Chapter 1: Supply Chain Risk Management – Developments, Issues and Challenges

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1.1 Introduction

The management of risk in supply chains has now become an established, albeit fairly recently, element in the fields of Supply Chain Management (SCM), corporate strategic management and Enterprise Risk Management (ERM). In addition to such cross-functional contributions, Supply Chain Risk Management (SCRM) contributes to the decision making processes in most functional areas within a business (e.g. marketing decisions concerning product delivery lead times; health and safety management within production operations). The essence of this Handbook is the capture, interpretation and dissemination of the latest developments in research, practice and policy in what is proving to be a very rapidly developing field. The text is designed to appeal to researchers, scholars, policy makers and practitioners alike, whilst seeking to ensure that what is presented is well grounded in robust empirical methodologies and evidence or accurately represents the structures, practices and processes employed in industry. Like all developing fields of study, SCRM draws on other disciplines and fields of study. Hence, many of the contributing authors approach the issues from distinct and differing perspectives.

This opening chapter of the Handbook will seek to summarize the evolution in the field to date, providing introductory explanations of concepts and definitions employed and identifying the key issues and concerns that provide the essence of SCRM. An explanation of the overall structure of the Handbook is provided together with a brief resume of the focus and outcomes of each of the remaining chapters. The Chapter concludes with a review of the current trends in the field and suggestions about the next phase in its development.
1.2 Background to SCRM

Defining the terms in a multi-disciplinary and still-developing field is not without its problems since many authors choose to highlight particular dimensions or perspectives appropriate to their focus of attention. Although this may arguably produce an almost infinite variety of definitions, most of these are generally considered to be consistent and complementary. As editors, we have not sought to impose particular definitions of constructs, concepts and terms on our co-authors as this may constrain our colleagues and negate one of the purposes of this Handbook, the development of insightful and rich research which pushes forward our knowledge and understanding of this practice-oriented field. However, it may be of value to the reader to have some appreciation of the scope and terminology employed before embarking on the remainder of the chapters.

A preliminary definition of the term supply chain would encompass the linkage of stages in a process from the initial raw material or commodity sourcing through various stages of manufacture, processing, storage, transportation to the eventual delivery and consumption by the end consumer. This might suggest that supply chains are concerned primarily with logistics. However, the conceptualization of the term supply chain in the context of the Supply Chain Management (SCM) field is significantly more diverse. Previously, SCM was typically a reactive mode of management seeking to insulate the business from the risks of supply chain disruptions, especially from major suppliers immediately upstream, primarily engaged with the assessment of buffer stocks to minimize the undesirable consequences of such disruptions. SCM today demands a much more proactive, strategic and corporate approach, engaging with the other organizations throughout the supply chain in seeking to gain sustainable competitive advantage and profitability through leaner, more agile, efficient, resilient, comprehensive and customer-focused strategies. Developments of this nature may not automatically reduce the risks and indeed may certainly change the profile of risks encountered if not increasing them. SCRM is a necessary partner to the rapidly developing SCM field.

Effective SCM is concerned with the interchange of information, communications and relationship development, potentially throughout the entire supply chain, upstream to the raw material supply sources and downstream to the end consumer of the goods and services. Increasingly, recognition needs to be given to the comprehensive package of services that accompanies most products to the marketplace. Technical services and support are the more evident type of service, although financial services (e.g. loans, insurance), marketing and sales support (e.g. point-of-sale promotions) and staff training are now established as important elements in the supply chain mix. Equally, recognition should be given to the fact that every intermediary or organization in the supply chain is a customer, entitled to similar considerations as the final consumer in the chain. The expectations of supply chain or channel members may extend beyond the quality of the supplied resources to those of dependability, reliability, security and responsiveness of the supply chain to mitigate any dislocations wherever they may happen in the chain.