

# The trade-offs that a firm must consider



Sometimes in business decisions are made to discard some qualities or aspects of business in order to gain other qualities or aspects. This should be done with full knowledge of the consequences for the choice. The security of the logistics and transportation of goods and services should be enhanced. Other than boosting public security, the supply chain security initiatives, they also have several other benefits to private firms.

These include improved control on supply chains, lowering premiums on insurance, standardizing procedures on customs and uncertainty mitigation. Supply chain security initiatives have programs that dictate partnership between companies and the customs authorities. Some security concerns in the supply chain include terrorists attack, damage of goods while on transit may be through accidents, smuggling of substandard goods, theft amongst other risks. Security initiatives could be classified as being either compulsory or voluntary.

Some security initiatives includes, The World Customs Organization (WCO), Business Alliance for Secure Commerce (BASC), Customs- Trade Partnership Against Terrorism (C-TPAT), International Organization for Standardization (ISO), International Maritime Organization (IMO), just to mention a few. Some of the trade-offs that a firm may consider when determining the focus and comprehensiveness on transport security may include time involved and cost implications. Security checks on goods are necessary but are time consuming.

Goods have to be checked and verified to ascertain that they are valid, worthy and are not hazardous. Excessive checks increases transportation

time and this has negative impacts on trade since delivery and distribution time in business should be minimal as possible. However, mechanisms should be designed with the technological inventions that could speed up the checks. There is also the cost factor involved in ensuring safety in transportation. They include security charges, insurance premiums, and customs charges amongst other transport charges.

These costs when compounded and included on production costs becomes so high and not friendly to trade. However, when equated with the losses that may arise in the course of transportation, these costs are seen to be necessary. It is important to note that, security initiatives may increase costs on transactions substantially, more so through increased time on transport, distorted trade and involving paperwork. Hence, trade facilitation perspective should be integrated properly in designing and implementing the supply chain security initiatives.

However, for business to thrive well and freely security is essential and should be intensified at all levels of supply by all firms.

## **Reference List**

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