



COVID-19 - Post-crisis: how to sustain business thanks to Procurement

By Vincent Gilli - Founder of CPO-Plus - April 15, 2020

In this new article, I will report on the contribution of Procurement in an economic recovery that sounds to be, let's say, particularly fierce. Now, many macroeconomic aspects nevertheless moderate (a little bit) the spread of the "disaster" compared to 2008. The level of involvement of Procurement will indeed have to be adjusted to market conditions and company strategy to deal with this crisis.

First of all, massive relief plans, mainly driven by States and other Central banks, with short-term working schemes (24 billion Euro worth of for the latest quantified projections for France), will allow numbers of companies to "mitigate" part of this dramatic downturn. However, for an organization engaged internationally, it will be necessary to manage as many specific situations as there are subsidiaries and soak up the local context to develop a proper contingency plan.

Above all, which sectors will be the most spared (or the least affected) at the B2C level from those which will experience deep upheavals? As such, it will be interesting to look closely at the mapping of economic impacts by business sector and their ramifications in B2B. This post-crisis period should be marked by consolidations for the benefit of the "sturdiest" and bring out new "champions" that the crisis will have paradoxically reinforced such as for example the sector of Digital technologies.

In the short term, with the steady recovery from this crisis, the question of consumer demand and their confidence level (or not) in brighter future will arise. Should we catch up the same levels as before the crisis or will fear be stronger? What about yesterday's "extreme consumerism" stance which might be becoming more responsible and its possible consequences? A new paradigm?

Today, companies have barely started to assess the impact of COVID-19 crisis, but there will obviously be heavy pressure to control their cost structure and therefore to cope with the inherent part of purchases, not to generate new profits, but at least not to lose (too much) money.

Without considering future decisions, we can certainly expect some spend to be streamlined, either out of necessity or through the readjustment of certain purchasing practices in the view of the crisis. The democratization of videoconferencing has shown, for example, that travel can be less frequent and limited to "essential" meetings. And rewarding (miles) on the "Flying Blue" or "Miles & More" privilege card may no longer be a critical objective ...

However, this is also an opportunity for Procurement to benefit from a "state of grace" to evolve and change, taking advantage in particular of the consequences of the crisis. Situation that I experienced with the boom of cell phone market in 2000 and allocations on electronic components, and moving forward on projects which, before the crisis, seemed quite challenging to materialize. This was in particular the case of dual sourcing strategy on critical components, impossible to deploy before the crisis and became a reality and even a necessity afterwards. Consequently, we established a process of securing the supply chain with a second qualified source. A true added value of risk management mindset...

Sustainable development must also become a priority in order to challenge our way of consuming, therefore thriving in responsible purchasing. You can clearly buy better and less in some areas.

From structural standpoint, it is eventually the opportunity to reshape the missions of Procurement in regards of the new expectations of the company, the framework of the recovery plan and reassess its strategic role. The HUMAN will have to be at the deep center of this brainstorm because nothing will be achieved without strong cohesion of the teams which are called upon to interact with the rest of the organization, with a clear vision of the objectives and shared with the other functions.