques for physical structures such as warehouses, silos and other storage facilities may protect the organization's assets if built with disaster control in mind. Social risks such as terrorism, burglary and robbery all cause business loss when they occur. These should be addressed by using strong security measures to control them. Modern technology should be invested in to secure the organization, including the transportation vehicles in the supply chain, by installing security cameras, remote locking systems, vehicle tracking systems, etc. Political instability is a major risk especially where unstable governments and young democracies exist. Political unrest may cause unwarranted losses. A firm

should be ready to relocate if the political instability is persistent. A good analysis of the firm's environment will help in good decision-making in investments, especially in the supply chain.

In supply chain management, risk analysis and identification are important. This is done by looking into past and current failures and losses. Ranking of these failures is done according to their probability of occurring again. Problem follow-up and corrective measures are carried out to ensure the minimization of possible losses. An organization should develop a resilient supply chain that can overcome identified risks. Such as supply chain should be able to counter past causes of disruptions, and collaborate with others in seeking relevant information on risk management.

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