



**WHAT
NEXT
FOR
PROCUREMENT?**

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For the last 14 weeks or so Procurement has been dealing with a bow wave of demand resulting from the Covid-19 pandemic. PPE has become a key word in everyone's vocabulary and is now an emotive procurement issue almost unsurpassed in modern memory. As the UK transitions from lockdown through varying degrees of less stringent restrictions to what is being called the "new normal" the question is what will the "new normal" mean for Procurement?

Plato's quote "*Necessity is the mother of invention*" is perhaps an apt starting point for understanding how Procurement will evolve, because it has evolved during the pandemic. Those activities that have been the priority over the last 14 weeks will not only shape the new Procurement landscape but influence organisations particularly how they view and utilise Procurement.

Responsiveness

Often denigrated by parts of the organisation as being too slow, unresponsive and bureaucratic. Procurement during the pandemic has been seen as a much more responsive, agile and output focussed function. Which has maintained its operational focus. Regulated procurement has been temporarily overhauled in order to service public sector needs but will this flexibility be retained in the post Covid-19



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environment? Operating in times of crisis has the potential to focus more on the near-term, and rightly so, as the requirement is immediate. Having the ability to operate with a multi-horizon perspective creates the ability to not only be truly responsive but also to take a structured assessment of the medium and longer term challenges.

Resilience

How resilient is your supply chain? The use of sole suppliers and the risk of failure in distressed economies has brought the spotlight onto effective Procurement. Understanding the resilience of your key suppliers and stress testing their balance sheet should become more common practice in the future to ensure the supply chain is robust. Similarly, using two or more suppliers to provide the same goods or services has little inherent resilience if both of those suppliers come from the same countries or regions. The Business Continuity and/or the Disaster Recovery clause in contracts has frequently been skim read or passed over. No more. How suppliers develop contingency plans to continue to deliver their service or product in times of turmoil will differentiate them in the market place. Yes, these suppliers will come at a premium, because of this inherent resilience; but those buying organisations who ignore this will be held accountable when service interruptions occur. Shortening supply chains and bringing the service closer to the point of need, or consumption will become more commonplace. Lengthy shipping times and a prolonged customs process will exacerbate supply problems rather than resolve them.

Capability rather than cost

Too frequently Procurement's focus has been on supplier cost rather than supplier capability. In times of stability, differentiation through cost



can aid competitive advantage. However, in times of uncertainty and disruption focussing on cost rather than value, will not only erode competitive advantage but potentially create existential cost challenges. This is epitomised by the adage "*buy cheap, buy twice*". Operational capability during the pandemic has driven to a focuss on outputs rather than inputs; this has given buying organisations the ability to scrutinise exactly what service or product is needed to meet the desired operational requirement. The ability to reduce wasteful elements within services and even cancel those services that are no longer really required has started to imbue a culture of cost optimisation that will lead to a new culture based on value. This will be driven by Procurement.

Re-structuring the supplier base

Focusing Procurement strategy on the quality of suppliers and their contribution to your organisation's strategy will afford the opportunity to streamline the supplier spend, increasing speed, responsiveness and the opportunity to optimise costs whilst ensuring quality of service. Adversity has brought buyers and sellers together in these difficult times; building stronger ties with trusted suppliers who have acted in the

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interest of both parties. This points to the new way of doing business. Reviewing and optimising the supply chain must be done on a category and enterprise basis. It is not appropriate to just do this on a first come first served basis or to simply address the easiest challenges. Taking a holistic rather than piecemeal approach will see Procurement become the leaders in adding value, improving performance and resilience all of which requires a new focus for the new operating environment.

Strategic contributor

Without doubt Procurement has been a strategic contributor to the organisation during the pandemic. Understanding risk, quantifying costs and opportunities, owning the strategic supplier relationship have all been essential and will continue to be so if the organisation wishes to maintain the value created. No single functional department within the organisation has the breadth of business skills as

Procurement. These skills have been highly valued during the pandemic, why not continue to use these skills in the "new normal"? Organisations that leverage the capabilities of Procurement and provide Procurement with a seat at the top table will yield the commercial benefits.

Transformation & capability development

Procurement has, without forewarning, faced into the challenges of the pandemic developing new skills, engaging new stakeholders and working on key issues with suppliers. The results have been extremely positive, delivering great results. But, can these endeavours be sustained without changing the Procurement target operating model and skills? As Procurement continues to be the leading light for the organisation's commercial well-being new skills, structures and systems will need to be introduced if the new ways of working are to be sustainable. Supplier resilience, stronger supplier relationships, the value of supplier capability and supplier segmentation actions are going to be issues that lead the organisation's supplier management

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agenda. There will always be a place for cost savings and under certain circumstances aggressive cost cutting; however, a focus on cost management rather than stripping out costs will be required. It goes without saying that traditional purchase to pay processes are important but rather than focussing on ensuring expenditure is compliant the new focus will be ensuring that expenditure is essential or necessary rather than merely compliant.

Collective buying

There have been instances during the pandemic where specific items have been in critically short supply with many organisations outbidding and outcompeting others for their own benefit, to the detriment of others (the case of PPE gazumping, has been widely reported). Will collective group buying be introduced on a regional or national level? Certainly this would help not only to secure the necessary goods or services at a commercially beneficial rate but it would also ensure the continuation of supply and send a coherent message to both the supply chain and to other competing buying organisations.

The Covid-19 pandemic has proved to be a globally challenging time especially for Procurement functions. However, it has created a real need to address the previously overlooked concept of business resilience and operational robustness. Procurement functions across every sector have more than proved their value throughout the pandemic. Now is the time to further leverage the skills and capabilities within Procurement to drive value, resilience whilst reducing risk in the supply chain in the post pandemic landscape.



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