ABSTRACT

While significant research has been devoted to the understanding of supply risks and the identification of appropriate risk mitigation strategies, much less attention has been paid to understanding specific circumstances that would make one risk mitigation strategy more appropriate over another. Our initial literature review reveals that theoretically, there are multiple valid strategies that may be implemented and/or deployed to mitigate a certain risk. For example, risks associated with inbound supply disruptions resulting in raw material shortages may be mitigated through either, the use of raw material inventory buffers, the use of multiple sources of supply, or through the leveraging of backup suppliers in the event that the main supplier experiences a disruption (Zsidisin, 2003; Tomlin, 2009; Pettit et al., 2010). However, the risk mitigation strategies themselves have associated costs and other potential downsides as well. In our prior example of supply risk mitigation strategies, the use of raw material inventory buffers may increase a firm’s inventory holding costs and may potentially expose the firms to obsolescence-related costs. The use of multiple sources of supply increases the costs associated with the complexity of managing multiple suppliers (Bozarth et al., 2009). Finally, backup suppliers, may not be fully able to meet demand requirements in a timely manner due to capacity constraints (Chen et al., 2012). Taken together, it is important to understand that it is not just the type of risk that determines the choice of risk mitigation strategy, rather there are other salient factors intrinsic and/or extrinsic to the firm that would make one risk mitigation strategy more appropriate for implementation.

Thus, our presentation will detail our current progress on: (1) the literature review of supply-side risks, and their associated risk mitigation strategies (2) the associated costs, risks, and other salient factors that may influence the implementation of the risk mitigation strategies. The ultimate objective of this research is to uncover generalized conditions which rationalize the choice of one risk-mitigation factor over another.
REFERENCES


