Risk Management Situation and Strategic Analysis of Supply Chains of Small and Medium Enterprises in Luzhou Liquor Industry Development Zone

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Abstract

After entering the information-based society, profound reform has happened in the business pattern of enterprises, and the competitive mode between traditional enterprises has been transformed into the competition between supply chains in nowadays. The liquor industry in Luzhou is the pillar industry of economy, which involves "Luzhou Old Cellar", "Ichiro Liquor" and other large-scale enterprises with well-known brands. Besides, many small and medium-sized enterprises are developing and flourishing in Luzhou. Compared with the development of large enterprises, the development of small and medium sized enterprises has more uncertainty and risks. At present, Luzhou City is setting about to build Huangyi into a liquor centralized zone, which is also a clusterization strategy for industry development of Luzhou liquor. For Luzhou Liquor Zone, the implementation of supply chain management of small and medium-sized enterprises can greatly reduce the cost of enterprises and improve efficiency of operation. The growth and development of small and medium-sized enterprises in Luzhou Liquor Zone and the promotion of advantages of industrial clusters are closely related to the risks of the supply chain.

Keywords: Risk Management of Supply Chain; Network Type Supply Chain of Liquor Industry Development Zone; Risk Prevention of Supply Chain

1. INTRODUCTION

1.1 Analysis on problems of supply chain risk management in the cluster development of small and medium sized enterprises in China

The cluster development phenomenon of small and medium-sized enterprises almost extends all over the industrial fields in our country, shows great vitality in economic development, and has become an important form for Chinese traditional industries to move towards intensification and professionalization. As a form of industrial organization, the cluster of small and medium-sized enterprises has competitive advantage of groups and scale merit of concentrated development. Enterprises cluster refers to the organic system composed of mutually associated enterprises and institutions in a certain field. These enterprises and institutions are concentrated into one cluster, and the formed system has complete upstream, midstream and downstream structure, external supported industry structure and safety, flexibility, maneuverability and other characteristics. Enterprises inside

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the cluster have established close cooperative relations between each other, which plays an important promoting role in seeking scale effect and enhancing the competitiveness of enterprises. However, in the development zone of small and medium-sized enterprises cluster, the risk management of supply chain is almost absent. Problems of supply chain risk management are mainly demonstrated in the following aspects: firstly, practical and effective action is always lacking, while afterward remedy is the practice. Although the enterprise leaders realize the importance of supply chain risk management in their minds, practical and effective action is absent. Many enterprises only begin to pay attention to the supply chain risks after encountering some crisis. Secondly, the cooperation among members of the supply chain is lacking. Most of the enterprises consider that everything will be fine if they conduct direct, normal production and operation and fulfill obligations in accordance with the contract. They tend to shirk responsibility and shift the blame onto the suppliers, and transfer the responsibility of supply chain risk management to the suppliers as far as possible. What’s more, they don’t know the work that should be done for the supply chain risk management. Even though they begin to pay attention to the supply chain risks, they often do not know where to start from, and sometimes put the cart before the horse.

1.2 The development background of liquor industry zone
The liquor industry zone located in Huang Yi Town, Jiangyang District, Luzhou City is China's most influential and representative liquor industry zone, the first liquor processing supporting industry cluster, the key program of "Powerful Industrial Province" of Sichuan, the cultivation and growth-oriented characteristic industry campus of over 100 billion yuan in Sichuan (“Project 1525”), one of the eight major high-tech industrial parks of Sichuan, and the ecological industry park of Sichuan. It’s expected that by 2018, the land planning will be 10,000 acres, the number of projects to be planned and invested will be 200 (counted as the number of investment subjects), the total investment will be 15 billion yuan, the comprehensive processing capacity of liquor will reach 800 thousand ton, and the output value and service income will be 50 billion yuan. Besides, according to the node setting requirements of the supply chain of liquor industry, six major theme parks will be constructed: 200 thousand tons of base liquor brewing park, 500 thousand tons of filling production park, 500 thousand tons of supporting packet material supply park, 1 million tons of logistics distribution park, 200 thousand tons of base liquor storage park and 300 thousand tons of organic cereal planting base. A national liquor test center and a national liquor products trading center will be built. The liquor industry zone is a typical cluster development economic concentration zone, which has competitive advantages of groups and scale efficiency of concentrated development.

1.3 The current situation of supply chain of liquor industry zone
The liquor industry zone possesses the general nature of China's liquor industry. At the initial stage of the construction, the reason why it’s able to attract a lot of liquor enterprises to settle in mainly includes the gold-lettered signboard of "Luzhou Lao Jiao" and the deterrent force and coercive power of the group. At the same time, Luzhou Municipal Government has
carried out a series of integration on the local and surrounding liquor resources. Almost all of these entered enterprises are supporting enterprises of Luzhou Lao Jiao Group, and they have mutual cooperation for a long time. It can be said that most of the small and medium-sized enterprises in the zone have complicated associations with Luzhou Lao Jiao Group although they aren’t subsidiaries of the group. Although Luzhou Lao Jiao Group doesn’t settle in the zone, it has established numerous base liquor hold-up vessels for liquor production, meanwhile, its liquor test center, packing material procurement department and several other key sectors have also settled in the zone. Since multiple upstream and downstream enterprises have cooperated with Luzhou Liao Jiao Group, at the current stage, the supply chain of the liquor industry zone manifests as a network supply chain dominated by Luzhou Lao Jiao and with manufacturing enterprises as the core. As the initial form of the supply chain of the liquor industry zone, the network supply chain provides a good opportunity for the development of the regional enterprises. Due to the concentrated region, the information can achieve maximum sharing, and will not be distorted. The enterprises can play the concentrated advantage, reduce storage costs, shorten the production cycle and improve the turnover rate of funds to the greatest extent, which protects the economic benefits of small and medium-sized enterprises to a certain degree.

At the same time, a very important institution is located in the zone, i.e., Luzhou Liquor Industry Development Zone Co., Ltd. The institution serves the entire park. It’s responsible for the zone’s investment promotion, policy winning, fire safety and assisting the proprietors to complete project construction related procedures, etc. According to the customers’ requirements for the liquor products, the institution will carry out design of liquor products after comprehensively considering the price and quality requirements, then do purchasing of raw materials including bottle caps, packaging materials, glass bottles and encapsulation and manufacturers selection. Besides, it will supervise the production in factory to ensure the quality of liquor products and on-time delivery. Due to the existence of the institution, as well as its nature of service type firm, single supply chain also exists in the Liquor Industry Development Zone.

The current development situation of the liquor industry zone shows a good trend. However, it is difficult to play the advantages of the liquor industry zone relying on simple enterprise cluster, and similar problems to those existing in majority of the concentrated development zones with small and medium-sized enterprises still occur. First of all, the awareness of supply chain risk management is lacking. The entered enterprises more or less have basis for cooperation with Luzhou Lao Jiao Group, they almost didn't pay attention to the supply chain risk, and they often hold a view of “Under the protection of people of power and influence, one can be profited”. Secondly, the cooperation between members of the supply chain is lacking. This is because that almost all of the entered enterprises are in isolated position, in addition to the business connection with the famous core liquor enterprise, they almost have no cooperation between each other. With the expansion of the scale of the zone, how to effectively manage the large number of entered enterprises and make they form a closely connected network organization, so as to play the advantages of industrial cluster has become a problem urgently to be solved by the managers of the zone.
2 Risk management strategies for supply chain of the small and medium-sized enterprises in the liquor industry zone

2.1 Shift of enterprise consciousness

As mentioned above, the managers of small and medium-sized enterprises in our country lack consciousness of supply chain risk management, and so it is with the small and medium-sized enterprises in the liquor industry zone. The managers tend to believe that the occurrence of risk is a small probability event. They even think that the responsibility of supply chain risk management has already been taken because of the existence of the liquor industry zone. Such fluke mind makes the enterprises neglectful in taking precautions. Due to the lack of psychological preparation for dealing with risk and advance preparation for guarding against risk, once the risk happens, often great losses will be caused to the enterprises. In addition, since some managers are blindly wild about improving efficiency and reducing costs, the entire management system lacks flexibility. In order to realize supply chain risk management in a real sense, the enterprises must correct two kinds of wrong thoughts mentioned above, namely the fluke mind and the blind pursuing of efficiency. The managers must not only build a risk prevention awareness, but also infuse the idea into the employees and inject it into the daily operation and decision making of the enterprises, since the transformation of decision to execution relies on the collective force of the staff. Therefore, not only the managers need to shift their awareness and prevent the so-called small probability events, but also the staff needs to be passed on such idea. In doing so, the flexibility of small and medium-sized enterprises in the liquor industry zone can be given better play to.

2.2 Reinforcement of the government’s service awareness for industrial clusters

The generation and development of the liquor industry zone and the security of the supply chain of upstream and downstream enterprises are closely linked to the government relevant institutions’ guidance and service. In the context of market economy, the enterprises are the leading force of development. The enterprises pursue progressive increasing of marginal utility, hence the industrial cluster is formed, and it is the basic motive for building the development zone in the context of market economy. The roles of the government include active guidance, environment cultivation, providing good service and promoting the healthy development of the modern development zone. Enterprises act as the leading role and the government controls the environment, such role play cannot be reversed. Improving the infrastructure and strengthening the information construction are of great significance for supply chain risk management. We should build a communication platform of information, finance and logistics for small and medium-sized enterprises in the liquor industry zone as far as possible, in order to enhance the anti-risk capabilities of enterprises in terms of logistics, capital flow and information flow. We should constantly strengthen the service consciousness, optimize the service structure, perfect the service system, and comprehensively improve the soft environment of the development zone.

2.3 Improvement of incentive mechanism between enterprises of the supply chain

The obstructed operation of logistics, information flow and capital flow occurred in node
enterprises of the supply chain is to a large extent due to the mistrust between the enterprises, the incomplete enterprise supervision mechanism and the general moral hazard problem. Therefore, how to motivate the enterprises in different nodes, make them more actively participate in the cooperation and establish a relatively stable supply chain of security has become the primary issue for solving the problem of moral hazard and regulating the enterprise behaviors. The growths of the small and medium-sized enterprises in the liquor industry zone are almost isolated, and their awareness of supply chain risk management is lacking. Hence, Luzhou Liquor Industry Development Zone Co., Ltd. should exert its service consciousness of the service firm, guide and mobilize the senior managers of the enterprises to set up a set of effective supply chain incentive mechanism, so that the benefits produced by the optimization of the whole supply chain can be reasonably allocated to each enterprise of the supply chain and inside the enterprises. Only when all of the node enterprises of the supply chain benefit from the supply chain management, will the enterprises safeguard the overall interests of the whole supply chain, will the whole supply chain be more stable. At the same time, the scale economies effect will appear if the advantage of concentration is played.

2.4 Development of joint risk prevention plan for the upstream and downstream enterprises

The supply chain is an integrated comprehensive system, so any link of the chain going wrong may affect the other links of the chain. Therefore, we should systematically grasp the risk management of supply chain from an overall perspective, make the upstream and downstream enterprises of the chain jointly develop a risk prevention plan, and manage the supply chain risk together. The enterprises should develop the risk prevention plan with the upstream and downstream enterprises of supply chain jointly, supervise and urge each other, and conduct identification, assessment and management of the supply chain risk, so as to achieve stable, efficient and continuous operation of the whole supply chain and to realize benefit sharing and risk pooling. It’s also an opportunity for enterprises in the liquor industry zone to achieve mutual benefits and risk sharing.

2.5 Establishment of risk early warning and control system for the supply chain

Enterprises in the competition are facing risks all the time, so the risk management must be persevering, and a whole set of early warning evaluation index system should be established. In particular, small and medium-sized enterprises should evaluate the possibilities of various risk indicators of the supply chain and assess the size of the risk, the influencing factors and development and changes, etc. When one of the above indicators deviates from the normal level and exceeds a critical value, the early warning signal will be sent out. The supply chain early warning and control system can allow managers of the supply chain to perceive in advance the problems and risks that may be faced in the future during the operation of the supply chain, so the managers can timely take measures to avoid the risks that may cause damage to the supply chain, reduce losses that the risks may bring to the supply chain, and enhance the competitiveness of the supply chain. Due to the flexibility of small and medium-sized enterprises, the enterprises can more easily be affected by external unstable factors in the development process, resulting in the occurrence of supply chain risk.
2.6 The establishment of risk emergency processing mechanism

After the early warning system gave out a warning, the emergency processing system will timely carry out emergency processing on the emergency, in order to avoid serious consequences to enterprises of the supply chain. The emergency operation aiming at various unforeseen circumstances that may occur during the work is a complicated systems engineering, which must be considered in multiple aspects and levels. Through the emergency system, the risks caused by various unforeseen circumstances occurred in the supply chain can be resolved, and the actual losses should be reduced. When the national policies and regulations are changed or adjusted, the structure of the supply chain needs to be adjusted timely and the supply chain should be redesigned, in order to avoid the risk or losses. The flexible supply chain strategy does not increase (or rarely increase) the system’s occupation of resources, and rarely increases operating costs under normal circumstances, so flexible supply chain strategy is a relatively practical strategy in view of the development situation of small and medium-sized enterprises in Luzhou Liquor Industry Development Zone. The flexible supply chain strategy mainly includes: postponed manufacturing plan; combination of a variety of "supply-service" modes; flexible marketing strategy and sales price; information sharing and coordination among the supply chain partners, etc.

3. Conclusions

The growth and development of small and medium-sized enterprises in Luzhou Liquor Industry Development Zone, and the promotion of the advantages of industrial clusters are closely related to the risk of the supply chain. Many scholars at home and abroad have defined the risk of supply chain in different point of views, but they all indicate the core content, i.e., the risk of supply chain has uncertainty and transitivity. It is easy to see that the supply chain risk not only affects the involved enterprise, but also causes losses to the upstream and downstream enterprises because of the close relations between the enterprises of the supply chain; besides, the risk can affect the normal operation of the entire supply chain. Strengthening the management of the supply chain risk and reducing uncertain factors are of great significance for the development of small and medium-sized enterprises in Luzhou Liquor Industry Development Zone.

References