

HOW TO MITIGATE THE IMPACT OF COVID-19 ON YOUR SUPPLY CHAIN

Commercial Dispute Resolution Partner, Ramona Derbyshire, outlines the steps medium-sized enterprises can take today to protect themselves and their supply chains in the context of COVID-19.

The ability of supply chains to withstand the disruption caused by coronavirus is a source of great anxiety for businesses. The complexity and global nature of many medium-sized enterprises' supply chains means destructive events in one region can quickly result in economic consequences for businesses all over the world.

The next few weeks will be particularly important for UK businesses as the coronavirus outbreak escalates. With a number of countries enforcing policies to limit social contact and asking businesses to close or implement homeworking, the effect on supply chains is set to be unprecedented.

Taking an in-depth look at your supply chain relationships now will help you ensure your business continues to operate smoothly. Here are the simple steps you can take to protect your business:

PUT A SUPPLY CHAIN MANAGEMENT TEAM IN PLACE

During this period of crisis, it is important to take control and act quickly. The majority of medium-sized enterprises are under a lot of pressure, which makes effective leadership the foundation of your crisis response strategy.

Your employees, stakeholders, business partners and key customers need to know who they should be in contact with, and what contingency measures you have in place. You may need to make quick decisions to preserve the position of your company, so establishing a clear chain of command and delegating responsibilities should be an early priority. For example, ensure your managers are aware of the basic premise of no unnecessary spend, if that is your strategy, which they can then monitor through the chain of command and ensure approval processes are in place.



CATEGORISE THE PARTIES IN YOUR SUPPLY CHAIN

Establishing the products and suppliers that are most critical to your operations will allow you to map your risk exposure more clearly. Start by filtering your supply chain into activities that are ‘essential’ and ‘non-essential’ to your business operations. You may also wish to consider any relationships that were particularly hard to find or that may be difficult to replicate in the future.

Once you have identified your main areas of focus and your key vulnerabilities, you can begin to contact suppliers directly to discuss how they will be ensuring continuity of service. You may also wish to discuss your next steps with a contracts lawyer.

REVIEW ALL YOUR CONTRACTS

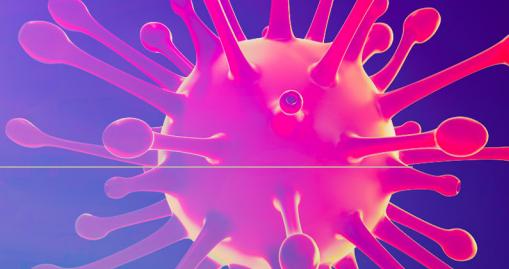
It is likely a large number of companies will experience cash-flow difficulties in the coming months. Based on your categorisation of how to prioritise your supply chain, you may need to adapt or terminate some of your contracts in order to cut costs and protect your business.

For example, you might have to use force majeure clauses or other contractual rights to cancel contracts, enforce performance or recover debts. Thrings’ contracts lawyers can review the specifics of your contracts to identify the threats and opportunities you are facing, and the best course of action with each party.

PRIORITISE EFFECTIVE COMMUNICATION

While you may have to make some difficult short-term decisions, it is important to preserve relationships so that business can return to normal once the effects of the coronavirus outbreak subside.

Regular and clear communications with your entire supply chain are always important, but now more than ever. By keeping them up to date on what your business is doing to mitigate risks, and asking them to do the same in return, you can pre-empt potential issues and work together to plan around them.



PERFORM GOOD ‘BUSINESS HYGIENE’

With the potential for widespread issues on the horizon, it is also important to ensure you are prioritising cash-flow and if needed, prompt debt recovery for your business. Like most organisations, the courts are likely to be delayed or disrupted over the coming weeks, so it is wise to move quickly and tighten your processes to secure outstanding payments as soon as possible. You can find out more about the best steps to take here or at:

www.thrings.com/news/coronavirus-debt-recovery-for-medium-sized-enterprises

HOW WE CAN HELP

Thrings solicitors can assess your current contracts in order to evaluate your strengths and weaknesses and help you create an effective strategy for the weeks and months ahead. Talk to a member of our commercial contracts team today.



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