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Words from the editor

Dear friends,

Here is the second issue of our newsletter. The headings and the contents is very much the same but the layout is quite new. I hope you like it.

Risk management means that there is something that is valuable to us and that we want to protect. To find the best "solution" for protecting it is the challenge of the risk manager. Under the heading "Opinion/debate" you will find some thoughts about different risk management challenges. One important factor here is whether that which we want to protect is "invaluable" or "replaceable".

I believe that most of us who are studying supply chain risks are dealing with "replaceable assets". But I also think that we often get inspired or copy ideas/models from risk situations where human lives or invaluable assets are involved. It is then important to remember that the models and theories probably cannot just be transferred into a situation with "replaceable assets" but have to be adapted to the new and different risk situation.

But no matter the kind of risk situation there will always be a need of and incentives for developing new models and theories for structuring and analysing risk management issues - in supply chains and elsewhere. Today many stress that the needs and incentives are unusually high when it comes to supply chain risks. That is to me a very big challenge.

Best regards

Ulf

Articles and literature

Printed

Christopher, M. & Lee, H. L. (2001): "Supply Chain Confidence - the key to effective supply chains through improved visibility and reliability". Global Trade Management. Vastera, Inc. 6th November 2001.

Fokinther, M. (2002): "How to thrive in a volatile world". Logistics Europe, June 2002, pp. 20-24.

Greenberg, J. (2002): "September 11, 2001 - A CEO's Story". Harvard Business Review, October 2002, pp. 59-64.

Hallikas, Karvonen, Pulkkinen, Virolainen and Touminen (2002): "Risk Management Processes in the Network Environment". Proceedings of 12th International Working Seminar on Production Economics. February 18-22, 2002. Igl, Austria.

Juttner, Peck & Christopher (2002): "Supply chain risk management: Outlining an agenda for future research". LRN 2002. Conference proceedings. Editors: Griffiths, Hewitt & Ireland, pp. 443-450.

Martha, J. & Subbakraishna, S. (2002): "Targeting a just-in-case supply chain for the inevitable next disaster". Supply Chain Management Review. September/October 2002.

Svensson, G. (2002): "The Theoretical Foundation of Supply Chain Management: A Functionalist Theory of Marketing", International Journal of Physical Distribution & Logistics Management, Vol. 32, No. 9, pp. 734-754.

Svensson, G. (2002): "Vulnerability Scenarios in Marketing Channels: A Research Note", Supply Chain Management: An International Journal, Vol. 7, No. 5, pp. 322-333.

Svensson, G. (2002): "Dyadic Vulnerability in Companies' Inbound and Outbound Logistics Flows", International Journal of Logistics: Research and Applications, Vol. 5, No. 1, pp. 1-31.

Conferences/Workshops

Have taken place

Managing Risk in the International Supply Chain - exploring critical aspects of logistics effectiveness. October 25-26, 1999. The Copthorne Tara Hotel, Kensington, London. Organised by Triangle Management Services Ltd, Beaconsfield, UK.

The Inaugural International Research Seminar on Risk and the Supply Chain. October 15-17, 2001. Crewe and Alsager Faculty, Manchester Metropolitan University. Crewe. UK.

Managing Risk in the Supply Chain. March 12-14, 2002. European Supply Chain Forum. Dorint Cognac Hotel. Eindhoven. Netherlands.

Supply Chain Vulnerability. April 25 2002. Cranfield School of Management. www.som.cranfield.ac.uk/som

ILC 2002 - 18th International Logistics Congress and Exhibition. Theme "Outsourcing Life Cycle Support - Sharing the Risks, Sharing the Opportunities". Munich, Germany, October 6-9, 2002. Arranged by SOLEurope.

The 2nd International Research Seminar on Supply Chain Risk Management. October 14-16, 2002. Engineering Logistics, Lund University, Sweden.

Research projects and research groups

Zsidisin, George A. & Michael E. Smith: "Reducing Supply Risk With Early Supplier Involvement." Research in Progress.

Manuscripts under review by ISCRIM members

Agrell, P. S., Lindroth, R. & Norrman, A.: "Risk, Information, and Incentives in Telecom Supply Chains". Submitted to International Journal of Production Economics.

Zsidisin, G.A., "Managerial Perceptions of Supply Risk". Submitted to the Journal of Supply Chain Management, forthcoming.

Zsidisin, G.A. & Ellram, L. M., "Purchasing Organization Implementation of Uncertainty and Impact Reduction Techniques to Manage Supply Risk". Submitted to the Journal of Supply Chain Management.

Zsidisin, G.A., "A Grounded Definition of Supply Risk". Submitted to the European Journal of Purchasing & Supply Management.

Books - printed

Helferich & Cook (2002): "Securing the Supply Chain: Management Report". Council of Logistics Management. Oak Brook, Illinois, USA.

Chapman C. & Ward S. (2002): "Managing Project Risk and Uncertainty: A Constructively simple Approach to Decision Making". West Sussex; John Wiley and Sons Ltd. (www.wiley.com)

Books - In progress

Some of the members in the ISCRIM network are jointly working on a book on supply chain risk management under the co-ordination of Claire Brandley who will also be the editor. The book is planned to be published in the autumn 2003.

Comments on articles and literature

Comments by Ulf Paulsson

Christopher, M. & Lee, H. L. (2001): "*Supply Chain Confidence - the key to effective supply chains through improved visibility and reliability*". Global Trade Management. Vastera, Inc. 6th November 2001.

Gives a good overview of the present trends in supply chains. Talks about four kinds of risks in the supply chain: financial risks, "chaos" risks, decision risks and market risks. Makes a division of risk-sources into tangible and intangible elements. The intangible element "lack of confidence" can lead to actions in the chain increasing the risks. Those actions can lead to other actions increasing the risks further. A risk spiral is created. Stresses the importance of "confidence" for the ability to have a lean and efficient supply chain. Confidence is all about perception. The perception of confidence is what should be measured.

Coming conferences/workshops

ISM, Tampe, Arizona. (USA). March 20-22, 2003.

The 14th Annual North American Research/Teaching Symposium on Purchasing and Supply Chain Management". March 22-24, 2003 in Tempe, AZ. Proposal deadline: November 1, 2002. Interested in helping propose and participate in a session on Supply Chain Risk? Contact George A. Zsidisin. <http://www.capsresearch.org/narts2003call4papers.pdf>

NOFOMA 2003, Oulu (Finland). June 12-13, 2003. Deadlines: Abstract January 31; Article: March 31. <http://www.nofoma.org>

ISL 2003, Sevilla (Spain). July 6-8, 2003. Deadlines: Abstract November 29; Article: March 31.

LRN Annual Conference, London (UK), September 2003.
<http://www.tic-online.com/lrn2002>

The 3rd International Research Seminar on Supply Chain Risk Management, Crewe (UK). October 13-15, 2003 (preliminary). Crewe and Alsager Faculty, Manchester Metropolitan University.

Interesting Internet links

www.capsresearch.org (CAPS - Center for Advanced Purchasing Studies)

www.riskpublications.com (Publications about financial risks.)

www.rmbulletin.com (Risk Management Bulletin - useful links to organisations, conferences, books and articles. To get full access to the articles you have to subscribe to the Risk Management Bulletin.)

www.supply-chain.org (SCOR - Supply-Chain Council)

www.sole.org (SOLE - The International Society of Logistics)

www.soleurope.org (SOLEurope - The International Society of Logistics - European partner organisation)

www.survive.com (SURVIVE - The Business Continuity Group. An international, industry-wide group for business continuity practitioners with 3000 members.)

Some Thoughts about Risk Management Challenge Situations

by Ulf Paulsson

The concept "Risk Management" may seem to be a straightforward concept about how to manage risks but a closer look reveals that the concept is used in different situations, each situation with a different risk management challenge.

The first situation is when people's lives or health are threatened or invaluable assets like the painting "Mona Lisa" can be damaged or destroyed. Then the risk management problem is, given the resources available/money to spend, to find the risk handling alternative that will give the lowest risk level. Sometimes we go the other way around and start by deciding where the acceptable risk level is and then try to find the risk handling alternative that will attain that level at the lowest cost.

When we are not dealing with people or invaluable assets but assets like product components or commodities, that could be replaced by identical or similar assets without anyone minding, we are in a totally different situation. To each risk is now an opportunity of resource creation (revenues) linked. Often we start by focusing on an opportunity alternative that we consider, e.g. by changing from dual to single sourcing we could reduce the price of a certain component that we buy, and then look at the risks, e.g. the increased risk for disturbances following from single sourcing. There is no use exposing oneself to a risk if it isn't linked to a resource creation that is bigger than the expected "cost" of that risk. In other words; a surplus must exist. The challenge of the risk manager is here to find the combination of opportunity alternative and risk handling alternative that will take care of the risks linked to the opportunity alternative, that give the biggest surplus.

Another difference between the two kinds of risk management situations is that in the first case the risk is there from the beginning but in the second case it is created through the chosen opportunity alternative because every alternative produces both risks and opportunities at the same time.

"Risk and opportunity management" is more complex than "risk management" in that respect that you must look at both the opportunities and the risks of each alternative at the same time. Through delimitation a "risk and opportunity management situation" can become to look like a "risk management situation" and can also be treated as such. If e.g. we suppose that the opportunity alternative is fixed, i.e. already decided upon, then we only have to consider the risks linked to the decided opportunity alternative and how to handle those risks. We can also decide to have a fixed risk level. Then the risk management challenge becomes to choose the less costly risk-handling alternative for the chosen opportunity alternative and risk level. But as soon as we get rid of the delimitation or delimitations we are back to a "risk and opportunity management situation" again.

Risk situation	"Assets" to protect	Resources	Alternatives	Risk exposure level	Risk management challenge
1: Risk management with fixed resources	Human lives. Invaluable assets.	A fixed sum of money to spend on risk-handling alternatives	Existing and new risk handling alternatives	As low as possible	To find the risk handling alternative that given the sum of money to spend gives the lowest risk level
2: Risk management with fixed risk level	Human lives. Invaluable assets.	The cost of the chosen risk-handling alternatives	Existing and new risk handling alternatives	Fixed	To find the risk handling alternative that at the lowest cost will attain the pre-set fixed risk level
3: Risk and opportunity management	Replace-able assets	Revenues risk cost and risk-handling costs (resulting in a surplus)	Existing and new opportunity alternatives and risk handling alternatives	Optimal	To find the combination of opportunity alternative and risk handling alternative that creates the biggest surplus.
4: Risk management with fixed opportunity alternative	Replace-able assets	The risk cost and the cost of the chosen risk-handling alternatives	Existing and new risk handling alternatives	Optimal	To find the risk handling alternative that minimises the total cost of; risk + the cost of implementing the risk handling alternative.
5: Risk management with fixed opportunity alternative and fixed risk level	Replace-able assets	The cost of the chosen risk-handling alternatives	Existing and new risk handling alternatives	Fixed	To find the risk handling alternative that at the lowest cost will attain the pre-set fixed risk level

International journals on risks

Journal of Risk and Uncertainty. Kluwer.

Risk Analysis - an international journal. Blackwell.

Risk Management Bulletin. Ark Publishing, London. (Re-launched as Risk Transfer Magazine).

Risk Transfer Magazine. Ark Publishing, London.(www.risktransfermagazine.com)

Risk Management Bulletin Newsletter. Ark Publishing, London. (Free)

Risk Management. Gale Group, Thomson Corporation Company.

Security Management

Treasury & Risk Management

ISCRIM News

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<http://www.tlog.lth.se/researchnetwork.asp?ID=2>

There you will also find some information from the ISCRIM Network.

ISCRIM - The International Supply Chain Risk Management Network

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Issue plan for 2003

Issue	Deadline for contributions	From Print
2003:1	February 1	Feb. 10
2003:2	May 1	May 10
2003:3	August 1	Aug. 10
2003:4	November 1	Nov. 10