

Viewpoint: Reining In Financial Risk in Supply Chain Management

International headlines appear on a weekly basis declaring the consequences caused by inappropriately managing supplier risk throughout the supply chain management process. And during this still unpredictable business climate, the list of financial risks continues to grow.

Logistics service providers (LSPs) in the air freight sector are often lax in administering the financial risk involved with managing their suppliers at a time when diligence is critical for business success. In business today it is vital to keep a tight rein on all finances, to keep expenditures under control and identify true ROI. From a credit management point of view it is essential to maintain control over the financial status of debtors to minimize the risk of building bad debt; and from a service cost perspective it is also important that LSPs ensure that their credit lines with vendors are adequate without causing unnecessary financial risk.





Solution Found in Integrated Accounting System

Automation saves time and reduces the risk of errors which are introduced into a time-consuming manual process. With an integrated IT solution, the required information exists in an all-inclusive accounting system that holds all the answers.

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A clear and total view of all company finances is needed to ensure the overall well-being of a business.

An accurate assessment of a company's complete monetary risk situation is necessary to ensure that its credit control team is monitoring all activity, chasing the right debt; and that its procurement team can carefully weigh the offers being made by suppliers. Similarly, companies must not forget the significance of assessing revenue stream when reining in financial risk. From the moment an operator prices a job at entry point, the ideal situation is to have complete visibility of the entire job process through an accrued revenue method.

Once the job is correctly entered into the accounting system it is important to manage it closely to ensure it is invoiced to the correct person in the correct company for the correct value with the correct terms. The most reliable solution to achieving this kind of comprehensive control over financial risk lies in implementing a totally integrated accounting system that accurately reflects the most current data for all transactions.

This begins at entry point -- as soon as an accrual is entered onto the job-costing screen of a shipment. These cost accruals can then be electronically monitored, managed, matched and reported from the moment they are entered into the system. Any discrepancies in financial status can be reported with a full audit trail, ensuring that cost control risks are minimized throughout the supply chain process.

With the right security levels applied to sensitive financial information, even the operators on the freight desk should be able to see the impact of their actions to ensure that there are no loss-leading job files.

Once this information is automated, the business can rest assured that its operational teams are making the right decisions to minimize financial risk.

Data can be monitored against departmental budgets; and by making this control information available through the CRM process, it enables the sales force and the business management department to focus their administrative efforts on exercising good financial transaction practices.

It is important to focus on executing the right financial system at the right price, not just taking on any business and allowing it to become unsustainable. It's especially important today to more carefully profile the markets served and target clients for risk versus profitable business on the right credit terms. This more aggressive marketing approach helps ensure that financial risk is mitigated throughout the supply chain process.

There is a trend toward new technology options as an area where LSPs can streamline overall operations, minimize upfront expenditures and format their reporting data to their specific requirements in order to optimize financial risk. For LSPs in the air freight sector, massive gains can also be found in a company's Cargo Accounts Settlement Systems (CASS) procedures by electronically reconciling statements, as opposed to doing it manually.

Automation saves time and reduces the risk of errors which are introduced into a time-consuming manual process. With an integrated IT solution, the required information exists in an all-inclusive accounting system that holds all the answers. Customizable electronic screen views, drilldown and report writing capabilities all make the delivery of this type of solution complete -- ultimately reining in financial risk.

ABOUT CARGOWISE®

CargoWise is a globally renowned technology provider that delivers an innovative, single platform solution to improve customers' visibility, efficiency, quality of service and profitability. It provides dynamic and efficient solutions for logistics service providers focused on effortless supply chain execution capability in an integrated globally capable enterprise system.

Every day, 1,300 logistics service providers, consisting of 33,000 users in 45 countries, move goods through the global supply chain using CargoWise's ediEnterprise system, a powerful and feature rich software solution developed to meet the ever-changing needs of the logistics industry. CargoWise offers the only single platform supply chain logistics management system that provides integration across all departments with functionality for domestic, regional and global customers. The company operates from offices worldwide with headquarters in the USA, Australia and in the UK. More information on CargoWise can be found at www.cargowise.com