

Risks in supply chain argumentative essay sample

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In today's business world, supply chain may be stretched out across the globe in order to provide the customer with the product at the lowest cost and highest quality. The supply chains are, therefore, exposed to factors that can create chaos and disruption. Peck in 2006 suggested the different level of risks in the supply chain. Level one is the value stream/product process; level 2 is assets and infrastructure dependencies, level 3 is organization and inter-organizational networks and level 4 is the environment.

Each level reflects quite different perspectives, but they together cover elements of the supply chain and environment in which they are embedded.

Peck identified five areas that are potentially vulnerable in supply chains which are processes, controls, demand, supply and environment. They all fall within their risk categories; organizational, network and environmental.

- Organizational risks are found entirely within the boundaries of the organization as labor, production and IT system uncertainties. Cooperation between an organization's processes and the control mechanisms is an essential supply chain strategy.

- Network risks occur due to the interactions between organizations linked in the supply chain. This means that organizations must procure materials from upstream suppliers and sell finished goods through a distribution network. There are demand and supply risks and the organization should ensure that they are minimized at all costs.

- Environmental risks can affect the four prior sources of risk within their root categories. They are uncertainties which occur, as a result, of interaction between supply chain participants and the environment. They can result from socio-political actions, accidents or acts of God. The organization is

supposed to identify the different types of risks, estimate the likelihood of each type of risks occurring. They should then assess the potential loss due to the risk and then identify the various strategies to reduce the risks or eliminate them.