

The Changing Role of the Procurement Organization

The pandemic is permanently redefining the responsibilities of procurement organizations. Procurement teams need to assume a more active role in managing risk while bolstering their P&L contributions.



A MORE CHALLENGING RISK AGENDA

Procurement organizations are responsible for purchasing products and services and ensuring global delivery. But procurement's traditional approach to risk management is often challenged by the perils of today's environment. Three actions are key to address these issues:

1 Create real-time visibility across the supply chain

Deploy control towers to identify early-warning signals and monitor specific risks, including those related to supply lines, logistics networks, inventory levels, and delivery timelines

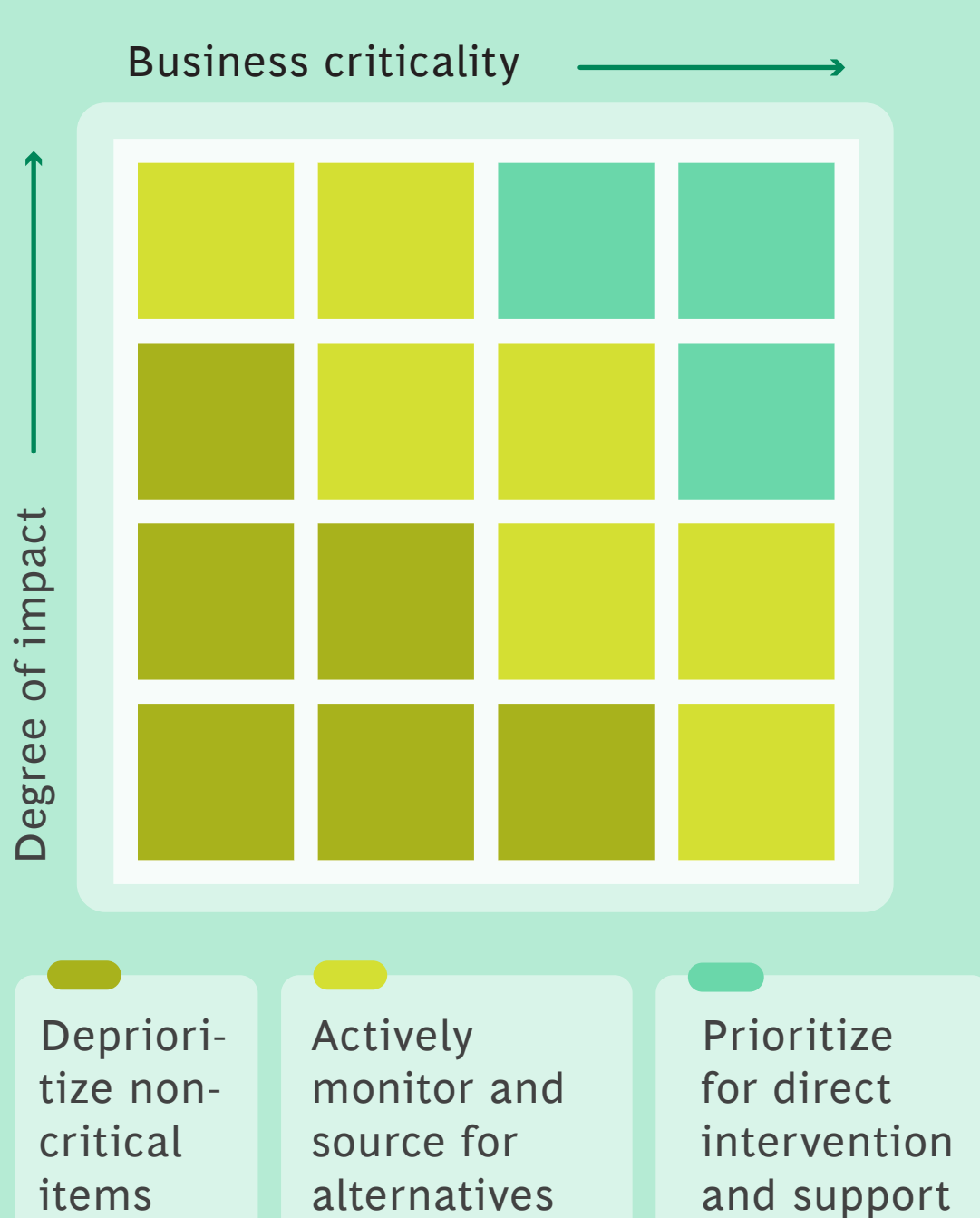
Conduct risk assessments across suppliers, facilities, and geographies to develop appropriate mitigation strategies

Proactively identify supply alternatives

Track KPIs and leading indicators for strategic suppliers



Leverage a risk assessment matrix to determine priorities and potential impact



Deprioritize non-critical items

Actively monitor and source for alternatives

Prioritize for direct intervention and support

Business criticality

- Strategic vs. noncritical items and services
- Impact on operations and business reputation

Degree of impact

- Inventory levels
- Supply lines and logistics networks
- Delivery timelines
- Manufacturing uptime

2 Upgrade scenario- and contingency-planning capabilities

Create macroeconomic and supplier-specific scenarios, as well as mitigation plans, that allow for a prolonged, large-scale regional shutdown



Establish a dedicated center of excellence to identify and manage risks, share best practices, and coordinate resources

Expand contingency planning into a systematic crisis-management process



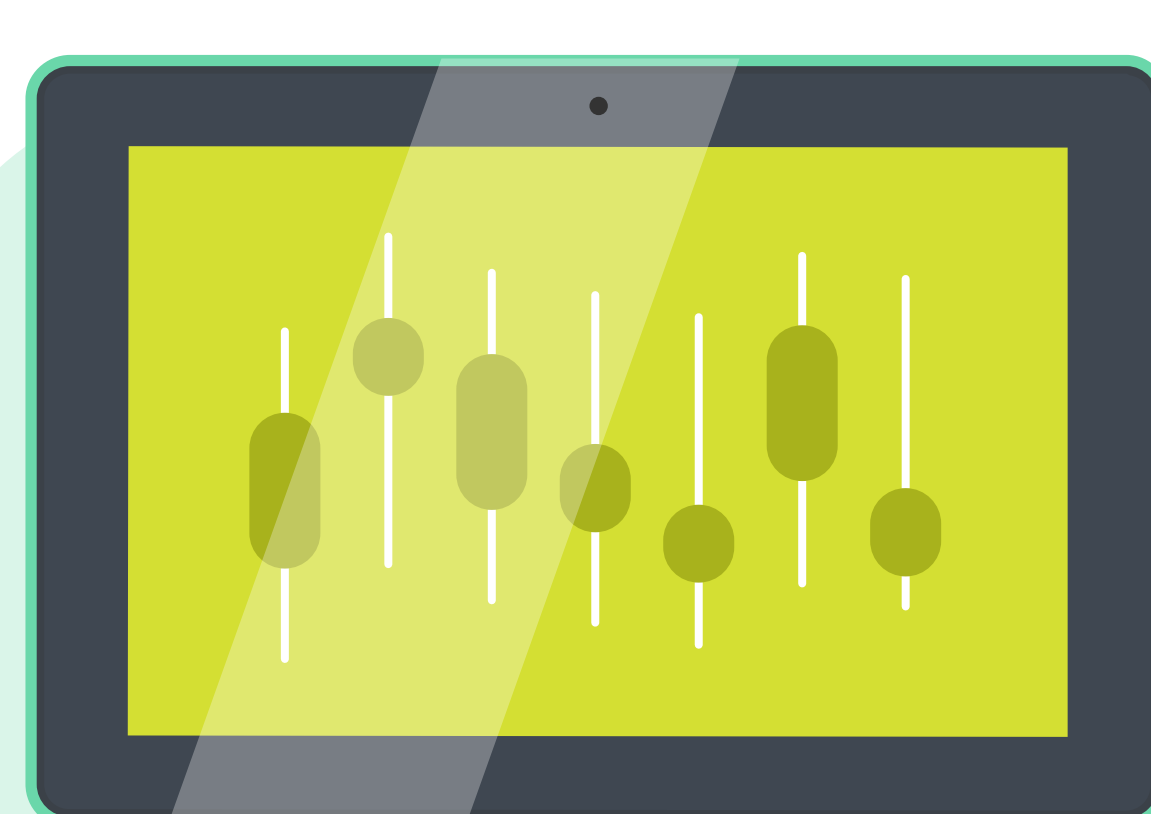
Identify how risk teams can work effectively in challenging environments

3 Be ready to rapidly deploy cash controls to preserve liquidity

Take a more nuanced approach to payables, segmenting suppliers based on spending and business criticality

Curtail discretionary expenditures by using detailed spending profiles

Optimize inventory through cross-functional demand planning, vendor-managed inventory, and a pay-on-consumption model



Set up a cash management office to make real-time decisions on spending

Reduce one-off expenditures and institute spending controls

HIGHER EXPECTATIONS FOR P&L CONTRIBUTIONS

As companies shift from winning the fight against the coronavirus to winning the future, procurement organizations need to focus on reducing costs and investing in select technologies.

1 Deliver higher savings

Identify wasteful consumption patterns to share tradeoffs and optimize use

Prioritize supplier contracts that should be renegotiated in view of market forces

Find new cost-saving opportunities by leveraging a comprehensive set of analytical tools and strategic conversations with suppliers

Increase collaboration with strategic suppliers to drive incremental value



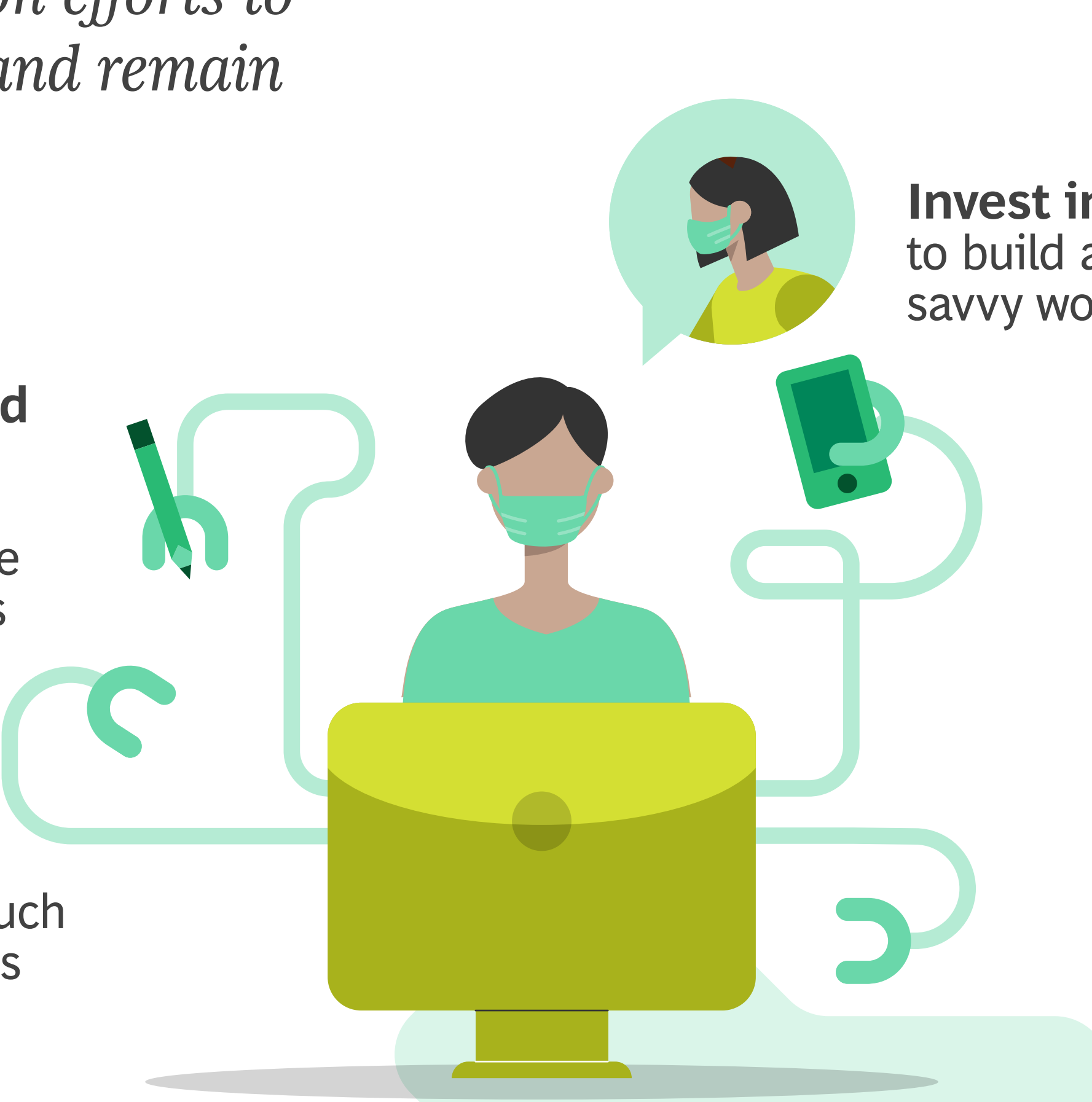
Automate purchase-order processes and invoicing to reduce workflow

2 Accelerate digitization efforts to deliver value faster and remain nimble during crises

Use more-advanced technologies to monitor spending, and surface savings opportunities

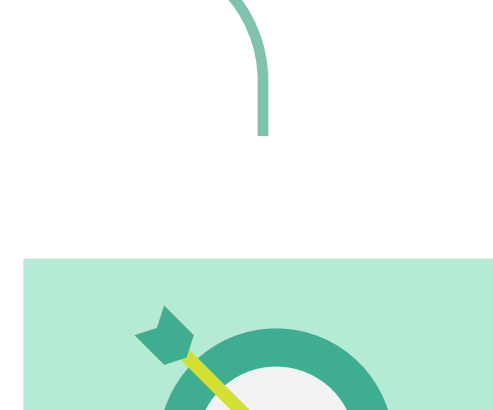
Invest in talent to build a digitally savvy workforce

Adopt well-established technologies, such as robotic process automation

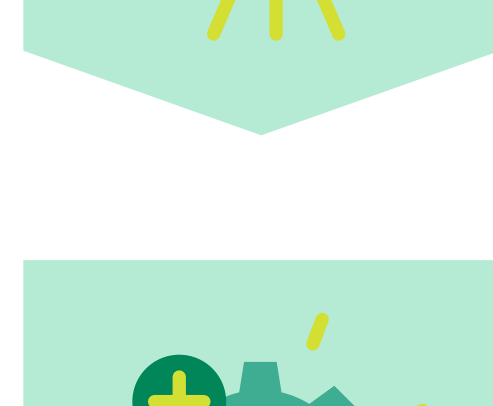


GETTING STARTED

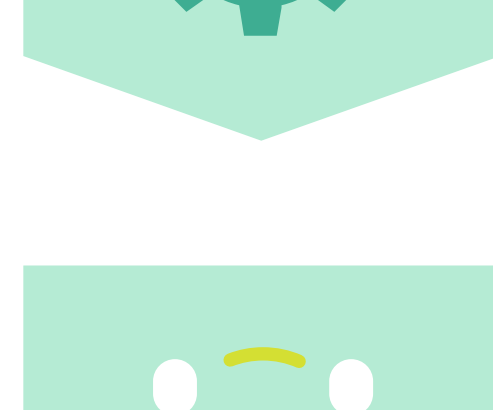
To emerge stronger from the crisis, procurement organizations should embark on substantive change by taking these steps:



Set targets for value acceleration and risk mitigation



Identify the new capabilities, tools, and skills that are required to deliver



Gather consensus from leadership and key stakeholders on revised mandate, strategy, and execution timelines

Procurement organizations that leverage lessons from the crisis will do more than increase value, mitigate uncertainty, and dampen future shock—they will build sustainable competitive advantage.