

# The CPO's Guide to Navigating the COVID-19 Crisis

## INTRODUCTION

The Coronavirus pandemic is creating extreme uncertainty for us all, in both our personal and professional lives. The effect will be far-reaching from a procurement perspective, and COVID-19 has already made its mark by disrupting supply chains, creating major supply imbalances, and impacting the operations of your own organizations.

Early on, many of the shipping disruptions were coming from suppliers based in China, but we are now beginning to see these disruptions across the globe as more government organizations order citizens to stay at home, as well as closing multiple ports and borders.

Suppliers are facing challenges in terms of operating capability and financial stress. Manufacturing operations across many “non-essential” industries are being suspended for the time being to reduce their employees’ risk of exposure to COVID-19. As measures to contain the virus differ across borders, these supply disruptions are likely to continue for much longer than just one country’s efforts. These disruptions will give rise to stock-outs for some, forcing Procurement organizations to search for additional sources of supply. Procurement organizations are pivoting from normal operations and sourcing new

**75%** of US businesses have experienced supply chain disruption as a result of the COVID-19 outbreak.

**44%** do not have a plan in place to address these disruptions.

items, such as personal protection equipment (PPE), to protect their employees. In many cases, these efforts are in competition with urgent procurement initiatives being pursued by federal, state and local governments as well as high-priority customers such as hospitals, nursing homes and other medical facilities.

Your own organization could be significantly impacted as well. Your workforce is likely required to work remotely where possible, employees and executives may become sick, and the capabilities of your systems and processes are being put to the test. Employees new to working remotely often find it challenging, potentially leading to a significant drop in productivity. This crisis is highlighting weaknesses across organizations’ IT infrastructure, impacting their ability to communicate and operate effectively throughout the new virtual enterprise.



## THE NEW IMPERATIVE FOR PROCUREMENT

Procurement organizations will be on the front lines of their companies’ battlegrounds and will prove to be one of the most important corporate functions in navigating and executing new strategies for dealing with this monumental crisis. Not only will Procurement need to address the immediate supply chain disruptions caused by COVID-19, it will need to rapidly re-think its overall goals and objectives, align itself with the new corporate mission, and develop new short- and longer-term procurement and category strategies. CPOs will need to fundamentally reshape their agendas to succeed in the newly constrained world.

In the short term, Procurement organizations may need to shift focus from non-essential sourcing initiatives, reallocate resources to operational support activities, and be hyper-responsive to address immediate corporate emergencies.

It is critically important, though, for Procurement organizations to maintain a strategic view of the issues at

hand. It will be easy to forget strategy and focus on short-term supply chain disruptions, supply shortages, supplier issues and other immediate fire drills. These are now a huge priority, and Procurement must step up and show leadership and responsiveness to support and solve these issues. Soon Procurement will need to shift its resources and focus back to mid- and longer-term planning issues that will become equally important.

Once the dust settles, and everyone is clearer about the future, we expect a stronger emphasis on cost reduction. Cash flow management will become a key focus due to:

- Lost or deferred revenue
- Lower productivity associated with new working rules
- Higher costs associated with constrained supplies
- New market pricing for strategic categories



## WHAT'S NEXT?

This new environment can seem overwhelming. There are many unknowns, and the only certainty is that things will change – many times – before we get a clearer understanding of the impact of COVID-19. This is a classic example of crisis management and leadership.

We suggest taking a short-, medium- and longer-term view of your priorities – addressing the issues at hand now, while planning in the medium and longer term for more strategic initiatives to deal with this situation and the new environment. Our recommendations include:

 <b>SHORT TERM</b> (NOW)	 <b>MEDIUM TERM</b> (1–6 MONTHS)	 <b>LONG TERM</b> (6+ MONTHS)
<p><b>Keep your workforce engaged.</b> Eliminate distractions and side projects that are pulling resources away from the immediate business imperatives requiring Procurement's focus during this crisis.</p> <p><b>Focus on the physical and mental well-being of your employees.</b> Don't underestimate the anxiety and stress of your Procurement team. Over-communicate, well beyond the norm. Offer non-traditional ways for your employees to deal with stress. Ensure your team has adequate guidance and support for working remotely, in terms of equipment, guidance, new processes, and technology.</p> <p><b>Support</b> immediate supply shortages/outages/requirements.</p> <p><b>Identify</b> new sources of supply for immediate high-risk categories/items.</p> <p><b>Provide support</b> to corporate emergency initiatives.</p> <p><b>Update</b> processes, protocols and technology to support your virtual team.</p> <p><b>Keep operations</b> running smoothly with no disruption.</p>	<p><b>Re-prioritize current initiatives/projects.</b> Develop a plan not only for the crisis but also for recovery. Coordinate with operations to determine what products can and should be ramped up considering supply constraints.</p> <p><b>Develop contingency plans</b> for various risk scenarios:</p> <ul style="list-style-type: none"><li>– High-risk categories/suppliers</li><li>– High-risk regions</li><li>– Demand risks (down now, spikes later)</li><li>– People/resource risks</li></ul> <p><b>Update your category strategies.</b> Category strategies that currently exist are most likely outdated and/or irrelevant now. They should be adjusted to support short-term immediate challenges such as current supply and supplier risks, while also taking a longer-term view of the new economic and supply landscape.</p> <p><b>Renegotiate contracts</b>, where appropriate.</p> <p><b>Identify and execute new initiatives</b> required for new corporate imperatives:</p> <ul style="list-style-type: none"><li>– Cost-reduction requirements</li><li>– Alternate sources of supply</li><li>– New categories</li></ul>	<p><b>Stabilize your organization</b> as the world returns to business as usual. Take stock of the weaknesses that have come to light as a result of this crisis and develop plans to mitigate them in the future.</p> <p><b>Re-synchronize your procurement strategy</b> with the new corporate strategy, new supply market environment and updated demand forecasts.</p> <p><b>Design more agile models and technologies</b> for communicating and collaborating with suppliers to help deal with supply disruptions and changes going forward.</p> <p><b>Create more streamlined processes</b> for approving new suppliers or material standards, particularly in categories where extreme shortages or supplier constraints exist.</p> <div data-bbox="1023 1444 1542 1858" style="border: 1px solid gray; border-radius: 15px; padding: 10px; background-color: #f0f0f0;"><p><b>Business will eventually return to normal, and in the meantime you have the opportunity to make your organization stronger by learning from the challenges presented by a pandemic outbreak. Visit our website for more valuable information on weathering this storm.</b></p></div>



## CONCLUSION

Ultimately, the effective and impactful CPO will help their organization deal with the immediate emergencies, while working on building a better Procurement organization for the post-COVID-19 future. A resilient supply chain will be needed to accurately detect early warning signs of potential disruption in the future and be able to respond by shifting to alternative sources in advance of the disruption. This will require a broader network of alternative suppliers, along with routinely updated supply chain contingency plans.

Take note of the weaknesses that this upheaval is highlighting within your organization and develop a plan to address these gaps in the short term and long term. Create your new agenda to highlight the immense value that an effective Procurement organization can provide in times of crisis as well as in times of stability.



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## PROCUREMENT EXPERTS

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