

April 2020

Procurement - Post Covid

By Suhrid Shah, CEO, MavenVista Technologies Pvt Ltd.

The world is engulfed without any notice & in no time by the crisis of COVID 19. No living soul has ever experienced such an unprecedented catastrophe which has led to not only huge loss of human lives but has pushed global economies in a complete tailspin. As per IMF, the expected negative impact on global GDP is likely to be 13% to 32%.

What does it mean for businesses & individuals?

Overnight businesses are expected to run into serious cash flow challenges. There is going to be mind-boggling disruptions in the supply chain. Logistics is going to be a nightmare. The availability of the rural workforce is going to be a huge issue. Timely supply of direct & indirect material will be a big question mark. The projection of demand in the context of various uncertainties will be almost impossible.

So, what all these mean for the function of Procurement?

A huge responsibility is going to be on the Procurement function. With the complete disruption of the supply chain and uncertainties of supplies and markets, there is practically no possibility of effective planning to ensure the smooth production of goods. With serious cash crunch & unpredictable markets, there are expected to be serious limitations on having desired levels of inventories. At the same time, when sales trickle in, customers are expected to look for serious bargains & quick deliveries.

In that case, how is the function expected to be managed?

This is the time companies are expected to rely more on spot buying rather than contractual buying.

Companies will not be in a position to go for long term planning but it would be a plan for a number of days, at the most for a few weeks.

In the situation what will be the challenges for procurement professionals?

Procurement professionals will have a massive challenge to cut their lead time.

Procurement professionals will have to ensure optimum price discovery in the shortest possible time as there will not be much bandwidth for negotiation time.

Procurement professionals would require a lot of information handy to ensure the most appropriate decisions

Considering the requirement of speed lot of decentralization of decisions will be desired as everyone is required to move fast & leverage if any situational advantage is identified.

This also comes with its own challenge of compliance and accountability.

So how does one address these challenges?

Be SMART.

BE AGILE

BE INFORMED

BE DIGITAL