The 7 Key Challenges for Procurement Success in the post Covid world

As we emerge from the Covid-19 crisis, what will the new normal for PROCUREMENT look like?

Few businesses will remain untouched by the effects of the Covid-19 pandemic: Procurement will also be changed, but how exactly? Jonathan Dutton FCIPS looks into the crystal ball and poses SEVEN strategic challenges soon to face procurement ...

Tactical priorities... but strategic questions

Like many people, procurement professionals have been head-down/bum-up working at home. For the most part they have been securing vital supplies, pausing non-essential supply lines, sourcing new stuff (mostly PPE it seems) or just taking the chance to deliver on business-as-usual (BAU) promises; as I highlighted in an article for PASA recently. A few may even be using the 'gift of time' to achieve something more substantial?

The second phase of this tactical activity soon focussed on new priorities for procurement managers, as I covered in a follow-up article for PASA; managing a remote team and their welfare, balancing team capacity including joiners & leavers, preserving cash for the business, managing SME suppliers, and perhaps beginning to think about the strategic implications on the supply side.

But the danger is that we get trapped in a tactical mindset, doing what needs doing now. Responding. Reacting. Busy. With tactical priorities and not quite getting around to the more strategic questions. Yet, already, the alert amongst us are asking what's next? How do we emerge from this crisis? What will the new normal look like? How will the experience affect procurement and the stakeholder demands upon us?

Change is inevitable

A good place to start is, yes, a boring old PESTLE analysis – in fact, there has never been a better time to do one. The scope for change is incredible. Just extrapolating the obvious, or aggregating common predictions, gives a ready picture of how the world might possibly look in the near future, the medium term or the longer term:

PESTLE analysis possibilities						**April 2020**
	POLITICAL	**ECONOMIC**	**SOCIAL**	**TECHNOLOGICAL**	**LEGAL**	**ENVIRONMENTAL**
Now ...	Mass buy-in to draconian steps	Instant mass unemployment	Panic buying	ZOOM videoconf proliferates	Lockdown laws passed in days	Commuting stops, emissions improve
	Politcal parties seem less relevant	Deep recession : Relations with China?	Social distancing & no groups	Online shopping becomes the norm	State of emergency invoked	Climate change priority shelved
	Domestic v INTL focus & priority	Refocus on risks of global supply chains	Demand varies by industry dramatically	Work APPs boom	State increasingly micromanages	Polarisation of debate: Health -v- Economy
	'Nation State' returns	House prices to drop significantly	Peer pressure to be compliant grows fast	Tech surveilance highlighted	eSignatures norm	Tourism halted
Soon ...	**Enormous public debt burden**	**Higher prices - where demand suppressed**	**Divorce rate spikes -v- baby boom**	**Homeworking normalised : Less office space?**	**Regulating credit**	**Government buffer stocks return?**
	Inquisition on crisis handling	**Economic bounce : winners & losers**	**Family units bond : Singles alienated**	**State APPs bring privacy questions**	**State entitlements tighten again**	**Marginal causes recede**
	Public kickback on LT restrictions	**High profile bankruptcies & acquistions**	**Aged Care standards become unacceptable**	**BYOD gets traction**	**Individuals sue companies more?**	**'International' issues recede**
	Govt continuity planning	**House prices adjust***	**Housing needs change: Larger WFH outta town***	**Online house sales & auctions grow**	**Immigration rules relax for growth**	**Low cost energy req to rebuild manufacturing**
Later	Policy develops micro-mgt focus	Securing credit more difficult	Self reliance grows	BioTECH prioritised	State role increases and develops	Sustainability restrained by cost
	Party themes diverge again?	Job security prized: Gig economy slows	Less celebrity worship, Sport less compelling	IT systems cohesion accelerated	Individual rights compromised?	Vaacine bounce
	Identity politics recede ...	Cashless society	Greater division : Haves v Have nots			Tourism returns
			Handshakes passē			

In many ways, procurement is well positioned to manage change. In our role we are often the first to see change coming as we are usually involved to some degree in large transformative projects – at least when they need to buy stuff. Moreover, according to regular straw-polls at PASA procurement conferences over the last three years, fully 100% of procurement teams have been through major transformation projects themselves (some even for the second or third time), or are going through it currently, or are planning to conduct such a transformation project. So, TAU then – transformation as usual.

'Change is the only constant' Heraclitus

Corporate constraint

Applying these possible trends to the world of B2B business is not so terribly difficult either. Businesses will soon look up from crisis management. Immediate cost cutting will give way to a strong focus on RISK. How are their business models vulnerable? How do they build resilience? How will PESTLE trends affect their businesses? How must they adapt – both now and in future?

Simple 'tells' will reveal their thinking – spending cuts, lower staff ratios, stern business casing and slow investment curves. Betrayed by no business travel, little training, fewer events, lower budgets and reversing investments in large, shiny CBD offices.
But then, afterwards, we are likely to see successful organisations have focused on customer needs. Changing needs. And amended business models, altered messaging and refined product propositions to suit a changed market. Also, they will have amended the brief for procurement too – things are not going back to the way they were. The 'Golden Age' of procurement, as HBR called it, is over. Savings have been tending to zero for some time. Done that. This crisis will precipitate structural change – for procurement as well. We will have to prove our relevance once again, but this time perhaps under the harsh exposure of working remotely.

The five R's

Already there are winners and losers from the Covid-19 crisis. Several surveys have suggested that between 50-70% of firms have been significantly or even dramatically affected by changing trading conditions. Those that adapt quickly and well will thrive. Those same surveys suggest roughly around 20% firms or so have already come out ahead – and not just the supermarket chains.

"Never waste a good crisis"
Churchill

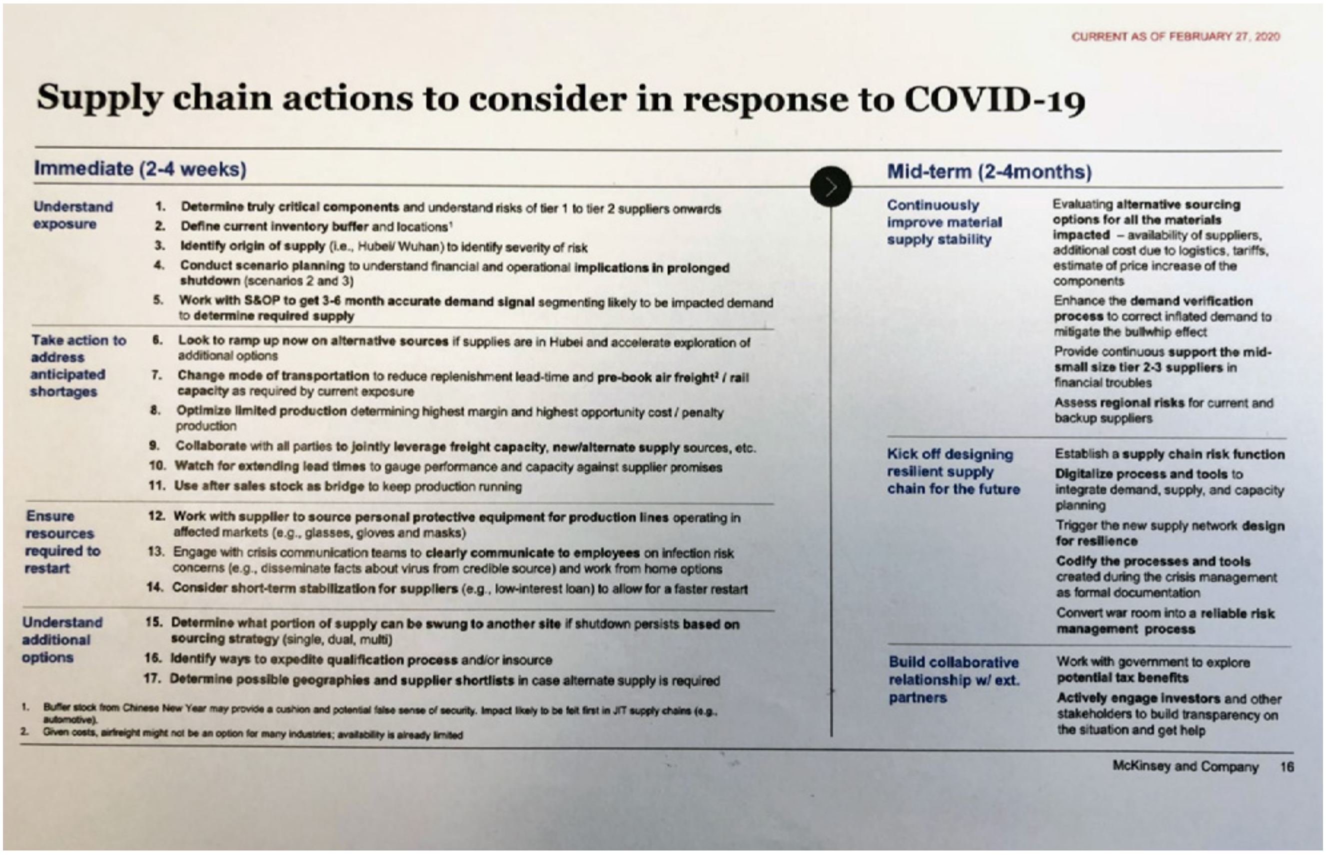
Business leaders will quickly embrace Churchill's maxim (above). The Hackett Group identify five risks that have to be proactively managed by procurement now - People risk, Liquidity risk, Supply chain risk, Recession risk, Business continuity risk; each over the short, near or mid-term. But McKinsey have elaborated the thought of not wasting a crisis into their five R's to cover the five stages of business management response:

McKinsey's FIVE R's

Resolve
Resilience
Return
Reimagination
Reform

In crisis mode we become quite reactionary. Next, we enter a normalised crisis mode (as I write) and, soon, work in to an 'emergence' of change towards a new normal – an adjusted 'normal' state. McKinsey explain this better with their 5 x R's model. They hint that the key to success is gaining the autonomy to work somewhere between creativity and pragmatism. And avoiding the usual traps of inadequate discovery, poor decision making and constrained solution design resulting in delivery failure.

If your organisation has been materially affected by the pandemic, imagine how these steps could help you get back in front? Procurement, as a profession, will also face challenges and may usefully adopt this framework to help frame them. McKinsey helpfully produced an early step-by-step guide:



CURRENT AS OF FEBRUARY 27, 2020

Supply chain actions to consider in response to COVID-19

Immediate (2-4 weeks)

Understand exposure

1. **Determine truly critical components** and understand risks of tier 1 to tier 2 suppliers onwards
2. **Define current inventory buffer** and locations[1]
3. **Identify origin of supply** (i.e., Hubei/ Wuhan) to **identify severity of risk**
4. **Conduct scenario planning** to understand financial and operational **implications in prolonged shutdown** (scenarios 2 and 3)
5. **Work with S&OP to get 3-6 month accurate demand signal** segmenting likely to be impacted demand to **determine required supply**

Take action to address anticipated shortages

6. **Look to ramp up now on alternative sources** if supplies are in Hubei and accelerate exploration of additional options
7. **Change mode of transportation** to reduce replenishment lead-time and **pre-book air freight[2] / rail capacity** as required by current exposure
8. **Optimize limited production** determining highest margin and highest opportunity cost / penalty production
9. **Collaborate** with all parties **to jointly leverage freight capacity, new/alternate supply** sources, etc.
10. **Watch for extending lead times** to gauge performance and capacity against supplier promises
11. **Use after sales stock as bridge** to keep production running

Ensure resources required to restart

12. **Work with supplier to source personal protective equipment for production lines** operating in affected markets (e.g., glasses, gloves and masks)
13. Engage with crisis communication teams to **clearly communicate to employees** on infection risk concerns (e.g., disseminate facts about virus from credible source) and work from home options
14. **Consider short-term stabilization for suppliers** (e.g., low-interest loan) to allow for a faster restart

Understand additional options

15. **Determine what portion of supply can be swung to another site** if shutdown persists **based on sourcing strategy** (single, dual, multi)
16. **Identify ways to expedite qualification process** and/or insource
17. **Determine possible geographies and supplier shortlists** in case alternate supply is required

1. Buffer stock from Chinese New Year may provide a cushion and potential false sense of security. Impact likely to be felt first in JIT supply chains (e.g., automotive).
2. Given costs, airfreight might not be an option for many industries; availability is already limited

Mid-term (2-4months)

Continuously improve material supply stability

- Evaluating **alternative sourcing options for all the materials impacted** – availability of suppliers, additional cost due to logistics, tariffs, estimate of price increase of the components
- Enhance the **demand verification process** to correct inflated demand to mitigate the bullwhip effect
- Provide continuous **support the mid-small size tier 2-3 suppliers** in financial troubles
- Assess **regional risks** for current and backup suppliers

Kick off designing resilient supply chain for the future

- Establish a **supply chain risk function**
- **Digitalize process and tools** to integrate demand, supply, and capacity planning
- Trigger the new supply network **design for resilience**
- **Codify the processes and tools** created during the crisis management as formal documentation
- Convert war room into a **reliable risk management process**

Build collaborative relationship w/ ext. partners

- Work with government to explore **potential tax benefits**
- **Actively engage investors** and other stakeholders to build transparency on the situation and get help

McKinsey and Company 16

Source: McKinsey & Co.

Seven challenges facing procurement:

As we emerge from the pandemic crisis, procurement will be strategically challenged in seven key areas – some of which will feel more relevant than others depending on the nature of your business.
But, handled well, each could be a real opportunity for professional procurement as we forge the new normal:

1. Refocusing on securing supply lines and balancing risk

The first responsibility of a professional buyer is actually to secure supply - not to bash down price, as many believe. The bottlenecks and early shortages during the pandemic highlighted the value of a secure supply line. And the folly, in some cases, of relying on single-sources, overseas suppliers or very large vendors to deliver on our urgent needs. Competition for stock was a thing. (Just like the toilet rolls).

This means, in future, we need much stronger strategic focus on uninterrupted supply lines – even if demand explodes overnight. Efficiency as a procurement war-cry will be replaced by resilience say McKinsey.

Does this mean the return of old buffer-stocks? Dual-sourcing? Onshoring supply to locations nearby? Re-shoring things we have previously sourced off-shore? Mapping supply chains to ensure materials requirement planning (MRP) will always work, not be left wanting & hoping for a single part to complete manufacture? In other words, network optimisation of supply being nearer demand? Of flexible (or agile) supply markets? This is the level of thinking that is required now, to prevent the same scenarios (or worse) downstream.

The new focus will be on risk and continuity of supply – come what may. Pandemics are but one risk, one cause of supplius interruptus. What of volcanoes, wars, pirates, tariffs, earthquakes, floods, insurrections, sanctions, tsunamis and the like? We cannot predict these things, but we can anticipate supplius interruptus – that is our professional duty.

So what exactly do we do to minimise future risk? What strategies can we consider to make our business more resilient to supplius interruptus:

1. BUFFER STOCKS – holding stock on site, or nearer (not overseas) to our manufacturing plants or delivery points. Is JIT always too great a risk of non-delivery?
2. NETWORK OPTIMISATION – source components from suppliers closers to our distribution centres (DCs), which in turn, are sited nearer to the customer market we serve
3. RE-SHORING – This might well include re-shoring sources of supply back into Australia and New Zealand? Supplies sourced overseas as better/faster/cheaper/greener/safer might have to be re-evaluated given security of supply concerns; especially if components to mostly home based product assembly or service chain. A national push for a more self-sufficient Australia may exacerbate this.

4. MAP VALUE CHAINS – which players within your inbound supply chains are vital. Which are risky bottlenecks? Which are easily replaceable? Which are in risky countries? Which are nearby? Which are irreplaceable?
5. DUAL-SOURCING – single sources can present real risk. The tsunami in Japan stopped one Victorian car manufacturing line for the want of electronic resistors as they single-sourced there. Their competitor plant just 80km down the freeway dual-sourced and never stopped.
6. AGGREGATED SOURCING – using aggregators is a genuine short-cut to off-the-shelf deals, built on others' volume, on pre-agreed terms (the Supply Clusters model); but they often only deal with INDIRECT categories, though these increasingly include MRO, energy, freight & logistics providers and other semi-DIRECT categories.
7. ALTERNATIVE SOURCE INDEXING – should you need to, where would you buy your essential supplies from? Where are they available? Do you have a list? One procurement team face the closure of their factory in China, in Whuhan, early in the crisis, where they made key components. They were soon trying to buy like components from their competitors in order to satisfy local customers in Australia.

Single-sourcing can be a procurement indulgence from time to time. The search for ever more savings in the past was sometimes driving one-eyed decision making, and building risk into your service chain as a consequence. To some extent procurement is a victim of its own success, as well as its own myopia on savings. There are many other ways to deliver value – and this might be the challenge facing many procurement managers next.

2. Improving procurement responsiveness and agility

Imagine a stakeholder in 12 months timing saying, "waddayamean 9 months for a go-to-market exercise? You sourced things in three days flat during the pandemic!" Easy to imagine eh?

Working through a likely recession, stakeholders focused on resurrecting or protecting a company will be less welcoming of the drag of procurement process. We have to find quicker ways to work. To re-balance the risk of speedy sourcing with clumsy shortcuts in due diligence and risk management.

One way to do this is through AGILE Procurement; simply the principles AGILE management developed in the IT industry over the last twenty years, applied directly to procurement process with Sprints, SCRUMs, stand-ups, Big Room Workshops and three or more suppliers in a room for two days bidding against each other. The most famous case study being how to buy an ERP in two days.

But the short aim of any Agile Procurement project is to cut sourcing time from 9 months to 9 weeks – or 9 weeks to 9 days. It is innovative, iterative and intensive. It is not a short-cut, not a process dodger and not an alternative to strategic procurement. PASA now offer an authentic training course on Lean Agile Procurement from those that invented it.

Fundamentally, though, AGILE methodology is not about SPEED – it is about responsiveness. That is, responsiveness to changing situations, changing markets, changing circumstances, changing needs. Deploying it to manage complexity is how it works best. It is not far from the entrepreneur's mindset and how small businesses run in practice – largely through iteration.

3. Managing demand & reducing non-essential spend

An early priority in pausing non-essential supply lines during the early days and weeks of the crisis was not so much to cut cost as to preserve cash. At that stage, nobody knew how long they'd be required to survive with whatever cash was at the bank. And at that time, negotiating Force Majeure and pausing non-essential supply lines was more about cash preservation and massively reduced volume needs than it was about simple cost cutting.
As we drift back to work in the office, a number of immediate trends seem obvious; for instance:

i. Office space will be required less - as homeworking is suddenly viable for so many. And less opulent offices will be required; we have learnt to work on laptops balanced on wobbly books on the dining room table – do we really need self-raising desks, hot-workstations, privacy booths, private cafes, corporate lounges, creative areas, corporate massage, nap-pods and mind-gyms?

ii. Travel will drift back only very slowly: International travel perhaps the last thing to be allowed? Then, any travel at all will be difficult to justify. As will attending events, conferences, supplier visits, training and touring our other office locations around the country. "Just zoom them" will be suggested instead.

iii. Staff ratios will be recalibrated. Admin staff threatened, passengers in the office weeded out. Vacancies cancelled, contractors let go, consultants sent packing. Then after this cleansing, perhaps, more use of flexible labour like contractors will be used – at the expense of permanent staff, as FTEs fall. Just when so many workers will prize a proper full-time job after the crisis, ironically business will be even keener to use variable cost labour (freelancers) and not fixed cost overheads (staff). In procurement too, as we are not exempt from searching questions just because people assume we are the actual cost-cutters-in-chief – as one CFO once pointedly asked; why must I carry permanent overhead to manage cyclical spend?

Trends like these will straddle most aspects of modern day office life and illustrate a role for demand management. Frugality will rule us all for some time. It did after the Spanish Flu by all accounts, with few prepared to take on large debts. All non-essential corporate demand will be challenged in the near future. And INDIRECT spend will come under new pressure – category by category.

These examples illustrate a role we can play in demand management; in managing the process that brings the outcome of an approved purchase, or not. It is policy and process that will save cash here – not beating down supplier's prices.

4. Turning FIXED cost into VARIABLE cost streams

Continuing this theme, businesses will look to alter their business models to minimise fixed costs in favour of variable costs - which go up and down in direct proportion to volume. Airlines are a good example – high fixed costs, with uncertain and variable income streams to cover very large amortised debt on assets like aircraft. Ask Virgin Australia about it. Expect procurement managers to be under pressure to contrive such variable-pricing agreements with suppliers in future. Price variation formula (PVF) will come out of the procurement textbook and become more normal.

Variants on PVF themes will become more innovative too – rebate schemes, surplus stock buy-backs, shared impress stock, price breaks and the like will become more normal than exceptional, as we innovate to dodge cost and shift risk back to suppliers. As buyers, however, will may asked to pay more per unit in return.

Especially when suppliers are asked to run with in-built social distancing – airlines flying with the middle-seat free, reduces revenue by up to 33%, so fares increasing proportionately is likely. This will apply to other industries impacted by revised demand markets (cafes in the CBD) through to those forced to distance people (conferences or theatres maybe) or supply below EOQ (economic or minimum order quantity).

5. Increasing spend visibility through eProcurement

Another common issue early in the crisis was the amount of procurement teams who did not have data to hand. Or rather, they had the data, just not the information. For all the investment in ERP and P2P systems, too many could not work out quickly or easily enough who exactly were their most important suppliers, who were not, and which could be quickly shelved, which might be needed later* Moreover, they did not have the right contacts in each supplier – who to 'phone? Where's the number? Refreshing supplier data every 13 months looks inspired now.

Most certainly did not know who the most vital second-tier suppliers were? Those suppliers that supply our suppliers. The 'system' also couldn't tell one Aussie manufacturer of bottled chemicals, for example, that the child proof bottle tops they used came from northern Italy. For the want of these, all production was curtailed.

Mapping supply chains will become the norm for essential supply lines (DIRECT spend) – not for the purpose of eradicating modern slavery, but to secure supply lines by managing down risk. And a good place to put such lists would be in your system - with a parent/child sourcing structure. Just saying.

Expect the trend to desktop dashboards, built on cloud-based widgets, with text feeds from legacy systems, to continue. Microsoft POWER BI in other words (free with Microsoft 365) or TABLEAU software (if you are feeling flush). Several boutique procurement consultancies offer such services on such platforms. I expect them to be busier on this before very long. What makes these tools so handy, apart from the low cost and the easy configurations, is that they are entirely bespoke to your own business. Your business is different right?

6. Re-segmenting the supplier base and harnessing SRM

There are many ways to segment your supplier base, once you have a reliable list of suppliers (preferably with no dupes, post codes, spend data, transaction counts, cost codes & UNSCPC coded).

But, a slightly new take on segmentation, mentioned by a good few CPOs with a new sense of urgency in the early days of the crisis, is the split between ESSENTIAL -v- NON-ESSENTIAL suppliers. Your definition of 'essential' may vary from other's. But it differs subtlety from "DIRECT" supply lines. It is closer to home. Nearer the mark, and more specific to your needs. And easier to list.

Regardless, once you have answered the question of which are your key suppliers and which not* - whether you have used the 'Kraljic Matrix' or not – the next question is which suppliers do you want a relationship with, and why? Usually, your most 'strategic suppliers' – those which could bring your business to its knees far to quickly were they not to supply you for a week or two.

Building relationships with hungry suppliers is not difficult. And SRM (supplier relationship management) thinking embraces this well. But strong relationships get formed as we face adversity together – especially for procurement people working closer with vital suppliers at a crucial time such as a pandemic. If nothing else, this should convince procurement managers (and, more, their bosses) of the role good business relationships can play in getting the supply side moving and ever more efficient.
Our 'C' suite bosses understand the value of business relationships. They wouldn't get appointed to the top team in the organisation without having experienced the benefits of good business relationships in their career. Yet, ironically, when it comes to suppliers, they often revert to a 'master-slave' mindset demanding you "squeeze the lemon" or "bash the price down" ...

This is why justifying an SRM strategy can be so difficult. Explaining to a gruff CFO why we want to be 'nice to suppliers' is rarely well received. Justifying why it is in our best interests is also tough. "They want our business don't they?" asks the sceptical finance director. True enough, but not at any price. And a good working relationship builds teamwork and attracts the many benefits it brings. But these can be nebulous and tough to quantify (unlike savings). Justifying SRM strategies is a challenge for procurement managers – but an essential strategy, I believe, in an oligopolistic market like ANZ, as savings tend to zero and VALUE gets defined in other ways moving forward.

Utilising SRM will be all the easier in future if we can capture the real benefits of close working relationships with suppliers 'during the crisis' and all the easier if you can even quantify them.

7. Negotiating stronger legal protections and remedies

An early virtual PASA CPO Roundtable (on ZOOM) became a little confessional. Said one CPO, "I have just checked the long-standing contracts with our two principal strategic suppliers; neither has a Force Majeure clause!" Oops.

As the Force Majeure webinars suggested, force majeure is largely an 'agreed inability to perform' – alas, most force majeure incidents are pretty quickly not agreed, hence you have to 'claim' Force Majeure. You are always in a stronger position if you have foreseen a likely (or unlikely) scenario and legislated for it by name within your clause. You spelled it out. At least it strengthens your negotiating position.

There are many other in-built solutions, remedies, scenarios and what ifs within contracts. Considering them more carefully instead of skipping over the 'boiler plate' section will be required for key supply lines in future. Will this mean a hasty review of all strategic contracts? (Yes). Does it mean new templates? (Yes). And would contract automation systems help in future? (yes, but not quite as much as you think say IACCM – a topic for another day).

Of course, better contract management will only help avoid problems in the first place. This is an area of real opportunity – benefits realisation downstream from upstream business planning and negotiations.

What should we stop doing?

In addition, to these seven pressing challenges facing procurement, there are likely things we will have to stop doing, or curtail, or at least, review in the near future:

1. **Sustainable procurement initiatives –** some are mandatory (like modern slavery) but might become more like compliance exercises than the cause celeb it felt like last year. Others may be policy commitments (indigenous owned suppliers) and can likely be sustained without drama. Yet, Social Procurement may well strengthen – with so many people now suddenly unemployed, driving employment policy through procurement may work well; certainly in the public sector arena. Yet other sustainable procurement initiatives might seem like a tangent or even an indulgence if organisations are fighting to survive.

2. **Extracurricular activities –** sitting on industry committees, subscribing to time-consuming professional support groups, presenting at semi-irrelevant events, may also come under the microscope – where is the direct benefit to the organisation at present? Can your learnings be directly applied to the business now? Is there an RoI? Are they value for money? Are there alternatives?

3. **Meetings bloody meetings –** going to back-to-back meetings for a living is not a real job. Procurement can sometimes be caught attending meetings due to FOMO, or to ingratiate themselves with stakeholders, or to look important. Only attend where you can add direct value – do not attend to police discussions.

4. **Probity and compliance –** everyone wants an even playing field. Everyone gets 'trust but verify' - but jumping through time-consuming hoops to pacify process cops or sanctimonious probity bunnies is rarely adding true value. If the business is fighting for survival, some processes occasionally begin to look more like virtue-signalling indulgences. We need to call those out. Are they adding value, protecting the business or just about feeling better about ourselves?

5. **Paper based signatures -** One other factor relevant to contracting in future is to sort out online approvals and, particularly, signatures on agreements and contracts. The law often struggles to catch up with technology. As does corporate practice. A well timed LinkedIN rant by Peter McFarlane, managing director of Grosvenor procurement consultants, on the idiocy of mailing hard copy agreements around the country during the height of the crisis to get urgent work started by three parties illustrated the point. E-approvals, digital signatures and even apps like Doc-U-Sign are becoming standard practice and should everywhere. The federal government AGS office did issue a practice guide on this here . There is no point speeding up procurement process to get held up for two weeks waiting for bits of paper to get scribbled upon. PASA Connect also recently ran an online Roundtable on exactly this topic.

A new professional priority for procurement

Procurement has been on a strategic journey. The over-riding priority and driving force for procurement people for nigh on 80 years has been to achieve greater value-for-money. Savings. Or at least getting more bang-for-their-buck.

More recently, many found sustainable procurement (in its broadest sense) a new priority and a way to add sought-after value. I said myself in speeches, many times, that properly applied, sustainable procurement has the potential to change the fabric of our decision making in procurement.

Yet, now, we have a new priority – security of supply. Especially at the tip of the global supply chain in Australia and New Zealand. Our first responsibility is always to assure supply. Never more so than when supply lines are in such jeopardy. (It could all have been so much worse).

This brief will come in the form of securing current and alternative supply lines, reassessing risk, value chain mapping, assessing MRP vulnerabilities, negotiating with second tier supply lines and instituting new strategies to assure supply in future – all ready for the next supplius interuptus. An age of economic volatility is upon us; causes and reasons will vary.

But after that, beware. Because when that hill of work is complete – I sense we will be asked to confront the north-face of the cost-cutting mountain once again. The role we may be asked to play is to adjust the cost base of the revised business model for our organisation post-Covid-19. It may also be much more subtle than slash'n'burn price down, cost out, activity. Which is a good thing, as we have sort of done savings. They are tending towards zero in many categories now; there is little fruit left to pick.

In fact, this newer brief may look more like cash preservation and converting fixed to variable cost. Or pre-agreeing buy-backs and variable guarantees or other monetary and quantifiable value from vendors. Which is altogether more difficult and, really, a different focus. We must take care not to be the General fighting the last war, when it comes to managing cost in future. Naked savings will not be quite so easy. Cost realignment still possible for those with ingenuity.

Managing beyond Covid-19

Meanwhile, back at the ranch, right now, we have to work through the reactionary agenda of the current crisis with care. It is easy to whittle away time being thoroughly tactical. Good old-fashioned purchasing. Many are in this tract right now and it is a comfortable fit for busy buyers supplying energised businesses.

Except, we cannot take liberties at the moment – with the team, with stakeholders, nor with suppliers. Or squander opportunities either. For there is a test at the end awaiting us, in the guise of a question: What do you want to be known for after the virus? How did you do? Did you react well? And in the 'right' way? And preserve relationships, even better them? What did you manage to achieve despite all the constraints?

With the 'emergence' phase now upon us – managing out of crisis mode back to a "new normal" (whatever that turns out to look like) – we will begin to reap the benefits of our approach in crisis mode. Or, for a few, pay a price perhaps.

And this emergence phase – or 'RETURN' phase say McKinsey - will be the time of our greatest uncertainty. And the time to invest in rapid thinking of how we can shape our new normal for the better. In other words, the time to lead.

Particularly, leading solutions from the supply side which thread these seven strategic challenges. Seven challenges we should embrace and use to lead and build much more risk-balanced procurement strategies and more resilient inbound supply chains for our organisations.
Before others start formulating questions that shape our destiny more than we might want, and we end up back where we started – not in strategic procurement but back in tactical "purchasing"

About PASA

Procurement and Supply Australasia (PASA) is the leading provider of information and education to procurement and supply professionals throughout Australia and New Zealand.

PASA supports the largest community of engaged procurement stakeholders in the region, through its PASA Connect membership network, conferences, training, publications, awards, plus various other community and network building activities.

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