Financial Risk In Supply Chain And How To Manage It



From the earliest days of commerce, identifying and mitigating risk has been an integral part of supply chain management. Such risk can originate outside your business or within its walls; it can strike upstream or down.

Companies who invest in supply chain risk management understand the new role procurement occupies in their organizations, and take action to ensure this powerful source of strategic value generates maximum returns with minimal exposure.

Mitigating the financial risk in your supply chain requires careful consideration and a proactive approach, but doesn’t have to be difficult.

With help from best-in-class software solutions and by following a few basic best practices, you can gain the visibility into, and control over, your supply chain required to manage financial risk, guard against supply chain disruption, and preserve business continuity while you pursue your goals for growth and profitability.

Taming Financial Risk in the Supply Chain is Critical to Business Continuity

Doing business in the 2020s has been a rocky journey for many businesses. Even before the COVID-19 novel coronavirus pandemic sent shockwaves through global supply chains, companies of all types and sizes were facing unprecedented business and supply chain disruption from natural disasters and climate change, international conflict, and sourcing difficulties related to ethical procurement and sustainability.

Other high-risk threats included time-tested frustrations such as:

- Theft and stock loss;
- Regulatory challenges;
- Maverick spend and invoice fraud;
- Suppliers closing their doors due to unforeseen business disruptions;
- Customers closing their doors due to unforeseen business disruptions; and
- A lack of staff expertise in assessing and mitigating risk.

Essentially, the arrival of a global pandemic simply exacerbated a problem that, while more serious than ever before, was as old as business itself.

So, yes, supply chain risk mitigation (SCRM) has always been a priority for savvy business owners. But in a world and marketplace increasingly defined by digital transformation and data management, managing risk in supply chain *finance* has taken on new levels of importance.

In fact, in a 2018 survey of financial risk professionals conducted by Dun & Bradstreet, respondents said supply chain disruptions were the number-one risk on their list.

Why? Because procurement and accounts payable are no longer simply back-room centers of opportunistic cost-cutting. Instead, companies have come to realize that their spend activities—along with the data they generate—represent a tremendously rich source of potential process improvements and strategic insights that can guide them to hitherto-unimaginable levels of profitability, performance, and competitive strength.

Furthermore, because procurement touches every area of an organization, a powerful supply chain disruption can lead not just to lower profits, but insolvency and closure.

It only makes sense, then, to strive for maximum transparency, accuracy, and accountability in every step of the supply chain.

The trouble is, volatility is inherent to international commerce, and a company's financial health, long-term viability, and business continuity are tied directly to its skill at risk assessment and mitigation.

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Obstacles to Effective Supply Chain Risk Management

Tossing one more spanner in the works is the difficulty many companies experience in achieving a level of supply chain transparency required to perform an accurate and complete risk assessment—let alone take corrective action.

Without the proper tools, risk managers and their procurement teams don't have all the information they need. If vendors don't have the ability or willingness to share their supply chain data, the window for effective risk assessment narrows even further.

The work required to develop and implement risk mitigation strategies can be daunting as well. Global supply chains are often multi-tiered and intricately complex. A single finished product may lie at the end of a supply chain involving dozens or even hundreds of suppliers.

Tracing every possible source of risk (or at least most of them) from the sourcing of raw materials through delivery of finished goods requires time, talent, and tools to make it tenable at all.

Fortunately, these difficulties are *not* insurmountable. High-quality data, paired with the automation, analytics, and artificial intelligence required to leverage its

value, can shatter the silos that hamper supplier risk assessment and help supply chain managers assess and reduce risks at all stages of the value chain to protect their company's competitive footing and business continuity.

Best Practices for Reducing Financial Risk in Supply Chains

Companies who combine digital tools with proactive problem solving can tackle risk more effectively.

1. Start with the Tools

All of the tasks involved in effective SCRM—from the initial risk assessment through development of detailed risk mitigation strategies—are more accurately and swiftly performed with help from digital tools.

The huge amount of information involved, paired with the need to organize, manage, and analyze it in an efficient way, makes relying on manual workflows, paper-based processes, and the speed and accuracy of an average human being simply untenable.

Investing in a comprehensive procure-to-pay (P2P) solution like PLANERGY sets the stage for effective risk mitigation by:

- Capturing and storing all spend data in the cloud and providing full integration of all data relevant to the value chain in a single location, maximizing transparency while providing leveled, role-appropriate access to all stakeholders.
- Eliminating internal and external data silos that can hamper collaboration and reduce the utility and accuracy of analytics in making informed decisions.
- Manage cash flow more effectively to increase liquidity in the face of disruptions.
- Providing automation tools to eliminate human error (and the need for most human oversight) from high-volume tasks while increasing accuracy, speed, and data quality.
- Providing advanced analysis, forecasting, and reporting tools that can

transform data from diverse sources into actionable insights that directly inform risk mitigation strategies.
- Make it easier to identify, sort, and address external (e.g., credit risks for suppliers and clients) and internal (maverick spend, process inefficiencies) risk factors using customizable metrics for performance, compliance, and more.

2. Risk Assessment: Identify Your Known and Unknown Risks

Before you can mitigate risk, you need to understand the types of risk you're dealing with, the likelihood of reducing or eliminating them, and the limits of your own ability to predict the unpredictable.

Known risks are readily identifiable and can be measured and mitigated. Market risks (e.g., changing consumer behaviors or exhaustion of limited resources), legal risks (e.g., regulatory compliance issues) , and internal risk factors (e.g. inefficiencies in operations management) are all examples of known risks.

Analyzing these risks can help you quantify your exposure. For example, a supplier's financial history or a customer's payment history, along with other data such as credit rating, can help you establish the potential risk for bankruptcy or default.

Other risk factors that affect financial stability, such as a supplier's record for ethical hiring and labor practices or their policy on cybersecurity and data management, can also be used to evaluate and reduce risk to your company's financial health and business continuity.

Cross-functional collaboration is key in managing known risks, as a diverse set of skill sets, perspectives, and expertise will be required to build a risk management program using well-calibrated metrics, clear benchmarks, and context-aware solutions to each risk factor.

In addition, a cross-functional risk management team can apply their skills to establish the potential scope, if not the exact nature, of unknown risks in order to expedite your response to them.

Unknown risks are, in essence, impossible to predict. A hacker finding a

concealed backdoor in a piece of software and stealing customer payment data, or an earthquake in a zone where none have occurred for thousands of years, burying the main facility of your primary supplier, are just two examples of unknown risks.

With this type of risk, your risk management team should focus on maintaining the agility and flexibility to create and deploy an effective response as quickly as possible.

The cross-functional collaboration that provides innovative and creative solutions to known risks can also serve to ensure everyone has the necessary skills and training to engage effectively in a crisis, regardless of their specific expertise or primary role.

The other side of the coin lies in supply chain resilience; you can't predict unknown risks, but you can analyze all available data to identify patterns and trends.

Everything from international relations to market trends to climate change data can provide your team with business intelligence they can use to create risk profiles and test scenarios of varying likelihood and severity.

You can also create strong supply chain contingencies that allow you to keep things moving while you formulate a response. This one-two punch of preparation and agility can help you build risk awareness into your corporate culture and keep even potentially devastating supply chain disruptions from crippling your business.

3. Measure, Monitor, Manage

With digital tools at your disposal, you can create a supply chain risk management framework you can use to measure, monitor, and manage risk using metrics.

For every risk on your list, make sure you know:

- The potential impact on your company's financial health should the risk occur;
- The overall probability that the risk will occur; and
- Your company's overall preparedness to respond to this outcome.

Based on the risk thresholds you set, you can classify threats as high-risk, medium-risk, and low-risk in order to prioritize solutions development and deployment.

Of course, risk assessment isn't a "one and done" affair.

Regularly revisit your threats in order of severity, and continue to expand your available data in order to help your team create new scenarios that incorporate emerging threats as well as changes to existing ones.

By setting benchmarks and employing real-time monitoring of key risk factors, you can reduce your risk exposure and further reduce the potential financial impact of a given threat by having multiple mitigation contingencies at the ready.

Tame the Financial Risk in Your Supply Chain

When it comes to risk exposure, supply chain finance can be a golden opportunity to insulate your company against volatility, or a serious vulnerability that could cripple your business when disaster strikes.

Invest in the data management tools and training your procurement and accounts payable teams need to identify, measure, and reduce risk exposure in your supply chain.

Establish the criteria and controls you need to achieve end-to-end supply chain transparency, and collaborate with your suppliers to ensure their compliance in support of shared success.

With a proactive approach, you'll gain the transparency and control you need to minimize financial risk in your supply chain.

QuickBooks Desktop for small and mid-sized businesses

QuickBooks Desktop is a flexible accounting software application designed for small to mid-sized businesses. While the desktop application cannot complete

with custom-designed ERP applications, many larger businesses have continued to use QuickBooks Desktop applications for their bookkeeping and accounting needs.

QuickBooks Desktop was first introduced in 1998 and modeled after Intuit's first financial application, Quicken, which provided personal accounting capability, but no double-entry accounting. When QuickBooks Pro was initially introduced it was aimed at the non-accountant small business owner looking for a way to do accounting other than an Excel spreadsheet. In 2000, additional features were added to the application, but it still lacked the specificity that many small business owners were looking for.

That all changed in 2003 when Intuit introduced the first industry-specific editions of QuickBooks, which have grown in popularity and are now available in several editions, including the professional services version, which we'll talk about in this article.

What is QuickBooks Desktop Professional Services?

While all niche industries can make an argument for an application designed specifically for their business needs, the professional services industry offers several challenges that need to be appropriately addressed including solid time tracking capability, flexible billing rates, and the option to better track project data.

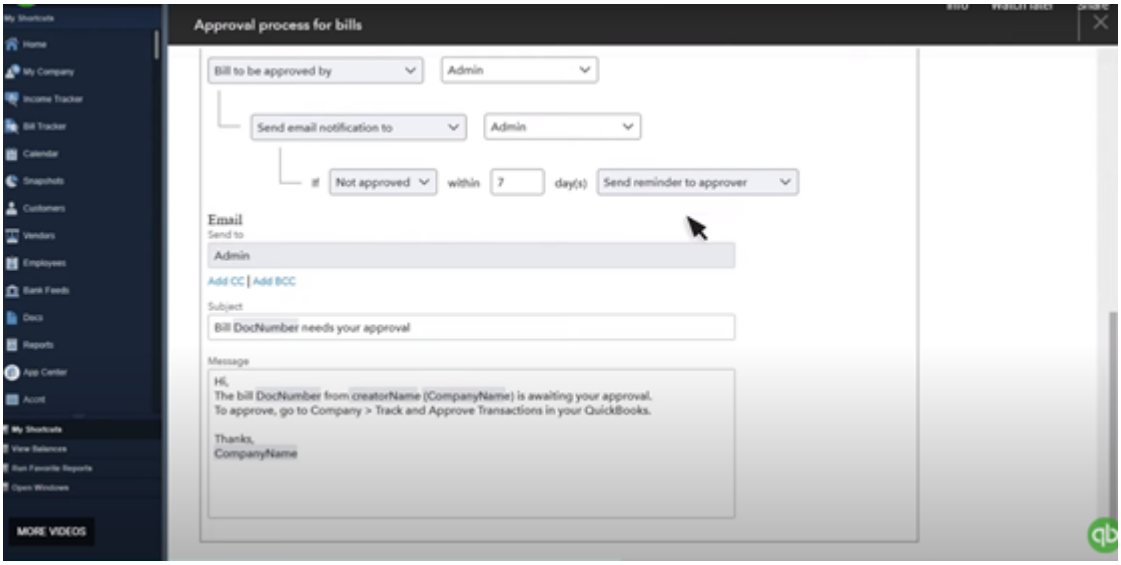
QuickBooks Desktop Professional Services does that and more. Designed for those providing services rather than selling products, the Professional Services edition is available in both the Premier and Enterprise versions of QuickBooks Desktop.

In this article, we'll take a look at QuickBooks Enterprise for Professional Services, which is designed for mid-sized businesses and can support up to forty system users. However, if your business has less than five QuickBooks users, you may want to consider using QuickBooks Premier Professional Services, a better option for smaller businesses.

Today, QuickBooks Enterprise Professional Services is loaded with features,

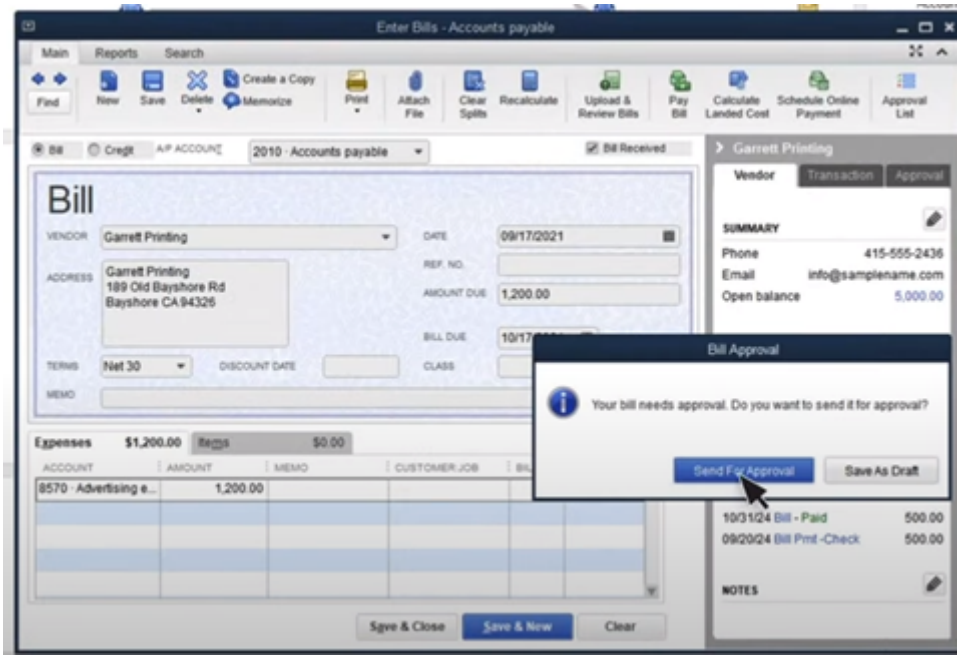
including all those found in regular QuickBooks Desktop applications, such as double-entry accounting, online banking, bill payment, and invoicing. But it also includes features and functionality designed specifically for service professionals. Here's a breakdown of some of the latest features.

* **Bill Workflow Approvals – (Platinum version)** Bill workflow approvals is a brand new feature that allows you to better manage your cash flow by creating customizable workflow approvals. This new feature also includes reminders when approval deadlines approach.



You can set up custom workflows with the new Bill Workflow Approvals feature.

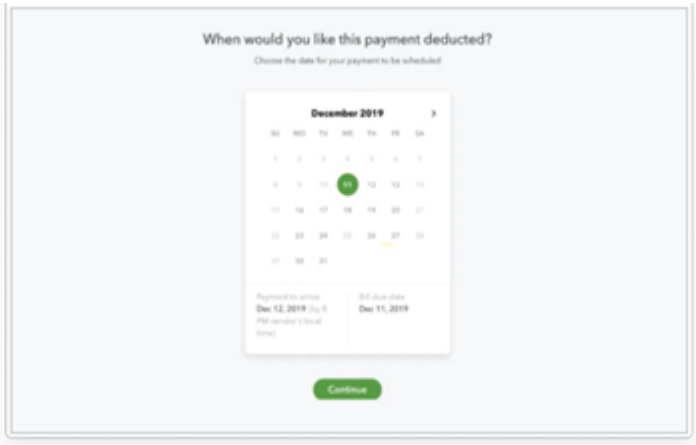
You can choose the custom workflow to suit your business, and can even customize the email message that the assigned recipient will receive. You can also choose whether you wish to copy anyone on the email. Once a workflow process has been set up for a particular vendor, whenever you enter a bill for that vendor, you will receive a message that the bill needs approval.



The Bill Approval option appears when a custom workflow has been set up for that vendor.

This message serves as a reminder that the bill has to be submitted for approval before processing.

*** Scheduling and Paying Bills –** Another new feature in QuickBooks Enterprise Professional Services is the option to schedule bills for payment. A particularly useful feature for smaller businesses with limited cash flow, using the billing scheduling and payment feature allows you to review any open balances, track sales orders, and plan in advance when to pay a bill.

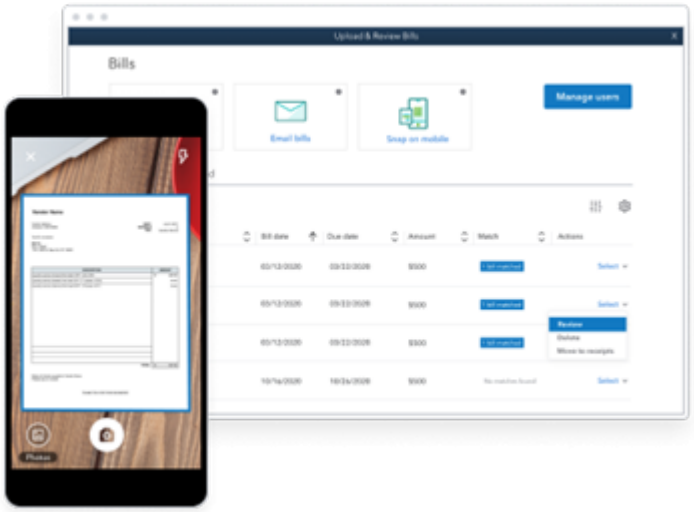


The Scheduling and Bill Payment feature allows you to schedule bill payments.

When scheduling a payment, you have the option to choose the form of payment you wish to use including bank transfers or a physical check.

*** Upload Bills to QuickBooks –** Using the QuickBooks Desktop mobile app, you

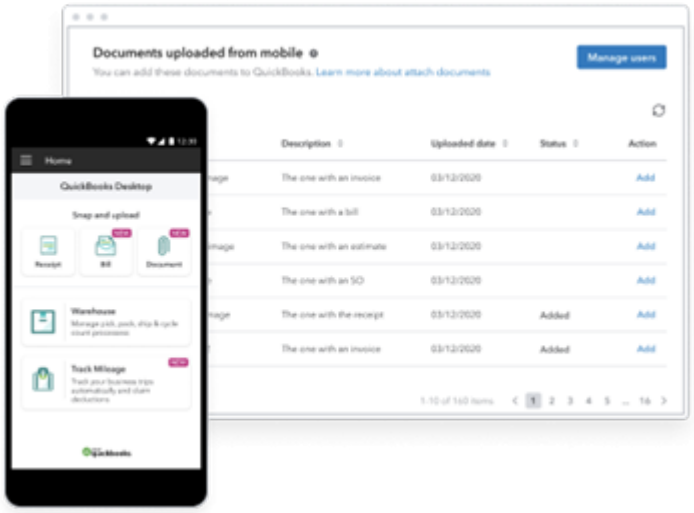
can now upload your bills directly into the application.



Using the QuickBooks Desktop Mobile App, you can easily upload bills.

All you have to do is snap a photo of the bill and click on the import feature. You'll be able to review the bill for accuracy before it posts into your account. Another benefit to using this feature is that you can have your vendors email their invoices directly to QuickBooks, where they will be available for you to review.

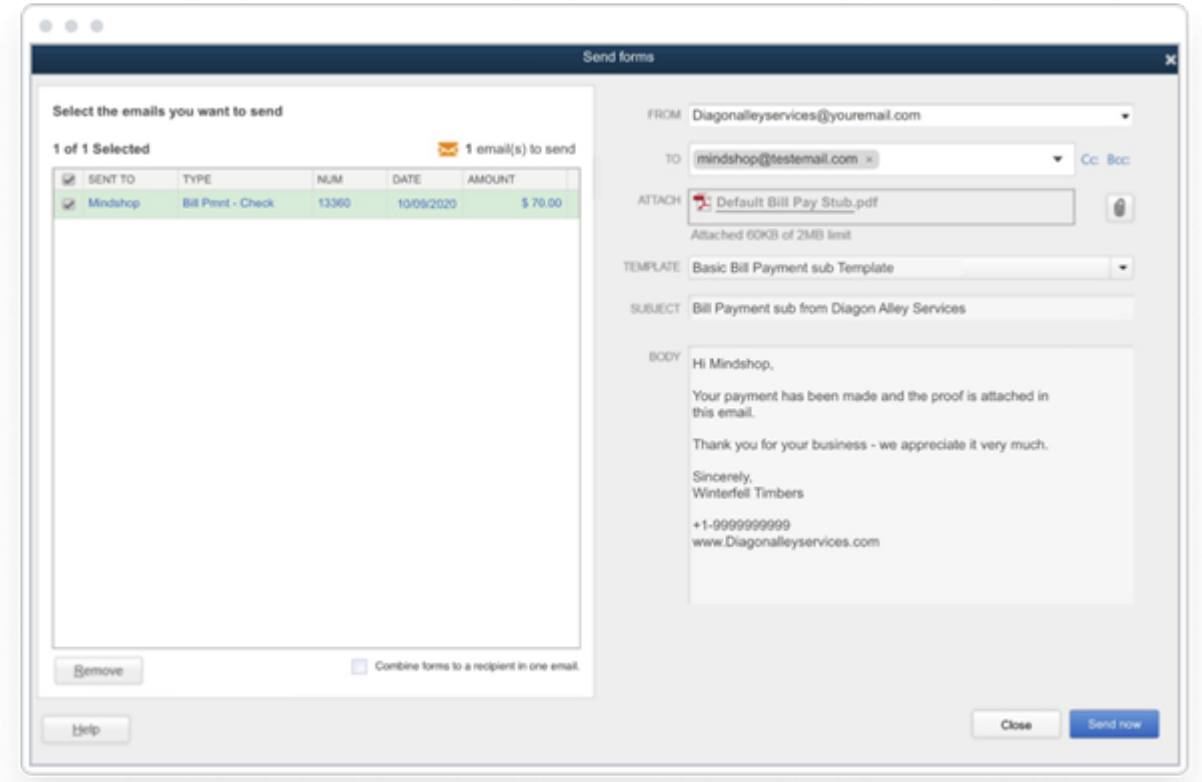
* **Attach Documents to Transactions –** Along with uploading invoices, you can also attach documents to any transaction using the mobile app.



Use the QuickBooks Desktop Mobile App to attach documents to any transaction.

Doing so eliminates the need to store multiple documents on your system. You can also upload and attach multiple documents simultaneously if desired.

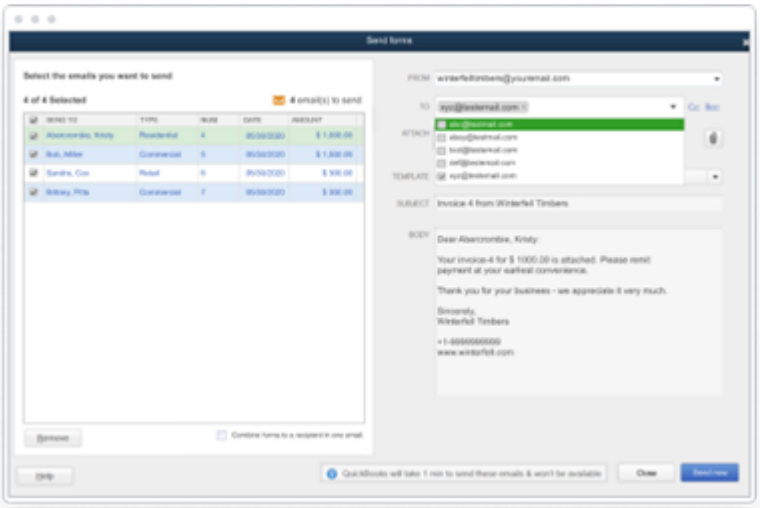
* **Customize Bill Payment Stubs –** Your vendors no longer have to wait for a paper check to receive a bill payment voucher. Using this feature, you can add your business logo and format the payment stub to suit your business.



You can now customize bill payment stubs for all of your vendors.

You can choose the vendors you wish from the dropdown list and create a custom email to send along with the bill payment stub.

* **Multiple Email Contacts –** Do you have a newsletter, targeted sale, or other information you wish to send to a select group of contacts? Using the multiple email contact feature, you can do just that.



The Email Contact List allows you to choose the recipients for a group email.

This is a great way to get custom messaging out to the appropriate recipients without having to manually enter each email address.

> *The professional services industry offers several challenges that need to be appropriately addressed including solid time tracking capability, flexible billing rates, and the option to better track project data.*

Other features

Along with these new features, QuickBooks Enterprise Professional Services also offers numerous features designed for professional services businesses. These include:

Time Tracking with QuickBooks Time Elite (formerly TSheets Elite) – Time tracking is important for any business, but particularly so for service businesses who have to manage timesheets and bill their time accordingly. Using QuickBooks Time Elite, professional services users can track time spent on any project. But even more important, the time can then be automatically rolled up into any subsequent project reports as well as into QuickBooks Payroll, eliminating the need to enter data twice.

This allows users to track their time from any location, whether it's from their home, the office, or the client's office.

Project Costing – It can be difficult to know if a client project is profitable if all

of the project management components are not tracked properly. Not only can you easily track project cost projections in real-time using the job costing dashboard, but you can also track the actual expenses to see if you're on track for profitability or if cost adjustments are needed.

Best of all, QuickBooks Enterprise will automatically create client invoices based on data entered in the system, eliminating the need to bill clients separately.

Flexible Billing Rates – As a professional services firm, your billing rates likely change frequently, depending on the job completed, who completed it, and the level of difficulty in completing the job. That's why being able to assign different billing rates to your employees based on a variety of criteria is so important.

By setting custom billing rate levels, you can assign a rate for a particular level rather than by an employee. For example, at a CPA firm, partner billing rates would be assigned at a different level than entry-level employees.

Reporting – Good reporting options are available in all QuickBooks Desktop applications with the Enterprise edition of QuickBooks Desktop offering more than 200 reports that can be customized to suit your needs. Any customized report can be saved in the application as a template, so you can use the same reporting criteria in the future without having to set it up again.

Advanced Reporting – Advanced reporting allows Enterprise users to access raw data to create reports and graphs from scratch. In addition, the Professional Services edition of QuickBooks (and all niche editions) also offers bundled reports designed specifically for professional services businesses. These reports include:

- **Billed and Unbilled Hours –** This report can be run by person or by project, and provides management with a good view of all billable hours as well as how long an employee has spent on a particular project.
- **Costs by Project –** Costs need to be looked at throughout the life of a project. Running the Costs by Project report allows you to see exactly how much you've spent to date, allowing you to make adjustments to your forecast mid-project when needed.
- **Project Costs Detail –** Still wondering exactly why your project has gone over budget? Run the Project Costs Detail report to see exactly how funds were spent.

- **Cost to Complete –** Not sure if you have enough in the budget to complete a project? Just run the Cost to Complete report, which displays both percentage complete and cost to complete, allowing you to make any adjustments before the job runs over budget.
- **Project Status –** One of the most important reports for management, the Project Status report provides a summary view of all projects in progress along with a guide that shows you whether the project is on track for on-time completion.

Payroll Processing – All QuickBooks Enterprise editions come with QuickBooks Enhanced Payroll, which allows you to pay both employees and contractors. Enhanced Payroll also includes both printed check capability as well as free direct deposit. For those that want additional help with payroll, a subscription to Assisted Payroll will take care of all payroll taxes including filing and payment.

QuickBooks Enterprise Professional Services also includes a custom chart of accounts, can monitor project progress, track unbilled time, and electronically invoice clients. Multi-level data permissions are available, so management can establish permission levels for multiple groups of employees, ensuring confidentiality throughout the life of the project.

In addition, you can prepare custom proposals for potential business, accept mobile and credit card payments from your clients, and even integrate with Salesforce CRM for better client and sales management. For those that require integration with outside e-commerce channels, an optional e-commerce integration add-on is available that offers seamless integration with online stores and marketplaces.

Like all QuickBooks products, QuickBooks Enterprise Professional Services is designed to work on a Windows platform and is not currently available for Mac systems. Available as an annual subscription, Intuit offers three versions of Enterprise:

1. **Gold –** The Gold version of QuickBooks Enterprise includes Advanced Reporting, access to QuickBooks Priority Circle, and QuickBooks Enhanced Payroll. The Gold version supports up to 30 system users and starts at $1,489.50 for the first year.

2. **Platinum –** The Platinum version includes all Gold level features as well as Advanced Inventory for tracking inventory items, Advanced Pricing, and Bill Workflow Approvals. The Platinum version supports up to 30 system users with a subscription starting at $1,831.50 for the first year.
3. **Diamond –** The most advanced version of QuickBooks Enterprise, the Diamond version can support up to 40 users and includes advanced features such as QuickBooks Time Elite, and the Salesforce CRM Connector. Diamond subscribers also have access to QuickBooks Desktop Assisted Payroll. The Diamond version of QuickBooks Enterprise starts at $3,618 the first year.

All subscription levels include customer support, online data backup storage for all QuickBooks data, product upgrades, and training tools.

Is QuickBooks Enterprise Right for Your Business?

A great option for mid-sized and growing professional services businesses that are looking for a better way to manage project costs and billing, QuickBooks Enterprise Professional Services is an all-in-one application that you will not soon outgrow.

What’s your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

We’ve helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our “Solutions” page to see the areas of your business we can help improve to see if we’re a good fit for each other.
- Learn about us, and our long history of helping companies just like yours.

Book a Live Demo

2. Download our guide “Indirect Spend Guide”

Download a free copy of our guide to better manage and make savings on your indirect spend. You’ll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

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3. Learn best practices for purchasing, finance, and more

Browse hundreds of articles, containing an amazing number of useful tools, techniques, and best practices. Many readers tell us they would have paid consultants for the advice in these articles.

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