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What's Risky in Your Business?

Popular scientific summary of *Managing Risks Posed on the Supply Chain of a Small Startup in Expansion*, a master thesis at the Department of Industrial Management and Logistics, Division of Engineering Logistics, Faculty of Engineering - LTH, Lund University.

Risks, a word commonly used to talk about possibilities with negative impact. However, sometimes people take risks because there is a promising possibility of great reward outweighing the negative. In the conducted study, risk has been defined as an event that might occur with a certain probability and bring with it negative effects in the shape of losses. This study was performed to analyze the most prominent risks that an evolving startup might need to manage. It was done through a case study on a small, eco-friendly, cosmetics company called Suntribe AB.

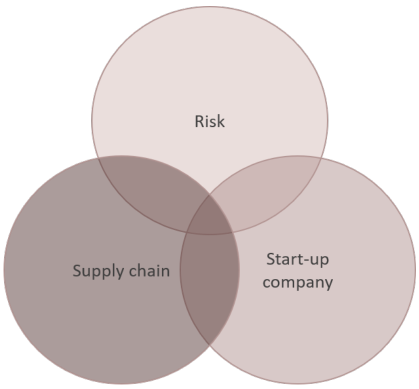

Figure 1: Venn diagram of the research area

Through an extensive literature review a gap in existing research was filled. See the intersection of risk, startups, and supply chain in Figure 1. A risk model containing over 60 risks related to startups and supply chains was created. In the model, there is a ranking system based on probability and impact areas such as financial, product quality, company image, and disruptions.

The study revealed the most important risks for Suntribe AB and the strategies to manage them. According to Manuj and Mentzer (2008) risk management entails the identification, assessment, and mitigation of risks. The risk of *Logistic provider fails to meet demands* can be mitigated by collaboration and/or sharing transportation with other businesses. This will fill the trucks better and therefore reduce costs. Longer delivery windows is also a solution. *Change of lead time* can be handled by analyzing KPIs such as "Delivery Reliability" as well as increasing safety stocks for critical items. *Cyber attacks* can be mitigated by having the correct technology in place to ensure safety. *Disruption of delivery due to single source* can be mitigated by using multiple suppliers. The *gap between payment terms and required investments* can be avoided by supplier negotiations, ensuring a strong position by forming trusting relationships. Shortening the supply chain results in quicker revenue, making the gap smaller. *Not having enough financial backers/partners* can be mitigated by networking to find new partners. *Experiencing a lack of resources* can be relieved by incubator programs, another way is to hire consultants. *Poor conflict resolution* is can be mitigated by appointing a happiness manager within the team whose task is to create a psychologically safe environment.

These strategies are ready to be used by Suntribe AB, to manage their expansion. However, for all other startups out there looking for some help regarding risk management, they can use the risk model to follow the three steps proposed by Manuj and Mentzer (2008).

The study entailed a rigorous literature review and interviews with the founders of Suntribe AB to identify risks. All risks where then combined into a model. The founders of Suntribe AB participated in a survey to test the model and rank the risks.

The outbreak of virus the Covid-19 in 2019/2020 caused the authors to include a general disruptive risk (GDR) marking in the model. Which can help by creating a setup where some of the major risks associated with a GDR are avoided.

References

Manuj, Ila and John T. Mentzer (2008). "Global supply chain risk management." In: *JOURNAL OF BUSINESS LOGISTICS* 29.1, p. 133.