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Reimagining resilience for tomorrow’s supply chains

Against an unpredictable backdrop, forging supply chains robust enough to thrive requires a strategic rethink of conventional practices. Achieving this means fostering greater collaboration, harnessing data-driven insights and embedding sustainability considerations throughout the entire ecosystem.

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In an era marked by increasing uncertainty, organizations worldwide find themselves caught in a continuous cycle of adaptation and reaction. The key to breaking free from this often costly and inefficient pattern lies in enhancing supply chain resilience — a journey that requires a shift from a reactive to a predictive stance.

“Today’s business climate — characterized by inflation, supply chain disruption, and escalating social and environmental expectations — is compelling organizations to rethink their supply chain strategies,” says Kaylee Karumanchi, North American trade product head at Bank of America.

“When organizations account for risk, they try to identify it, quantify it and be prepared for it. But as the pandemic showed us, you can’t predict every shock. A knee-jerk reaction to crises can often amplify their impact, and since there isn’t a one-size-fits-all response, the key lies in building in inherent flexibility to empower teams to strategize on the fly.”

Predictive versus reactive: a new paradigm for supply chain management

A common response to uncertainty is risk aversion — stockpiling raw materials, reshoring or diversifying supply bases. However, these strategies are often challenging to the balance sheet, casting a shadow over their long-term sustainability.

“Reshoring might be an option to reduce transportation costs and offer greater control, but the process can be time-consuming and fraught with unforeseen issues, especially when organizations lack the experience,” says Karumanchi. “Locating a new supplier can also require significant resources, but many times procurement teams find there are no alternative options due to suppliers owning proprietary technology or the next best option being too costly. Meanwhile, increasing inventory can tie up crucial working capital that could otherwise be used for growth.”

As pressure builds on corporate treasurers to improve cash control and shore up the balance sheet, short-term tactical actions such as lengthening days payables outstanding are an obvious lever to pull, but doing so risks stretching already vulnerable supply chain partners.

“While safeguarding one’s own financial health is paramount, doing so at the expense of suppliers can ultimately be counterproductive,” says Karumanchi. “Striking a balance is vital. Overly squeezing suppliers can jeopardize their financial stability and, in the long run, potentially harm the buyer’s position, undermining the robustness of the entire supply chain.”

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> **Kaylee Karumanchi**
> Bank of America

Supply chain finance, which can enable buyers to benefit from extended payment terms while also ensuring suppliers have the working capital finance they need, offers a win-win solution, enabling corporates to buttress the financial health of their suppliers, particularly those responsible for critical components or services.

And by leveraging data and digital tools from their banking partners, organizations can steer a proactive strategy, overseeing the health of the supplier base and better managing supply chain risks.

"As clients increasingly rely on data and digital transactions, we're replacing traditionally manual processes with digitized ones," says Karumanchi. These include embedded platform solutions, which can seamlessly integrate into ERP systems, providing extra visibility that can inform decisions on where to direct financing.

"Data — both internal and external — helps equip you with the information that you need to deploy your liquidity where you need it, such that you're actually resolving some of these issues as they're happening," says Karumanchi.

"Sharing information between each link in the supply chain is a major lever for greater resilience."

Breaking down the silos for supply chain strength

In this interconnected era, data sharing can uncover hidden trends, opportunities and potential disruptions, creating a real-time road map for navigating unpredictable terrain.

"Benchmarking in this context is vital, both as a way of gaining insight into factors such as payment terms among industry peers but also to expose potential vulnerabilities in the supply chain," says Karumanchi.

This includes issues such as insufficient liquidity for suppliers to maintain operations, or even instances where suppliers find themselves in precarious financial situations due to tightly negotiated margins that inhibit cash flow and compromise their ability to meet key obligations.

"Across industries, we're seeing forward-thinking organizations develop much more collaborative relationships with suppliers," she says. "Often that might simply take the form of a conversation with their accountant or treasurer to unveil issues that might be putting them under financial pressure."

Meanwhile, within the organization itself, facilitating information exchange between different internal functions can pave the way for a more holistic approach to supplier relationships that manages operational risks instead of focusing merely on cost management.

"Aligning procurement with treasury has historically been an overlooked aspect of supply chain management," says Karumanchi. "Procurement professionals often focus primarily on the supply side, but they can significantly benefit from a more comprehensive financial view of their suppliers. Factoring this in to sourcing decisions and encouraging these collaborations can greatly improve resilience."

This enhanced collaboration across departments can yield significant benefits, particularly when the strengths of treasury and procurement are unified.

"Treasury traditionally excels in nurturing core banking relationships, while procurement specializes in cultivating supplier relationships. By bridging these departmental gaps, organizations can foster a comprehensive approach," says Karumanchi.

"Supply chain finance, for instance, doesn't always need to be leveraged for payment term extensions," she adds. "It is also a tool for buyers to provide liquidity for their suppliers, which can help procurement solidify that relationship and secure the supply of constrained materials amid shortages or disruption."

Sustainability and supply chain resilience — two sides of the same coin

This integrated perspective of supply chain risk management can also support organizations in achieving their sustainability objectives, which have become an urgent priority as growing consumer and regulatory pressures worldwide push companies toward greater transparency and accountability.

A myriad of risks can threaten supply chain stability including evolving regulations around carbon emissions disclosure and labor standards, to extreme weather events that could disrupt logistics and affect raw material availability.

"Sustainability and supply chain risks intersect at several points," says Karumanchi. "In our experience, suppliers who are conscious of their broader impact tend to be more resource-efficient, contributing to overall supply chain resilience. Assessing supplier sourcing can identify potential weak links in supply chains, and even help gauge how sensitive a downstream supply is to environmental disruption."

As such, sustainability considerations and supply chain resilience need not be disparate corporate objectives. Instead, they can be woven together into a cohesive strategy that fortifies supply chains and advances sustainability. Regular supplier audits can uncover high-carbon operations, and strategic incentives can encourage greener practices. Moreover, by broadening supplier assessments to include these factors, organizations can gain deeper insight into the health of their supply chain.

"Often, businesses already have the resources they need to evaluate whether a supplier meets certain criteria," says Karumanchi.

Financial institutions can provide invaluable support in this endeavor. By integrating sustainability criteria into their lending and advisory practices, they can reward and promote suppliers' sustainability initiatives, nurturing a collaborative relationship that benefits the entire ecosystem.

One example of this is Bank of America's Equality Progress Sustainability Bond, a first-of-its-kind security, part of the proceeds of which are being used to drive greater inclusivity in trade through supply chain finance loans to women- and minority-owned business enterprises.

"As a result of this initiative, we can help buyers assess their suppliers for their potential eligibility against the bond, which can be a powerful tool for addressing social inclusion goals, while outside of the bond, we can provide enhanced access to funding for qualified suppliers on an SCF program," says Karumanchi.

In the ever-evolving global landscape, building a robust supply chain requires moving beyond the well-trodden path of reactivity to the use of proactive, datadriven strategies.

Corporates can't undertake this journey in a vacuum, but by taking advantage of the support, cross-industry collaboration opportunities and digital tools that are available, they can construct supply chains that can weather future shocks and emerge stronger, sustainable and more resilient.

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