

THE RISK MANAGEMENT, DETERMINANT FACTOR OF INCREASING THE LOGISTICS PERFORMANCE

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Abstract: Evolution of the new European and regional environment, the updated economic circumstances and legislations, determined utilization of new mechanisms to identify and control the risks associated to these changes. The risk could be defined as a continuous danger inside organization activities and decision process, and also as a quantifiably measure of a possible event, which is not desired. So, all organizations, without taking into account the genders and dimensions, will be exposed to some risks which those probabilities and impact must be evaluated.

Keywords: military organization; management; process; logistics risk, performance.

1. INTRODUCTION

At the level of military organization, the risk management represents the activity by which the risks administration is achieved, its task being optimization of risk exposure.

The specialists in domain sustain¹ that the level of risk which a organization will maintain after implementation of a risk management program, is named residual risk.

To increase the logistic performance, it's mandatory for logistic structures to define their own strategy related to specific risks of a military organization.

Also, it must ensure a complete and adequate strategy and also the accessibility of specific documents for all logistic personnel.

Realizing this aspect will determine the insurance of logistic risk management which facilitates the efficient fulfillment of military structures goals.

The logistic risk can be defined as a possible danger for military organization or for a system inside it; in other words, this represents a certain event, behavior, action or no action which could jeopardize the patrimony, the mission's achievement or logistics objectives of military units.

2. CONSIDERATIONS ABOUT THE LOGISTIC RISK

The logistic risks evaluation presumes identification and analyzing those through the danger common sense view which is represented related to military organization objectives.

The logistic risk management is a repeating process, continuous which is identified a mechanism of detection and evaluation of dangers, of analyzing and controlling the risk, its effect or consequences being the increase of logistic performance of structures and microstructures.

This aspect determines the maximization of positive events consequences and minimizing the negative events consequences which take places at logistic structure level.

The steps of logistic risk management process are the following:

1. identifying the logistic risks / hazards (dangers, vulnerabilities), this step presumes applying of the methods, techniques or tools adequate for identifying the risks associated to certain logistic action or activity.

Practically it starts with identification of activity domains inside military unit, detail inventory of logistic processes, specific phases and activities, to the level of basic tasks.

¹ Orzan, M., Risks management associated to marketing instruments, Online marketing magazine, vol.1, no. 2, A.S.E., Bucureşti, 2007, page 4.

Then each activity / domain inside institution will be detailed, in successive operations, showing who and what is doing, the inputs which are used for every task / activity and what outputs are expected.

The inventory and particularization of logistic processes and activities are doing with the scope that all members of managerial team to have a clear and comprehensive image on organization, in this way being identified all the potential risks from inside or outside.

2. assess the logistic risk / hazards, presumes applying of quantitative and qualitative measures to determine the probability or severity of potential negative effects which results from exposure to a certain danger or threat.

This aspect can be started according to the following indicators:

- the probability of starting or possibility of initiating a specific risk;
- the risk impact, in other words the effect or consequences which appear through materialization of a certain risk;

To evaluate the probability and impact / meaning of logistic risks could be used the following evaluation scale:

Table 1 Assessment of logistic risk and its impact

| RISK ASSESSMENT | | SEVERITY | |
|-----------------|----------------------------|----------------|-----------------------------------|
| Extremely high | 5 = frequent appearances | Extremely high | 5 = major impact/ catastrophic |
| High | 4 = likely appearances | High | 4 = considerable impact/ critical |
| Medium | 3 = occasional appearances | Medium | 3= medium impact/ moderate |
| Low | 2 = seldom appearances | Low | 2= minor impact |
| Very low | 1 = unlikely appearances | Very low | 1= negligible impact |

The team designated to do the logistic risk analysis has the role to estimate and determine the unit management capacity to administrate the identified risks, and the efficiency of existing internal controls, using the following scheme:

Table 2 Internal controls efficiency

| INTERNAL CONTROLS EFFICIENCY | |
|------------------------------|---|
| Very efficient | 4 |
| Efficient | 3 |
| Acceptable | 2 |
| Ineffective | 1 |

So, knowing those three indicators (appearance probability, impact and control efficiency), can calculate the logistic risk value (LR), using the following formula:

$$LR = P \times I / C:$$

where:

P = Probability of appearance / risk assessment;

I = Impact / severity (consequences gravity);

C = Efficiency of existing internal controls.

The logistic risk doesn't have a meaning as an absolute value, will serve as a synthetic indicator (priority risk) to compare the logistic risks which are identified.

3. hierarchy of logistic risks (classification) is the step in which is realized a hierarchy on domains or specific activities, establishing the logistic risks levels, as high, medium, low; also in this step it can be removed the insignificant risks.

4. evaluation and analyzing the logistic risk control measures (develop controls and make risk decisions), presumes identification of procedures and strategies in order to reduce or remove the risks identified at the level of the military organization;

5. the logistic risk control represents the step in which the logistic managers will take adequate decisions of establishing control measures on logistic risks;

6. implementation and analyzing the corrective actions of logistic risk is in fact applying a strategy of implementing the identified control measures (implements control).

The manager team will establish terms and will designate the responsible personnel for decreasing the logistic risks consequences, this information will be realized through a “The Action plan against logistic risks”;

7. monitoring the attenuation actions of logistic risks (supervise and evaluate).

Because the management of logistic risk is a continuous process, the process has to be supervised or even reevaluated from time to time.

Inside logistic structure, the risk management represents a key part of logistic management, so the risks must be taken into account in the moment of taking the logistic decisions and the opportunities will be maximized just administrating, in an active way, the risks and threats / hazards which can prevent the appearance of success.

To fulfill the specific objectives, we all agree that the logistic manager must have a concrete approach, as it follows:

- establishing a clear responsibility, roles and lines of reporting to administrate risks, these being established and maintained in all functions and structures ;

- analysis of logistic risks will be incorporated and considered as an integrated part of logistic decision process ;

- the measures taken to manage individuals logistic risks will be adequate to probability of appearance and the impact potential of those risks to structure objectives fulfillment;

- the performances of logistic risk management activities will be measured according to specific mission and objectives.

CONCLUSIONS

The logistic risk management is identified as a process complementary to intern control; this id made by the team manager in relation with execution personnel, through will be used tools and ways which will follow identification and administration of threats which could have a negative impact to objectives, in the same time with awareness of risks.

Because the military structures are subject to risks, indifferent of their nature (operational, law, financial) it is mandatory to ensure and implement a process of managing risks, also those logistics. This aspect is determined also of the fact that the risk is everywhere, in any circumstances and actions and it can be eliminated.

The solution is to minimalize or maintain the logistic risk in a certain accepted limits, agreed by unit management. Inside military organization, the logistic risk management was created on the concept of internal control, but the accent is on the way of risk administration and also to incorporate basic concepts according to internal control in the process of risks administration.

From time to time it is mandatory to analyze inside military units, at least 2 times per year, the risks related to logistics activities and domains associated, with the scope of identifying viable solutions which will be materialized through action plans.

The knowing of threats levels and realizing of an hierarchy of those taking into account of their appearance, impact, and efforts of reducing the chances of appearance or limitation the undesirable effects, it is a necessity in the logistic risk management process.

At the level of logistic structure administration of risks represents identifying and evaluation of those and establishing the way of reaction against risks, also to operate with internal control means which can attenuate the possibility of appearance or the consequences which can be produced if they are materialized.

The logistic risks must be identified at any hierarchic level, where the possibility of appearances of negative consequences in fulfillment of military unit objectives can be found, also the necessity of identifying and applying the specific measures to settle problems related to those risks.

In practice, the logistic risks is based on incertitude's but also on perception of incertitude, in this way it is mandatory to have data and information to administrate efficiently the logistic risks.

In the process of administration the logistic risks, resources are always limited and for these reasons the management of military units will find an optimal response in the problem of administrating the risks, in a certain way of priorities, aspect which results from the activity of risks evaluation.

The practitioners recommends to managers to take into account of the fact that the logistic risks can't be avoided, in these conditions they have to keep them at a level considerate acceptable and tolerated by organization and do not try to eliminate them because this action can lead to the appearance of other risks absolutely unexpected.

The logistic manager has to apply a risk management process which will facilitate the efficient realization of organization objectives. Always, in practice, the logistic risks have to be related to objectives, they have to be evaluated and prioritized starting from the individual's objectives and continuing with collective's objectives of unit.

In order to realize a successful management, the logistic structures have to fulfill the following criteria:

- to define their own strategies of logistic risks with which the unit can be confronted;
- to define specific objectives and associated the logistic risks;
- to create and maintain an efficient system of logistic risk management;

I said that the logistic risk management must be based on the exact knowing of processes and specific activities of unit, and also the operational frame in which unit acts;

Ensuring a performant logistic risk management will accomplish the objectives of military organization and those related.

Also the knowing of logistic risks and the accepted level of risk exposure will contribute to a realistic fundamental of managerial decisions.

I consider that the viable solution of managing the logistic risks is represented by finding a balance between the residual risk and the risk which are prepared to accept or tolerate.

In approaching the logistic risk the logistic manager must straighten its attention also to internal factors inside organization (personnel quality and motivation, quality of internal control system and necessity of fast increasing of activity volume) and to external factors (the legislation, technological development and the major force).

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