



Chapter 6

The Relevance of Supply Chain Preparedness on the Long-Term Sustainability of SMEs

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ABSTRACT

The variety of risks and the frequency with which they can disrupt a supply chain are now vastly wider than ever, rendering heightened volatility the emerging norm for contemporary supply chains. Thus, resilience has grown in importance as a component of supply chain management. It is suggested that firms increase risk prevention and response strategies to inject resilience into supply chains. SMEs require resilient supply chains to anticipate potential changes, react to actual changes, and deliver superior value. By creating strategies that enable the supply chain to recover normal operations after a disruption, building supply chain resilience can assist in lessening and overcoming vulnerabilities to risks. The chapter aims to provide a detailed insight into the impact of one critical dimension of supply chain resilience, supply chain preparedness, which is aimed at boosting SME sustainability.

INTRODUCTION

A supply chain is a whole system of creating and delivering a product or service from the initial step of acquiring raw materials through the ultimate delivery of the product or service to end-users. The management of the movement of goods and services is referred to as supply chain management, and it encompasses all procedures that transform raw materials into finished items. It entails actively simplifying a company's supply-side processes in order to increase customer value and achieve a competitive

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advantage in the market. The increasing sophistication of managing supply chains and meeting ever-increasing customer demands has made businesses more conscious of their economic and operational vulnerability to dangers from the macro environment: every economic activity carries the risk of unanticipated disruptions, which can result in financial liabilities and, in some cases, firm closure. Terrorist attacks, pandemics, natural catastrophes, and regional power outages in recent years have all revealed numerous firms' lack of supply chain preparedness. Market disruptions and supply chain threats are at an all-time high, the COVID-19 pandemic is, of course, the most well-known of these. According to a poll conducted by the Institute for Supply Management in April 2020, 95 percent of businesses have faced operational issues because of the epidemic. Business executives all around the world believe that if they want to be more robust and competitive in the present market, they will need to modernize and make significant changes to their supply chain operations. Consequently, improving supply chain preparedness is essential, and a significant component of a supply chain disruption management strategy which may be required in periods of catastrophe. In a highly unpredictable environment, firms require proactive supply chain resilience methods to get ready for potential changes, detect changes, and adapt to actual changes in ways that generates value.

The contemporary business environment has been plagued by ever-increasing uncertainties and vulnerabilities; as a result, supply chain (SC) risk mitigation techniques and associated SC capabilities, known as SC resilience, have become increasingly important. SCs' resilience has been widely recognized as a key dynamic trait. The goal of SC resilience is to get operations back to an optimal or better state after a disruption. Thus, instead of adapting to changes through disruptions, SCs can survive disruptions while retaining connection and stability across processes through SC preparedness which refers to firms' ability to withstand the effects of potential changes (Bellow, 2016). Businesses' ability to innovate, manage their staff and customers, and recoup their initial investment are all indicators of a SME's sustainability (Pratiwi, 2018). This demonstrates that they are growth-oriented and continually explore opportunities to innovate. Cost savings, consumer demand, risk mitigation, leadership, tax incentives, staff retention, brand reputation, limited resources, sustaining competitiveness, and new profit prospects are just a few important strategies to accomplish business sustainability (Pratiwi, 2018). However, more than 50% of SMEs worldwide faced a slowdown because of the Covid-19 epidemic (International Trade Center, 2020). Considering SMEs make up 73 percent of all businesses in the globe; this is a considerable percentage (ILO, 2020), and the Covid-19 significantly affects their major lifeline, which is income. Thus, SMEs have been having difficulty sustaining growth, surviving the market, and achieving sustainability for the past two years.

Supply chain preparedness is essential in achieving sustainability as it emphasizes business attributes, risk awareness, risk protection, competitive advantage, innovation, and strategic management in the supply chain (Pettit et al., 2010). Hence, the concept of supply chain preparedness is extremely sufficient to gauge a firm's sustainability, especially for SMEs with constrained resources. Business contingency plans are developed by SC firms to ensure that a SC can withstand a variety of business scenarios. Supply chain preparedness, which is built through the development of contingency plans to protect core business value and the formation of interest synchronization across members of the supply chain to collaboratively resist risks and optimize the creation of value at the supply chain level, can help SMEs improve their performance. Firms can achieve the goal of competitive edge in a vibrant economy by preparing supply chains for potential changes.

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