

Supply chains: a finance professional's perspective

Supply chains are a fundamental part of the modern business environment. The management of these chains often presents entities with challenges and opportunities. The disruptions during the time of the pandemic have focused attention on this area. Technological advancements are changing the ways in which organisations manage their supply chains and the environmental, social and governance lens is requiring entities to develop a deeper understanding of their networks. The strong relationship between finance and supply chain teams is becoming ever more important to an entity's success.



How supply chains are evolving

The figure to the right depicts the Chartered Institute of Procurement and Supply's (CIPS) Procurement and Supply Chain cycle and shows the various stages and activities.

The pandemic has seen challenges in this area as entities have needed to adapt their channels to market and work within the constraints of supply leading to the need to replan on a frequent basis.

The visibility of data across the supply chain is becoming ever more important to entities. The technological advancements of Industry 4.0 provide opportunities to collect and analyse data on an on-going basis. Predictive analytics is becoming an important tool for both supply chain and finance professionals. Utilising Cloud-based technologies to manage and analyse the data is becoming essential, not only for large entities but also for those in the mid and small tiers. Creating visibility of supply chain movements and presenting them in a visual manner is the role of Control Tower systems which are integrated into enterprise applications.



Understanding of the multiple tiers of supply chains is becoming essential for entities, not only from the perspective of managing disruption but also as the ethical responsibility for the activities in supply chains gains an increasing focus.

The environmental, social and governance agenda and supply chains

For a finance professional appreciating the activities of the entities in multiple levels of the supply chain is not just about addressing the disclosure requirements that are increasingly been required by governments and investors. This alone can be problematic as the level of appreciation of the nature of these chains, which are in reality networks, is an area that needs improvement. The ethical nature of some of the supplier interactions, such as workforce conditions, requires entities to make strategic decisions about those who they trade with. In addition to disclosures, it is also a question to ensuring liquidity in the supply chain, especially in the face of disruption and inflationary times. Finance teams need to collaborate with supply chain teams in the application of ethical procurement policies, such as those outlined in supplier codes of conduct or in ISO 20400:2017 Sustainable Procurement. Supply chains are the focus of several the UN Sustainable Development Goals and as entities increasingly focus upon these so understanding the impact and reporting progress will become ever more important.

Areas of collaboration



In addition to the focus upon the environmental, social and governance agenda and as well as in forecasting and planning there are number of other areas of collaboration for finance and supply chain teams. Indeed, as entities refocus their business and leadership models in the post-pandemic world, so project-based collaboration is essential across many of the opportunities and challenges that entities face.

The role of the finance business partner working as an integral part of the supply chain team is essential to making this collaborative working effective. The business partner needs to fully understand the business model and how supply chain activities interact with financial objectives. Being the trusted advisor is a key role.

Finance teams need also to work with those across the supply chain to understand the cost and returns achieved on products and services. By applying concepts such as 'Cost-to-Serve' the finance team can help supply chain teams understand which are the most profitable customers and products. At times of constraint, such knowledge can make a substantial difference for entities.

Financing activities including treasury and supply chain financing are increasingly relevant as liquidity continues to be challenged.

With the increased focus on vertical and horizontal integration across supply chains from Industry 4.0 either through acquisition or through collaborative structures such as joint ventures so ensuring that the agreements accommodate the impact of other entities in supply chains becomes valuable.

These are just some of the areas of collaboration. Close co-operation is key to the fortune of many entities.

Disrupted world

The pandemic has seen entities challenged by several disruptive forces from port delays to workforce shortages deliveries at all levels of the supply chains have been taking longer in certain cases. However, it should be appreciated that in many instances supply chains have proved resilient during the pandemic. Disruption is an ongoing reality, be that from natural events or from more human related activities, such as the Suez Canal incident. Managing the impact of these requires a focus on supply chain risk management and supply chain resilience. Both of these actions integrate across entity wide activities that include finance teams.

The longer-term impact of these disruptions, together with the macro-economic impacts of the pandemic, are requiring entities to rethink some, or all, of their sourcing strategies. The late part of the 20th century and the early 21st century were focused on low-cost manufacturing and an increasing integration of supply chains. As some of those cost advantages are lessened, so entities are thinking about strategies such as nearshoring or moving away from just-in-time manufacturing processes, where these are possible.

Improved collaboration

There is a clearly an imperative for improved collaboration between finance and supply chain teams across a range of issues in entities. Our charter highlights ten areas of activity where mutual collaboration will deliver success.



Discover the full report: www.accaglobal.com/uk/en/professional-insights/global-profession/supply-chains-post-pandemic-world.html

Or visit: www.imanet.org/insights-and-trends/operations-process-management-and-innovation/supply-chains-finance-professionals-perspective