

July 2020

## *Five ways procurement must evolve in the post-COVID world*

While the restart of the economy is on the way, there is a reality for most organizations that the business will not return to the way it was, for some time to come. Buying habits have changed as many customers will have reconfigured their priorities, operations may need to be restructured to deal with increased cautionary measures, and procurement and supply chains will need fundamental reviews.

### **Business mission and vision**

The evolution process must start with the renewal of the business' mission and vision and clarifying the 'why' and 'how'. Procurement and commercial teams need to use this moment to reposition themselves as an integral function working with any part of the organization that involves external suppliers. It is critical that it is not seen as an administrative or cost cutting function, as has been the case in some organizations, but as a peer to support risk and operations management.

### **Roadmap to change**

Once procurement firms have agreed a renewed vision and mission, it is worthwhile considering each of the ROI operating model areas (relationships, operations and infrastructure) to help build the detailed roadmap for change. There is no point in striving for absolute perfection in such volatile times. Instead, firms should focus on moving to an operating model that addresses the extreme levels of uncertainty.

### **Relationships and skill sets**

Localization, transparency, and collaboration will be the new normal and these require different skill sets. Empathy will be the key skill in managing suppliers as detailed understanding of the commercial and operational reality for the whole supply chain is necessary. Supply chains need to be more resilient, and with the reduction of globalization, procurement will need much closer ties between each other.

### **Operations**

In a first step, simply asking suppliers what they would now change about existing processes will drive a step change in performance. Ultimately there is going to be a cost structure re-set as the new ways of working get implemented, but this will be as much demand led as supplier led. Really understanding how this will work will require collaboration and not blunt negotiation.

### **Infrastructure**

Moving to the new normal, the commercial and procurement vision and strategy must be renewed and then again, every 3-5 years, at a minimum. This ensures it continues to fit the overall business strategy and serves its purpose in enabling the ultimate business vision. Now is the time to start developing and implementing changes to operating models across ROI areas. COVID19 has demonstrated to the world the vital importance of commercial, procurement and supply chain teams, and presents one of the greatest opportunities to reset the role of procurement.

Excerpts from: <https://www.consultancy.uk/news/25079/five-ways-procurement-must-evolve-in-the-post-covid-world>