

# How to protect your business from supply chain disruptions in 2022

Supply chain disruption occurs when unforeseen circumstances interrupt your operations, requiring detours that will cost you time, money and headspace. These disruptions can take many forms like fire, global issues such as the Pandemic, political upheaval like strike action or even infrastructural issues like load shedding. According to a recent report by Investec, the general market consensus is that businesses will continue to experience supply chain disruptions until at least the end of the first quarter of 2022.



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Daniel Moritz, CFO of alternative lender Merchant Capital says that as a business owner you cannot simply focus on what you know. "You need to constantly be planning the various unknowns which might befall your supply chain." He says that by carefully managing potential disruptions you will place yourself in the empowered position to understand what can be avoided and what tools need to be utilised in order to maximise response and resilience.

Here, Moritz outlines the three key areas required to mitigate against supply chain disruptions.

**Visibility:** Have a thorough understanding of the history and status of all your inventory and deliveries from top to bottom.

**Analysis:** Analyse all your data and anticipate all the risks and opportunities.

**Planning:** Strategise the most appropriate emergency and operational strategies, should the need arise.

"When these three areas are considered holistically, you are then able to build a cohesive picture to mitigate risk and maximize inefficiencies," says Moritz.

What are the steps required to protect your business from supply chain disruptions? Moritz shares some tips below.

## **Invest in useful technology**

It is essential that you systematically build a secure and intelligent digital network. This ideally needs to integrate all related business data in your operation including all valuable data relating to your customers, sales, suppliers and operations. A state-of-the-art inventory management system will ensure that you are in touch with all key touch points in your organisation.

"It is vital that this information is able to provide real-time visibility into inventory, stock and supplier time performance. This bird's eye view will then allow you to anticipate any hot spots and monitor volatile aspects of your supply chain," says Moritz.

## **Diversify manufacturers and suppliers**

It's never a good idea to put all your eggs in one basket. Further to this, you can never count on predictability of social, economic and political environments because things are always bound to happen. Moritz says that by diversifying your suppliers and seeking manufacturers who live in different geographical locations, you will be safeguarding yourself against a myriad of scenarios.

"This will give you the flexibility to choose back-ups when one supplier is under pressure and can't deliver at short notice." While the cost of this diversification may be slightly higher, what it means is that you won't lose potential sales down the line with supply chain disruptions, which are likely to be a lot more costly in the end.

## **Integrate risk management into your supply chain**

Supply chain management doesn't only refer to the sourcing of raw materials. Rather it requires end-to-end flow of services and goods, including all the operations which transform raw materials into their final products. "Effective supply chain management requires the business owner to streamline the supply-chain aspects of the business in order to give customers more value and provide your business with a competitive edge," says Moritz.

## **Implement procure-to-pay purchase systems**

It is not unusual to have a situation where various business functions don't speak to each other effectively. The more manual the process, the more likely it will be that systems will fail. Procure-to-pay is a business process cycle which stretches from procurement of goods to verification and receiving, to accounts payable to generating reports. "Paper-based businesses are a lot more costly in the long run as human error leads to mistakes which can often be avoided," advises Moritz.

## **Cash is king**

"Your supply chain cannot be separated from your cash flow. Your cash flow is directly linked to your product lines and service deliveries, meaning you also need to forecast your cash flow effectively."

Moritz says that understanding the cost implication of certain variables is critical. For example, if your supply chain is disrupted, what will the cost implication be? Do you have a line of credit for unforeseen disruptions? Do you have a relationship with alternative lenders, such as Merchant Capital, who can provide quick access to working capital when you

suddenly need it? These are all important questions which will allow you to have go-to scenarios when issues arise and cash flow needs to be secured.

"In any business, supply chain disruptions are inevitable. In South Africa we have a particularly volatile socio-economic environment which requires business owners to be on top of their game. Fortunately, with the right tools and careful planning you will anticipate problems before they arise or know what to do if there is a bump in the supply chain. By implementing these key strategies and doing the necessary due diligence, you will find yourself in a good position to respond to inevitable disruptions," concludes Moritz.

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