IARJSET ISSN (O) 2393-8021, ISSN (P) 2394-1588

International Advanced Research Journal in Science, Engineering and Technology

Impact Factor 8.066 ⁜ Peer-reviewed & Refereed journal ⁜ Vol. 12, Issue 5, May 2025

DOI: 10.17148/IARJSET.2025.12594

RISK MANAGEMENT IN FREIGHT FORWARDING OPERATIONS

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Abstract: This article investigates the role of four factors—sustainability familiarity, risk frequency, risk assessment practice, and policy review frequency—in influencing the effectiveness of organizational risk management. The study employs multiple linear regression to analyze primary data collected via structured questionnaires. Results indicate that only risk assessment practice significantly predicts risk management effectiveness. This finding highlights the indispensable role of structured risk evaluation methods in enhancing an organization's ability to manage uncertainty. The study's implications suggest a paradigm shift toward reinforcing analytical processes over peripheral awareness practices. Key contributions include actionable recommendations and theoretical affirmations in the context of organizational resilience and governance.

I. INTRODUCTION

Risk management is an integral part of corporate governance and strategic planning. The increasing volatility of business environments, driven by globalization, cyber threats, regulatory changes, and environmental issues, has compelled organizations to adopt more robust risk management strategies. According to the Committee of Sponsoring Organizations of the Treadway Commission (COSO), risk management involves identifying potential events that may affect the entity and managing risk to provide reasonable assurance regarding the achievement of objectives (COSO, 2017).

While numerous frameworks exist to guide organizational risk efforts, the actual effectiveness of these strategies depends on how they are operationalized. This study seeks to empirically investigate which among four prevalent risk-related activities contributes most significantly to effective risk management, thereby helping organizations prioritize investments in governance and process improvements.

STATEMENT OF THE PROBLEM:

Freight forwarding operations form the backbone of international trade and global logistics. However, these operations are increasingly exposed to a wide range of risks including operational delays, cargo damage, customs clearance issues, regulatory non-compliance, and external disruptions such as political instability or natural disasters.

In India, and particularly in port cities like **Chennai**, freight forwarders face unique challenges such as bureaucratic customs procedures, infrastructure constraints, labor strikes, and inconsistent enforcement of trade regulations. **Super Logistics Pvt. Ltd., Chennai**, is one such company operating in a high-pressure freight environment where managing risk is not just a necessity but a competitive advantage. However, the absence of a structured, standardized, and integrated risk management framework could result in significant delays, financial losses, legal implications, or reputational damage.

Thus, the problem lies in the **need to systematically study and evaluate the risk management practices followed by Super Logistics Pvt Ltd**, identify existing gaps, and recommend practical improvements to ensure smoother, safer, and more compliant freight forwarding operations.

OBJECTIVES:

1. **Regulatory Compliance**
   - Ensure adherence to international trade laws, customs regulations, and safety standards.
2. **Maintain Customer Trust and Satisfaction**
   - Reduce service failures and ensure timely delivery to protect customer relationships.

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3. **Financial Stability**
   - Prevent losses from claims, penalties, or insurance issues by proactively identifying risks.
4. **Enhance Decision-Making**
   - Use risk insights to inform better routing, mode selection, and vendor partnerships.
5. **Support Sustainable Practices**
   - Reduce risks related to environmental and social responsibilities.
6. **Enable Strategic Planning and Growth**
   - Anticipate future risks and opportunities in global trade environments.
7. **Reinforce Training and Awareness**
   - Promote a risk-aware culture among employees and partners.

II. REVIEW OF LITERATURE

1. **Tang, C. S. (2006)** Tang emphasized balancing risk through **postponement and speculation strategies**. His work showed how freight decisions (like warehousing closer to the market) can affect risk exposure.

2. **Narayan & Lai (2020)** This study focused on **digital transformation** in logistics. It found that implementing **real-time tracking systems, TMS (Transport Management Systems),** and AI-based forecasting reduced delays and human error in freight forwarding.

3. **Chopra & Sodhi (2014)** They divided supply chain risks into three types: **avoidable (internal), speculative (opportunity-driven), and external (uncontrollable).** Their layered approach suggests that freight forwarders must categorize risks based on impact, frequency, and control ability.

4. **Chopra & Sodhi (2014)** They divided supply chain risks into three types: avoidable (**internal**), speculative (**opportunity-driven**), and external (**uncontrollable**). Their layered approach suggests that freight forwarders must categorize risks based on impact, frequency, and control ability.

5. **Skipper and Hanna (2009)** Emphasized the human factor in **logistics risk management, suggesting that leadership, communication, a**nd culture strongly influence how risks are perceived and handled in freight operations — especially in decentralized global logistics teams.

6. **Giunipero et al. (2008)** Focused on risk management in **global sourcing and logistics**, identifying the role of strategic supplier partnerships in **mitigating uncertainty**. Their research helps forwarders evaluate third-party risks.

7. **Ghosh (2010)** Conducted an India-based study that outlined how regulatory complexity and **customs procedures increase clearance risk in Indian freight corridors**. His findings align with challenges faced by Super Logistics Pvt. Ltd., Chennai.

III. RESEARCH METHODOLOGY

RESEARCH DESIGN

This study employs a quantitative research approach to systematically analyze and quantify the risk management practices in freight forwarding operations at Super Logistics Pvt Ltd, Chennai. Quantitative methods are chosen to ensure objectivity, reliability, and the ability to generalize findings across the organization.

METHODS OF DATA COLLECTION:

Primary Data Collection

Primary data refers to data collected firsthand by the researcher for the specific purpose of the study. It is original in nature and has not been previously published or analyzed.

- A structured questionnaire was designed and used as the principal instrument for gathering primary data from the employees of Super Logistics Pvt Ltd, Chennai.
- The questionnaire was meticulously structured to:
- Cover all major aspects of risk in freight forwarding operations.
- Ensure clarity, simplicity, and relevance.
- Minimize bias and maximize the reliability of responses.

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Secondary Data Collection: Although primary data formed the core of the study, secondary data was also gathered to build the theoretical framework and enrich the interpretation of primary findings.

Industry reports: Market studies on freight forwarding and logistics risks from industry bodies like FICCI, CII, and ASSOCHAM.Academic journals and articles: Research papers on logistics management, supply chain risk management, and operational excellence.

SAMPLING TECHNIQUE

Sampling is a crucial aspect of any research study as it directly influences the reliability, validity, and generalizability of the research findings.

In the present study titled "Risk Management in Freight Forwarding Operations – A Study on Super Logistics Pvt Ltd, Chennai," the choice of sampling technique has been made carefully to align with the objectives and scope of the research.

Relevance to Research Objectives:
The study seeks to explore risk management practices specific to freight forwarding operations. Therefore, it was essential to select individuals who have firsthand experience and direct involvement in these operations.

Specialized Knowledge:
Employees involved in operational activities such as shipment handling, customs documentation, inventory management, regulatory compliance, and customer interaction are more likely to have encountered operational risks. Their specialized knowledge is critical for an in-depth understanding of the research problem.

LIMITATIONS OF THE STUDY

the risk management practices at Super Logistics Pvt Ltd, Chennai, it is important to acknowledge the limitations inherent in the research methodology. These limitations stem from various factors, including the scope of the study, data collection methods, and organizational constraints. Recognizing these limitations provides transparency and helps contextualize the findings of the study.

Geographical Limitation

This study focuses exclusively on Super Logistics Pvt Ltd, Chennai, which may limit the generalizability of the findings to other freight forwarding organizations. The unique operational environment, organizational culture, and market conditions in Chennai may not fully represent the practices of logistics companies in other regions of India or globally.

Sample Size and Response Rate

Although a total of 54 responses were received from employees at Super Logistics Pvt Ltd, the sample size may still be considered relatively small in the context of a large organization

Response Bias

Respondents may have provided socially desirable answers or may have been hesitant to report negative information regarding risk management practices due to fear of organizational repercussions.

Time Constraints

The use of a structured questionnaire limited the depth of responses, as respondents may have had valuable qualitative insights that could not be fully captured in a survey format. Moreover, the study did not allow for longitudinal data collection, which could have provided insights into how risk management practices evolve over time in response to changing market dynamics.

IV. RESULTS AND ANALYSIS

Regression output showed:

- **Multiple R:** 1.000
- **R Square:** 1.000
- **Adjusted R Square:** 1.000
- **Standard Error:** ≈ 0

ANOVA Results: The significance value (F-test) was 0.000, indicating that the regression model is statistically valid.

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Coefficient Table Summary:

Variable	Coefficient	P-value	Significance
Intercept	≈ 0	0.00001	Significant
Sustainability Familiarity	≈ 0	0.2639	Not Significant
Risk Frequency	≈ 0	0.7844	Not Significant
Risk Assessment Practice	1.000	0.0000	**Highly Significant**
Policy Review Frequency	≈ 0	0.6798	Not Significant

INTERPRETATION OF RESULTS

The statistical analysis supports the hypothesis that risk assessment practice is the primary driver of effective risk management. This reinforces the principle found in ISO 31000 (2018), where risk assessment forms the core of enterprise risk structures.

Contrary to popular belief, sustainability familiarity and policy review frequency were not statistically significant. While these may contribute to a supportive risk culture, they do not independently predict effective management outcomes unless coupled with strong assessment processes.

The perfect R-square suggests either a deterministic model or data issues such as multicollinearity. Diagnostics such as the Variance Inflation Factor (VIF) should be conducted to confirm the model's robustness.

V. DISCUSSION

This study affirms the centrality of analytical rigor in risk management. Organizations that implement well-structured, frequent, and participatory risk assessments are more likely to detect early warning signs, prioritize threats, and deploy mitigation strategies effectively.

Findings challenge conventional wisdom that emphasizes awareness and policy over practice. As argued by Power (2009), many risk programs are ceremonial unless embedded in organizational routines. This study echoes that sentiment, placing operational tools like risk assessment above theoretical familiarity.

KEY FINDINGS:

Inadequate Tracking Systems Increase Operational Vulnerability

A significant 42.9% cited lack of proper tracking and real-time monitoring as a key risk factor. This implies a need for better technological infrastructure and investment in digital logistics tools.

Fragmented Risk Management Structure

Only 26.8% reported the existence of a dedicated risk team, while 42.9% indicated risk responsibilities are dispersed across departments. This fragmented structure may delay responses and hinder accountability.

High Costs Remain a Major Barrier

46.4% of respondents stated that the high cost of implementing risk management strategies is a critical challenge, especially for mid-sized logistics companies like Super Logistics.

Infrequent Policy Review Practices

Although 39.3% conduct quarterly reviews, 14.3% only update risk policies after incidents, highlighting a reactive approach that undermines proactive risk control.

Limited Adoption of Sustainable Practices

While 35.7% implement carbon footprint reduction strategies, only 16.1% follow recycling and waste management, revealing gaps in holistic sustainability integration

VI. CONCLUSION

The study concludes that risk assessment practice is the most significant factor contributing to the effectiveness of risk management. While awareness and documentation play a supporting role, their impact is conditional on how risk is actively assessed and addressed within organizational systems.

To improve risk management, organizations should embed assessment protocols within strategic and operational planning. Structured assessment not only aligns with global standards (e.g., ISO 31000) but also enhances resilience in uncertain environments.

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RECOMMENDATIONS

- **Develop Integrated Risk Assessment Frameworks:** Align risk assessment with project and operational cycles.
- **Invest in Risk Competency Building:** Train employees at all levels on risk identification and evaluation techniques.
- **Link Assessment to Decision-Making:** Ensure that outputs from assessments influence resource allocation and strategy.
- **Monitor Assessment Quality:** Use audits and feedback loops to ensure consistency and comprehensiveness.

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