

# 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

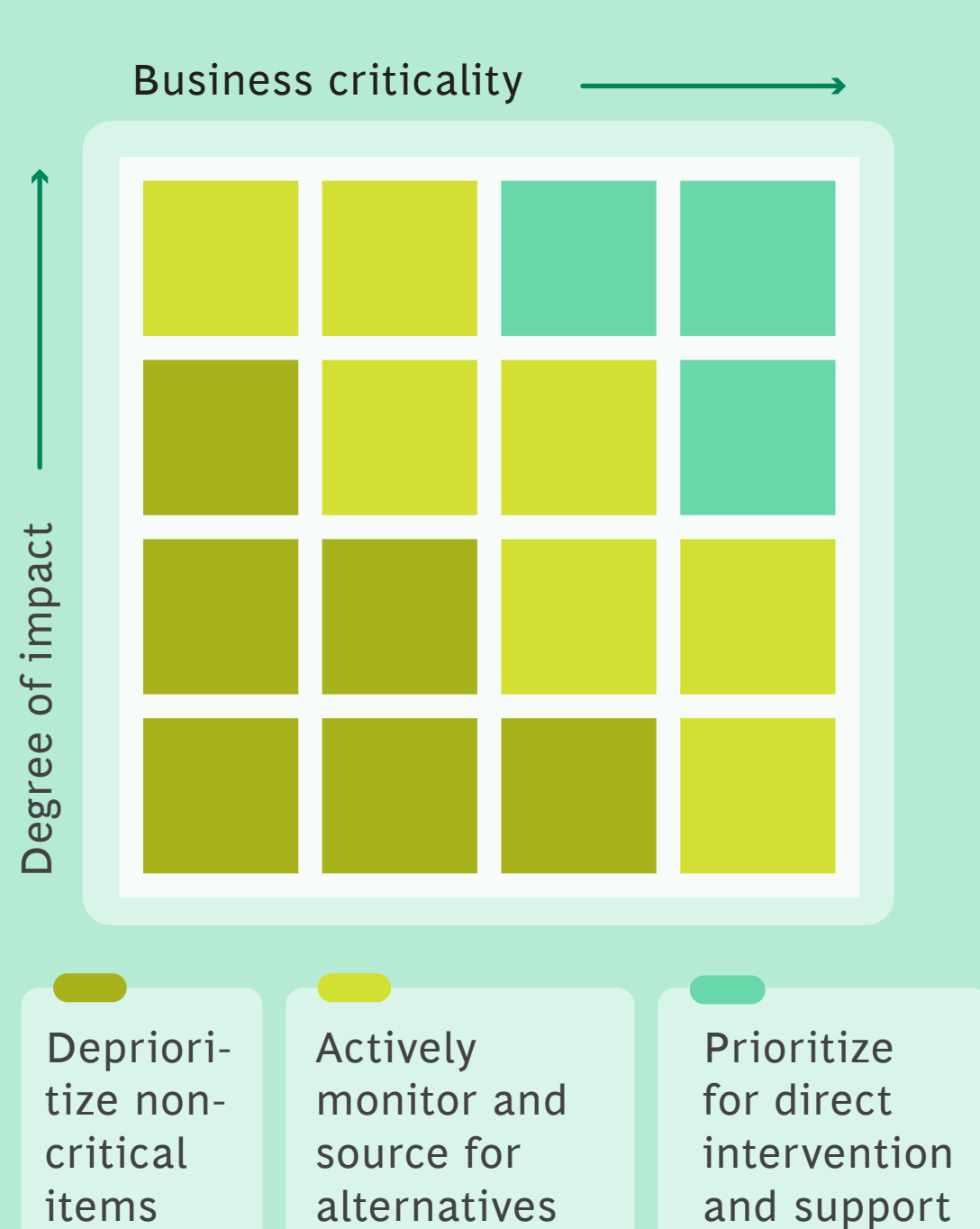
**Conduct risk assessments** across suppliers, facilities, and geographies to develop appropriate mitigation strategies

**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**

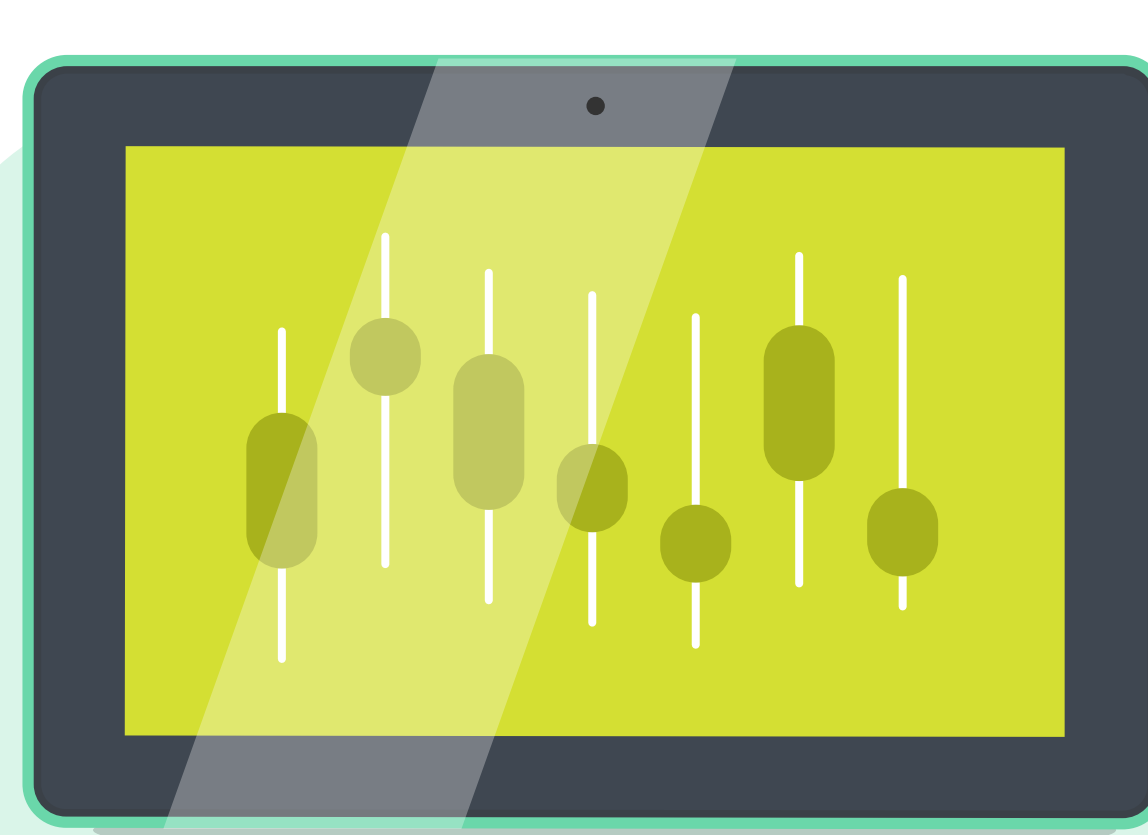
**Identify how risk teams can work effectively in challenging environments**

### 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.

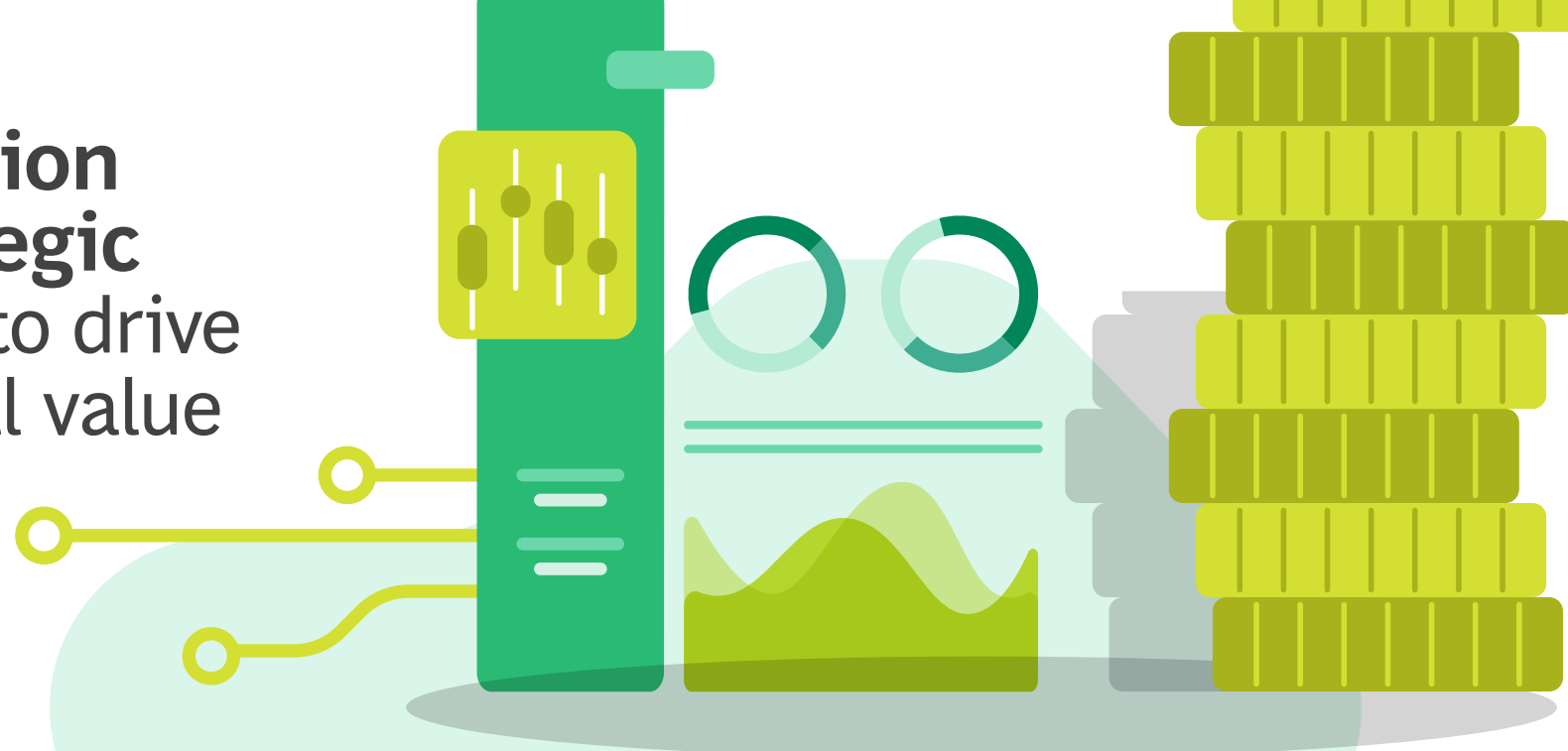
### 1 Deliver higher savings

**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



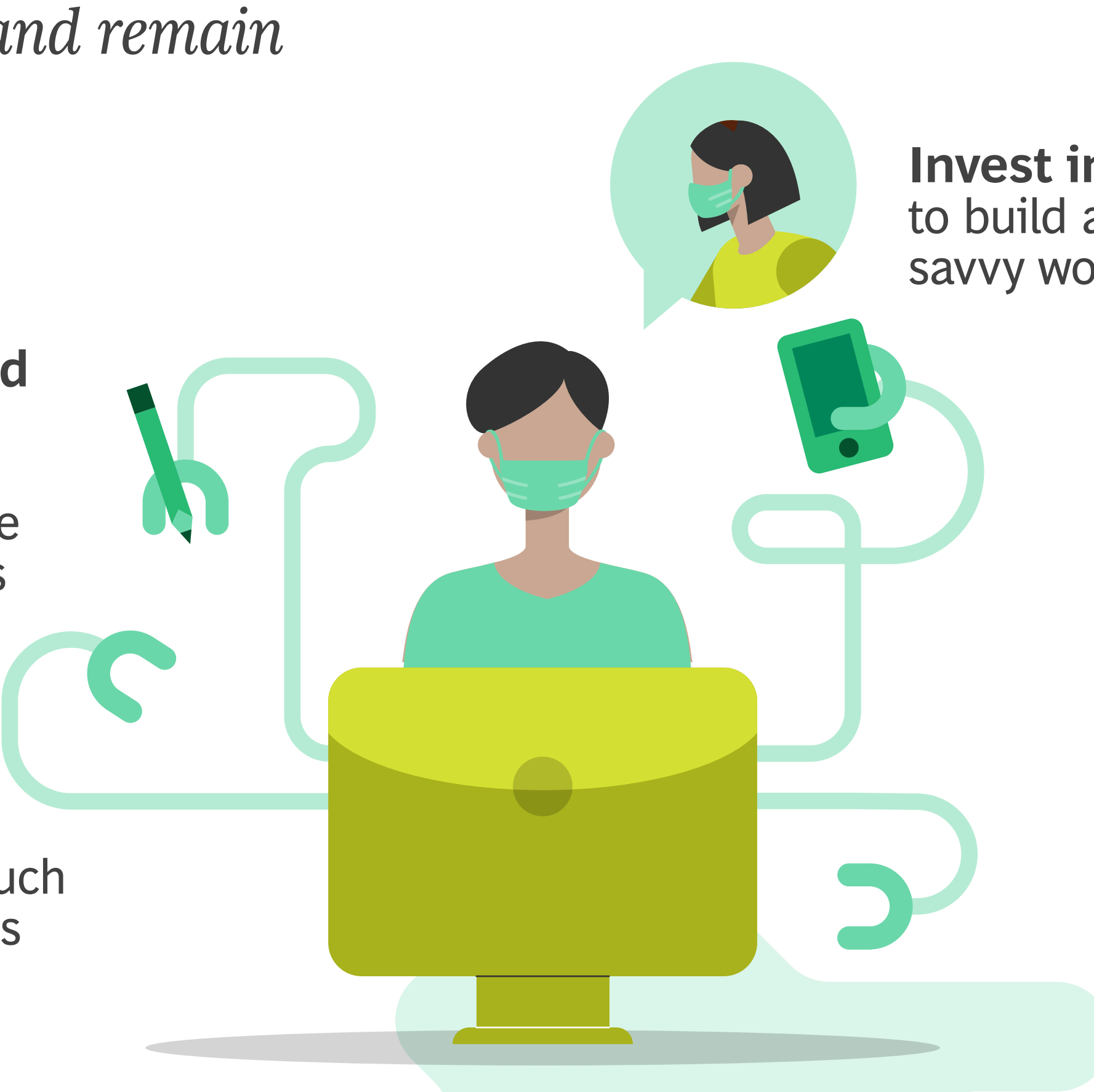
**Automate purchase-order processes and invoicing** to reduce workflow

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

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

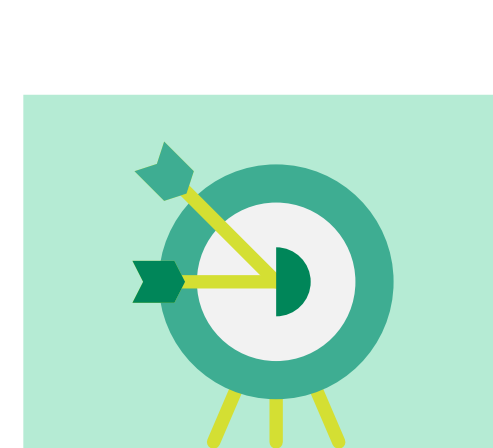
**Invest in talent** to build a digitally savvy workforce

**Adopt well-established technologies**, such as robotic process automation



## GETTING STARTED

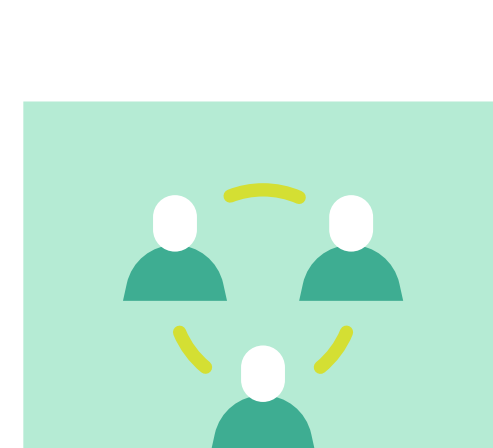
To emerge stronger from the crisis, procurement organizations should embark on substantive change by taking these steps:



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.**