



Survive then thrive

Building stronger supply chains in a post COVID-19 world

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After the widespread impact of COVID-19 became apparent, crisis management kicked in. Organisations strived to preserve the welfare of their staff and wider society, whilst battling to protect their businesses by re-baselining, cutting cost and preserving cash.

However, there was an overall delay in spotting the signs and deciding to act, given entrenched ways of working, a lack of agility and some panic-induced paralysis. As we reach a fragile stability, it's time to ask and answer two crucial questions:

- 1: How do businesses and supply chains re-open the taps?
- 2: How do they adapt to this uncertain 'new normal' and thrive?

Success or failure in what is to come will be far more defining than what has passed.

Part 1: Re-opening the taps

Organisations that forward-plan the COVID-19 restart and then tackle these hurdles head on will be the ones with the competitive edge.

Complexity in the Supply Chain

The procurement and supply chain ecosystem has become highly efficient over the past 20 years, yet at the expense of increasing complexity and reduced agility that may not work post-COVID-19.

- **Supply chain layers have increased**, decreasing transparency
- **Goods and services travel further**, increasing geopolitical risk
- **Just-in-time management expanded**, removing inherent buffers
- **Sales and Order Planning (S&OP) became more exacting**, to the detriment of managing the unexpected
- **Inventory ownership became more integrated**, confusing risk ownership
- **Staffing models became more fluid**, increasing fluctuations in their demand

Businesses should expect to invest time and energy in critically reassessing their supply chains with increased focus on resilience and agility. However, first there must be a concerted effort to get the supply chain flowing.

Cross-functional planning

Your restart will require collaboration and effort throughout the supply chain and spanning the business. Strong working relationships, frank communications and clear pricing are necessary to get teams moving in sync.

- **Sales Teams** need to work closer than ever before with customers to forecast demand and build accurate commitments on what and how much will be purchased – and then translate this to procurement.
- **Procurement** must re-evaluate the supplier landscape, knowing how to extract the best from suppliers whilst fostering a partnering relationship.
- **Supply Chain** will have to rebuild detailed models of inventory, lead times, routes, truck-fill tessellation and more.
- **Marketing** and Communications teams must define a clear narrative that both customers and the supply chain can trust and support.
- And externally, the **Government** must provide unambiguous signalling of when, where and how markets will open.

Targeted activities

Demand that existed before COVID-19 may not be the demand that will exist at restart or in the future, so you will need to:

- **Engage your customer base and work closely with them on needs and projections** – segment them by sectors to profile demand timing, utilise new forecasts, and accept that COVID-19 has changed your baselines.
- **Identify your key customers or verticals** – if you have to make tough supply choices, whom will you favour and how will you communicate to those that you let down?
- **Learn from the crisis period** – identify what was a blip and what may have changed forever.
- **Prepare to sell something different, or differently** – understand what your business needs short, medium and longer-term, be it cash or longer-term revenue, then shape the restart proposition and prepare Sales teams.

Supply – How do businesses increase the likelihood of getting the right goods and services at the right time?

- **Collaborative supplier forecasting** – pool your collective intelligence with suppliers to forecast likely requirements, then lock in purchases or options
- **Supplier risk sharing** – be prepared to negotiate risk sharing and cash flow with suppliers
- **Supplier diversification** – use this opportunity to identify and prequalify

further suppliers, and update cost and risk assumptions to consider supply sources previously deemed sub-optimal

- **Scenario planning** – run ‘what if’ scenarios to cement flexible approaches and a problem-solving mentality within teams

Effective procurement and supply chain planning will see organisations bounce back more quickly and propel top performers to long-term growth, success and resilience in the ‘new normal’ that we explore next in part 2.

Part 2: Building supply chains for the new normal

Forget ‘Business as Usual’

Many years for BAU to return, but COVID-19 will have irreversibly changed aspects of society and work, accelerating inevitable changes or opening previously unforeseen channels.

In the future, as complexity increases, the difference between effective and ineffective procurement teams will be much greater than it is today.

Four stages of procurement and supply chain improvement:

1. Understand

Procurement organisations that previously had a deep understanding of their businesses, now have a clear advantage during COVID-19 disruption. The following channels have proven their value during the COVID-19 crisis and will do so again:

- **Business partnering** generates a deeper understanding of what customers value, how products are used and financial pressures on each unit; subsequently, teams can accelerate actionable, detailed asks to suppliers.
- **Spend analysis** creates visibility of the tier 1 supply chain, open commitments and profile of payments, allowing fast triage of the supply base.
- **Supplier onboarding and relationship management** generates financial data, locations, tier 2/3 visibility and ensures contact details are available to allow a central team to step in where required.
- **Total cost of ownership and should-cost analysis** allows a real view of the underlying cost drivers, targeting and creating asks more quickly.
- **Sales and operations planning** organisations that share early indications of demand shifts and supply shocks are able to be clearer about mitigation actions internally and with suppliers.



2. Build teams

During a crisis, the nature of a team is revealed. Effective procurement teams have a culture of engaging the business and supporting colleagues through a challenging time and do so by championing the following:

- **Define a clear purpose** across the organisation, with an approach to cascading changes and creating control towers.
- **Build soft skills**, particularly around stakeholder enablement and leadership, creating a culture of innovation for creative solutions.
- **Delegate more authority** and allow bottom-up problem solving, allowing the team to try new approaches quickly, find what works and deploy across the organisation.
- **Celebrate technical skills** such as contract analysis, data handling and supply chain mapping.

3. Selective Supply Chain Redesign

Supply chains have become highly optimised to minimise cost over the years, with streamlined inventories and multi-tiered supply chains. Companies should respond in a measured way, selectively adjusting supply chains to allow reaction in future crises.

- **Identify required resilience**, including the criticality of parts to your business, the ease of switching and resilience in the existing supply base. Consider lower tiers of the supply base, particularly on consolidated or hard-to-switch components like memory chips or System on Modules.
- **Build redundancy in key categories** where the effort of switching is high and the parts are critical. Having a diverse supply chain for critical part families allows control in a crisis but may increase costs, so it should be targeted where resilience is most required.
- **Selective de-globalisation or insourcing** is an existing trend due to a reduced cost gap and ongoing trade disruption. It can shorten supply chains, reducing lead times and adding dual supply supporting agility.

4. Monitor

Targeting the source of risk is critical. Businesses need to closely monitor the following, in order to know what to address in preparation, and to be able to rapidly identify issues during a crisis to support agility:

- **Risks** across the organisation. Playing a part in wargaming or reviewing risk scenarios during category planning can materially improve readiness.
- **Results** both short term and medium term. Creating a common target communicates the team's purpose and prioritisation, and course-corrects mid-flight.
- **Actions** during the crisis to predict results and monitor workload. Reporting is hard to build in a crisis, so build your reporting to ramp up.
- **Supplier indicators**, particularly current and rich information, allows targeting in a crisis.

Proactive management of this new normal, supported by a focus on soft skills, business partnering and better data, will raise procurement's profile, creating more value between crises and responding nimbly when they arrive.

With the right plan, energy and optimism the best procurement and supply chain teams will help businesses to recover and thrive – not just now, but long term.



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This article is an abridged version of Edward Cox and Benjamin Lambert's whitepaper of the same name. The full version can be accessed on our [COVID-19 Support page](#).

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