

A four-step approach to building business continuity

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The role of procurement is about ensuring that business operations continue like clockwork no matter how disrupted the business environment is. This involves understanding the current environment as well as foreseeing the potential future environments and preparing for them.



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The challenge is that all businesses currently operate in a VUCA world, meaning that there is the constant pressure of market volatility, uncertainty, complexity and ambiguity. Going forward, businesses are likely going to be operating in more uncertainty and facing more unexpected crises, placing an extra burden on the procurement and supply chain functions.

From global trade disputes to Brexit, volatile exchange rates, fluctuating commodity prices, civil unrest, and the global pandemic, procurement has needed to be more agile and resilient than ever before. These challenges have directly impacted the procurement of raw materials and intermediate goods, which are shipped as a part of the global value chain, and then usually assembled in another country.

Within the global value chain, China is a large producer of components and assemblies, but with the recent pandemic, many of these distribution channels were shut down with no notification and very little time to replace suppliers.

As a means of proactive response, businesses should look at a four-step strategy to build procurement resilience in the wake of global vulnerabilities.

Step 1: Anticipate and plan for uncertainty

Today, the rigorous process of gathering as well as interpreting supplier, market, and environmental information is being replaced with a data-driven approach. This enables real-time decision-making with businesses building AI-driven integrated data ecosystems that are underpinned by predictive analytics. Resultant insights can then be applied in forward planning on both strategy and performance.

Manufacturers and distributors can use technologies such as Enterprise Resource Planning to accurately forecast demand, identify stock availability, establish supplier lead times, cost, material requirements, contingency stock requirements and warehouse capacity constraints, and integrate this all into their unique business model.

By making a direct link between supply and demand, manufacturers and distributors can anticipate and better plan for uncertainty. This will ultimately improve the cash flow of the organisation because procurement teams can better determine purchasing requirements based upon demand.

Step 2: Embrace the limitless potential of digitalization

By embracing a digital approach, procurement can form a real-time part of business operations by improving agility and preventing wastage by only procuring and storing the required raw materials. Further benefits can be found by storing less inventory and improving the ability to rapidly address changes in demand.

Digital procurement solutions are enabling the future by providing access to previously unavailable insights or bringing order to massive (but unstructured) data sets, ultimately driving more complex analysis and better supplier strategies; enabling more efficient operations.

Step 3: Enable end-to-end supply chain visibility

World crises have resulted in procurement teams scrambling for alternative and locally-based suppliers to ensure that they can still fulfil existing orders and continue to produce with new orders. End-to-end supply chain visibility is, therefore, a necessity to ensure procurement accuracy and resilience. This is needed to provide a single platform where everything from early-stage planning based on forecasts through Master Production Schedules (MPS) to final delivery can be tracked and traced in real-time on a global scale.

These advanced insights are needed to improve customer service, reduce costs, help with regulatory directives, and mitigate interruptions that will affect supplier inventory levels and ultimately product delivery.

Supply chain visibility adds many other advantages for today's global businesses. It allows them to reduce complexity, improve communication throughout the organisation, remain nimble, and keep up with a changing and complex regulatory landscape.

Step 4: Focus on building a robust procurement model

There are no standard business models to help businesses to manage what we are currently facing. This pandemic has exposed the fragility and the thin margins on which many global businesses run. Highly indebted companies, working from lean inventory, supported by just-in-time supply chains, and staffed by short-term contractors are suffering the longer-term impact of market unpredictability.

Companies have realized that by encouraging their procurement departments to pursue the holy grail of greater efficiency through wholesale cost-cutting, have sacrificed robustness, resilience, and effectiveness. In many cases, it has turned out they have sacrificed the business itself.

Manufacturers and distributors need to identify their own business model that will suit their own business. They will also have to consider how to reengineer their supply chains to be resilient by design, factoring in increased complexity and uncertainty as the new normal. In the months and years ahead, effective supply chain management will be all about agility.

The ERP advantage

Technologies such as AI embedded within your ERP platform can additionally assist with data-driven insights to have sufficient visibility of all relevant activities.

Global crises are an inevitable factor of life. By planning for the unknown, implementing the right technology for end-to-end supplier visibility and building a robust procurement model, manufacturers and distributors can ensure procurement resilience in a VUCA world.

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