

Chapter 73

Management of Risk and Resilience Within Collaborative Business Network

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ABSTRACT

Global business communities are facing tremendous challenges from market places with respect to reduce cost and offer true customized products or services to the end customers. To cope such challenges companies are nowadays considering forming a business network with the objective to achieve several business benefits. However, to execute such business network is not risks free but always facing some problems for its continuation successfully. In such situation, it is necessary to formulate risk mitigation plan and strengthen the resilience within business network. The objective of this article is therefore to identifying and sharing risks within the collaborative business network and proposing necessary mitigating plan and resilience for it. In this research, a framework is also highlighted that provides a structural approach for identifying and assessing potential risks and resilience in business networks and their possible impacts on different levels of collaboration. The study is concluded with future research directions.

INTRODUCTION

Today's shorter product life cycle and increasing demand for customized product exerts extra pressure to the manufacturing companies to stay competitive in the markets. Due to cost pressure and achieving competitive benefits, companies are adopting globalization and business network strategies (Peck, 2006; Oshri et al., 2015). The basic concept behind collaborative business environment is that an individual company cannot successfully compete by itself. Therefore, many companies seek coordinate cross-company activities and work together to achieve superior performance (Varrichio et al., 2012). Companies initiates such collaborative arrangement in order to share risks and rewards. Business collaboration or networking, whether it is temporary or permanent offers higher performance and security than would be achieved by operating individually.

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To be successful in today's business environment, companies must deal with intertwined layers of information, raw materials, analytical data, customer communication and service while maintaining countless secure relationships with third-party organizations such as suppliers, outsources and government regulations (Rohrbeck et al., 2013). Although the economic and organizational impacts for collaborative business are high, their vulnerabilities remain largely unexplored. Such vulnerabilities depends largely on transitional alliances, global markets for investment capital, goods and services, that can affect customers preferences, legal issues, achieved benefits and ultimately partners value (Stadler, 2015). These vulnerabilities are considered as independence risks, which are exposed across the business network that are beyond an individual partner's direct control (Parise & Casher, 2003).

Major manufacturing companies are aware of establishing business collaborations with their network partners in order to achieve associated advantages. Especially, small and medium-sized enterprises (SMEs) are participating in collaborative network with the objective to enhance their competitiveness by increasing their agility, responsiveness and adaptability. Such strategic benefits contribute them to deal with the rapid market evolutions and the globalization of business. However, there are challenges for the participating companies, especially for SMEs, which are derived from the shortage of resources and capabilities and the limitations associated to cultural barriers. As the business collaboration consists of individual and autonomous partners, each one defines its own business strategies that often may result in conflict situations among enterprises of the same business network.

Different business strategies among collaborative partners creates diversity in business goals that negatively affects overall business network's strategy. The lack of coherence and coordination among business strategies leads to misalignment in the network goals. If the conflict among business strategies that are aroused in the business network are not mitigate on time it could lead, in the end to the business collaboration. The overall business performance with higher success in the collaboration is directly related with the activation of a proper combination of strategies of each partner belonging to the network (Kleindorfer & Saad, 2005). The objective of business alliance is to provide partners appropriate mechanisms to remove the strategies misalignment problem, with the view to establish long-term collaborative relationships.

This research deals with the fundamental concepts of business collaboration, its evolution and life cycle along with associated benefits, risks and resilience, which are in combination rarely discussed in the literature. This paper discusses the role of collaborative networks as a facilitator for resilience and risk management. The focus of this research mainly to identify different type of risks, causes of the risks and their mitigation plans as evolves during business collaboration. A risk mapping and resilience management framework is also highlighted within the scope of this research.

BACKGROUND

Perspectives of Risks Within Collaborative Business Network

Within the business network there exists various types of risks during its execution. The network risk sometimes is interpreted as unreliable and uncertain resources creating business processes interruptions. As in most literature, it is agreed that risk is associated with negative consequences of impact (Christopher and Lee, 2004; Paulson, 2005; Wagner and Bode, 2006). However, it is difficult to define the expectation of risk. Furthermore, the expectation of risk often cannot be described by probability (Tang

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