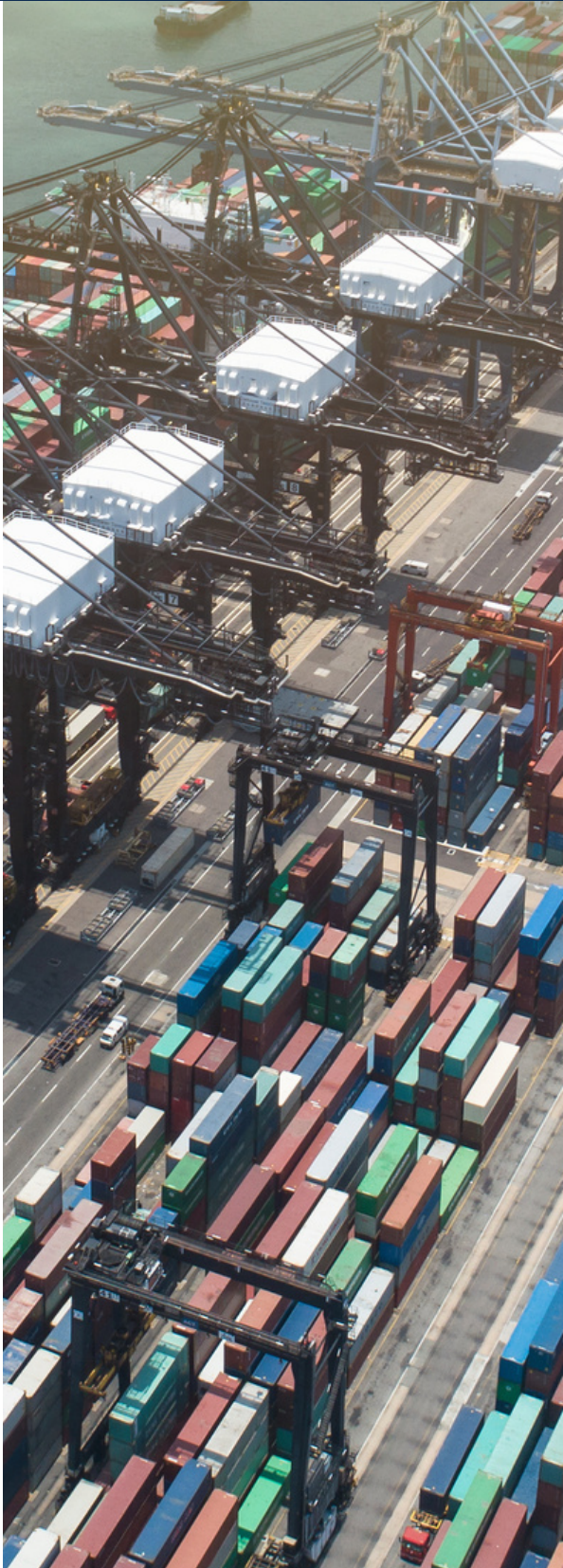


# Building Resiliency in the Age of Supply Chain Disruptions



We've all seen the headlines on news outlets, heard the stories from friends and family, or maybe even experienced some of the following scenarios firsthand. You've needed to upgrade your furniture or appliances recently, only to learn that you'll have to wait months for your order to arrive. You made a trip to the grocery store to get a bottle of your favorite hot sauce only to discover that it's seemingly out of stock, everywhere. Or maybe you've started a remodeling project and put things on hold because of the limited availability of raw materials.

**Supply shortages and supply chain interruptions have impacted virtually every industry across the globe, and most of us are experiencing the fallout in some way or another.** The pandemic caused economic upheaval and disruptions to the global supply chain which don't seem like they'll be going away any time soon.

Economic recovery, labor shortages, transportation system bottlenecks, and extreme weather events are some of the variables that continue to exacerbate supply chain issues. In this unpredictable business environment, material shortages, product delays, and growing operational costs can negatively impact a company's profitability or cause companies to pass on projects altogether.



No matter what product or service you sell, cash flow management is fundamental to the longevity of any business. Though it might feel as though there isn't much to do to help offset the effects of current supply chain issues, fortunately business leaders can take proactive steps to leverage cash flow management as a means to mitigate risk in an unpredictable market.

## ADDRESS RISKS ASSOCIATED WITH THE SUPPLY CHAIN. HERE ARE SOME PLACES TO START:

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- ✓ **Reduce expenses:** Review processes, as well as variable and fixed costs, and identify unnecessary expenses that can be cut to optimize cash flow.
- ✓ **Manage supplier risk:** Identify your key suppliers and understand their ability to meet supply requirements along with potential risks. Work with suppliers to get visibility into their inventory, production, and purchase fulfillment status. In the event of shortages, it's important to learn how you'll be treated because you're likely not their only customer. Communication is key.
- ✓ **Secure alternate supply sources:** Gain as much visibility as possible into tier-two suppliers in case key suppliers can't meet your demands. It's important to be able to activate tertiary supplier relationships in times of crisis.
- ✓ **Plan for the labor needed:** Many industries are experiencing a labor shortage, so even if you have the materials available, will you be able to employ enough people to work on the project? It's also important to understand how ongoing government pandemic mitigation measures impact labor availability.
- ✓ **Evaluate customer priorities:** With expected supply shortages, it's important to have a pulse on customer priorities so that you're able to prioritize supply allocation for high-demand products and services.
- ✓ **Be agile in production scheduling:** In the event of material and inventory shortages, prioritize which products you'll produce based on changing demands. Try to not put the most important products out of stock.



**Evaluate logistics options:** Companies should determine and secure capacity with their logistics partners because of significant port congestion, limited freight capacity, and labor shortages.



**Prepare for rebound:** With many companies feeling the pain of supply chain disruptions, what will separate companies who thrive versus those who don't will be preparedness for rebound. Agility and the ability to meet customer demand will allow companies to capture more business.

## ASSESS CASH FLOW MANAGEMENT STRATEGY IN TANDEM WITH SUPPLY CHAIN RISK MANAGEMENT.

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**Improve data:** Inaccurate data makes it impossible to reliably forecast profit and loss, or make sound decisions. Accurate cost and margin data allow you to build better models and forecasts and also identify blind spots where you might be wasting money.



**Planning ahead:** Companies need to have a firm understanding about the resources they're working with and their ability to stay on track to meet milestones. Identify your budget, determine milestones, and find other potential constraints to your bottom line.



**Stay on budget:** Always track and compare estimated expenses and scheduling to the actual outcome once you execute a project. Were there unexpected expenses? Stay on budget by managing expenses and revenue, cutting out waste that doesn't directly affect production or sales.



**Optimize process:** Examine processes to eliminate inefficiencies that lead to material and labor waste. Proper resource management can help you stay on top of today's and tomorrow's projects.



**Renegotiate with suppliers:** It might be possible to negotiate credit terms, price breaks or minimum quantities with your suppliers, especially if you have strong relationships with them.

- ✓ **Consider a payment schedule:** To reduce the risk that comes with footing the bill for services and goods upfront, you might be able to ask certain clients for an upfront deposit or progress payments for goods. You might also want to consider offering discounts for early payments. Having quicker access to funds might offset the minor loss in income.
- ✓ **Stay on top of invoicing:** When it comes to invoicing clients, a passive approach won't do. Quickly follow up with late payers so that you get your money.
- ✓ **Second opinion:** An external set of eyes can help you find and develop resources and cash flow strategies about which you might not have thought.
- ✓ **Communicate with lenders:** Reaching out to lenders can help you find ways to save money on debt services and keep track of your lines of credit.

While it's important to look ahead and prepare for the unexpected, if there's anything the current supply chain crisis is showing us is that sometimes, no level of preparation can safeguard us from events that unfold. An interconnected, globalized economy depends on the stability of global supply chains, but a chain is only as strong as its weakest link. Your business suffers when it's unable to meet customer demands or project timelines due to supply chain interruptions.

**In light of so much uncertainty, it's important to connect with your broker partner to evaluate how you can build a risk management strategy and put the most appropriate insurance policies in place that help safeguard your company from a crisis.** [Contact us](#) for assistance navigating coverage options that can help your business withstand supply chain disruptions.



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