

COVID-19 Implementing supplier management at speed

Executive Summary

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State of Flux

STATE OF FLUX



Contents

About State of Flux	3
How are you handling COVID-19?	6
The key questions	7
Call to action	9
How you can deploy at speed	11
Next steps	13

ABOUT THE AUTHORS



Alan Day is the Chairman and founder of State of Flux, and has led the company from strength to strength since 2004. He has over 20 years experience in driving thought leadership in procurement and supply chain best practice.



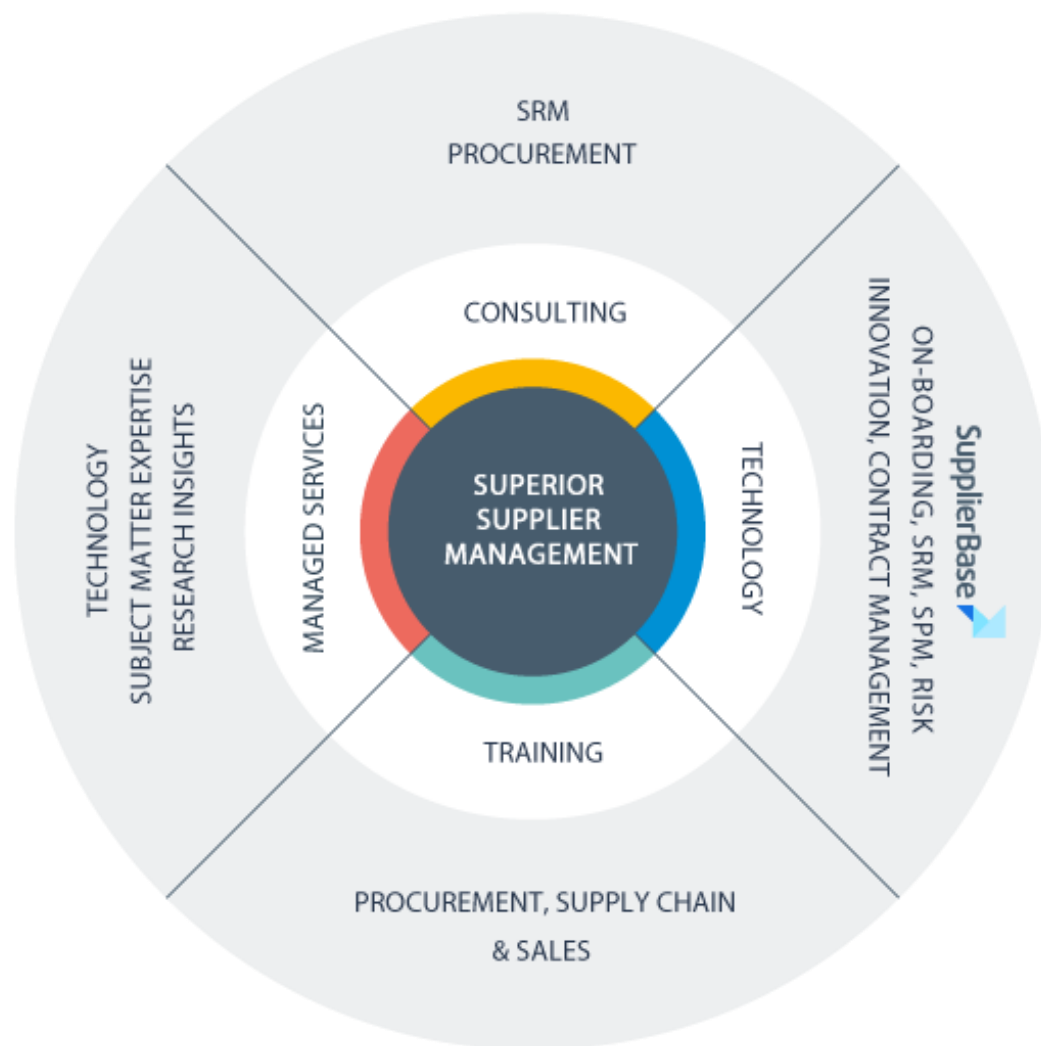
John Newton is Product Management Director at State of Flux and has over 20 years experience in major account management, professional services and supply chain functions.

STATE OF FLUX

We transform supplier management to deliver growth, value, innovation and minimise risk. Headquartered in London and with offices in Australia, North America and Central Europe, State of Flux has been supporting Fortune 500, FTSE 100, ASX 100 and public sector organisations in procurement and supply chain for over 16 years.



Superior supplier management



To ensure clients get maximum value from their suppliers, we solely focus on modernising their supplier management strategies, capabilities, processes and technology.

We've been in the business for more than 16 years, working with some of the world's most recognised brands.

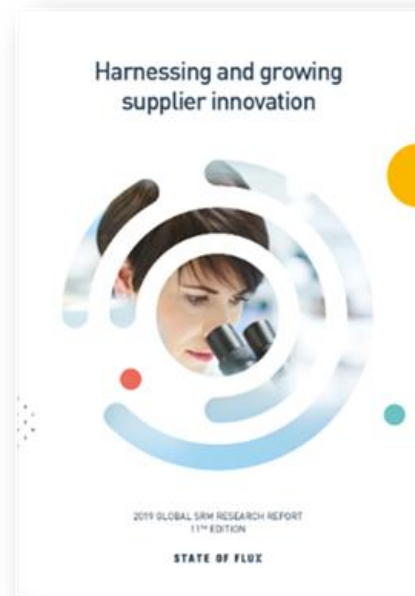
Our unique combination of consultancy, technology, training and managed services have been developed to work separately or in harmony depending on what clients need.

All backed up by unparalleled supplier management research insights and team of experts in offices around the world.

11 years of global research so far.....



2019



For 11 years we've conducted annual global research on supplier management.

More than 2000 organisations have participated giving us access to over 2 million data points.

Please fee free to download these books for free from our website www.stateofflux.co.nz

Year 12 research is underway, please complete the survey via our website

Some of our clients

The image displays 14 industry sectors, each with a collection of client logos:

- Telecommunications:** kpn, Telstra, Cisco, telenor, Sparknz, Telefonica, NOKIA, Cable & Wireless, BT, Vodafone.
- IT, Media, and Professional Services:** Pearson, NEXT15, KPMG, sky, BBC, IBM, DAZN, NCR, FUJITSU, hp, HEWLETT PACKARD.
- Transport, Logistics and Leisure:** AIRFRANCE, KLM, Martinair CARGO, IAG, virgin atlantic, Transport for London, QANTAS, NetworkRail, METRO, Auckland Transport, TOLL, arriva, LOOMIS.
- Utilities, Mining and Construction:** RioTinto, serco, Ausgrid, ArcelorMittal, sse, ureenco, Balfour Beatty, AMERICAN ELECTRIC POWER, AusNet SERVICES, Magnox, CBRE.
- Oil & gas and Energy:** Chevron, Shell, bp, ConocoPhillips, centrica, HESS, Sellafield Ltd, PremierOil, equinor, CALTEX, TALISMAN ENERGY.
- Public Sector:** Cabinet Office, Department for Work & Pensions, Department for International Development, HM Revenue & Customs, Ministry of Justice, City of Melbourne, Essex County Council, SURREY COUNTY COUNCIL.
- Defence and Mail:** THALES, New Zealand DEFENCE FORCE, AUSTRALIAN DEFENCE FORCE, Royal Mail, AUSTRALIA POST, UNITED STATES POSTAL SERVICE.
- Finance:** London Stock Exchange, Quicken Loans, VISA, First Data, Fidelity INTERNATIONAL, CapitalOne, Principality Building Society.
- Banking:** Virgin money, AIB, Deutsche Bank, RBS, UBS, Westpac, Goldman Sachs, BARCLAYS, Commonwealth Bank, HSBC, Morgan Stanley, MUFG.
- Insurance:** Allstate, RSA, PRUDENTIAL, Willis Towers Watson, AVIVA, Standard Life, ZURICH, MARSH & MCLENNAN COMPANIES.
- FMCG:** MARS, Fonterra, Kellogg's, FrieslandCampina, BRITISH AMERICAN TOBACCO, Unilever, DIAGEO, General Mills, Kimberly-Clark, ABInBev.
- Healthcare and Pharmaceuticals:** smith&nephew, NHS, DSM, Takeda, Ucb, Abbott, Johnson & Johnson, care UK, NOVARTIS.
- Manufacturing:** Electrolux, Fisher & Paykel, AMPLION, McLaren, VW, TOYOTA, DeLaRue, JAGUAR, BMW, LAND-ROVER, HARLEY-DAVIDSON COMPANY.
- Retail:** Sainsbury's, Walgreens Boots Alliance, narta, JOHN LEWIS PARTNERS, M&S, MYER, JB HI-FI, DAVID JONES, Dixons Carphone.

How are you handling COVID-19?



COVID-19 is not a “typical” business continuity risk:

it has characteristics that make it far more serious, including:

- It was sudden in nature and escalated quickly;
- It has universal impact on business irrespective of industry or location;
- The number of people and businesses affected is extremely high;
- It brings far reaching effect on national and global infrastructure.

Our 11 years of annual research shows that most organisations are **significantly exposed** when it comes to supplier risk management, specifically pandemic risks:

45%

Only 45% of respondents have **effective risk management** in place for **up to 50%** of their key suppliers.

26%

26% of respondents have effective risk management in place for **75-100%** of their key suppliers.

7%

Almost all organisations did not include pandemic risk in their risk management scenarios/planning.

COVID-19 has generated a number of supplier risks that need to be closely managed

Covid-19 impact

1

Health and availability of supplier workforce

2

Financial viability of the supplier

3

Organisational preparedness

4

Social distancing requirements

Key questions to ask

- Is the supplier operating (safely) under lockdown? What employee checks are they doing?
- Can they scale up when lockdown finishes? How do you check?
- How structured are the discussions with suppliers? Will they continue after lockdown?
- How do you know they are performing? Are you tracking the right supplier KPI's?

- Can the supplier continue to operate? How do you know?
- Are they impacted by other customers financial viability? If so, who, and how much?
- How frequently and to what extent are you checking your suppliers financials and their customer contracts? How are you helping them?
- Have you investigated alternative (local) sources of supply?

- Pandemic risks are usually looked at from an internal view only, do you have same risk view for suppliers? What contingency plans are place?
- Are staff trained in Supplier Management techniques? Have you measured it?
- What technology is being used to manage the supplier relationship, performance, contracts and risks?

- Are you able to physically meet with or visit the supplier? How are you going to communicate and interact in the future?
- How will you audit the supplier performance and risks?
- What plans are in place to provide visibility of 'what's going on'?
- Can you trace all the contacts within your suppliers to mitigate outbreak risks

COVID-19 has generated a number of supplier risks that need to be closely managed (2)

Covid-19 impact

5

Port and airport closure, airlines at skeleton operations

Key questions to ask

- Where are the key points of supply chain disruption? Who is managing them, you or the suppliers?
 - Who is responsible for finding alternative transportation and supply chains? How will you get priority for your products and services?
 - How are you going to achieve more visibility into the supplier and their supply chain?
-

6

Risk of spreading the virus via physical product

- Do you know who is responsible for the risks? What checks are being done throughout the supply chain?
 - What do the contract clauses cover? How big is your exposure?
-

7

Demand shocks

- Do you know which products or services there will be limited availability on?
- Do you know if you are a customer of choice for your key suppliers? How are you measuring it?

We recommend rapid deployment of supplier management to address these issues

Covid-19 impact

1

Health and availability of supplier workforce

2

Financial viability of the supplier

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Organisational preparedness

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Social distancing requirements

Call to action

- Segment suppliers based on risks they present to the business.
 - Have suppliers self-certify data on what actions they are doing during lockdown, including what employee checks are they doing.
 - Track all supplier interactions (meetings, emails, calls).
 - Ensure suppliers have KPI's and they are being completed, tracked and managed.
-
- Have suppliers upload contingency plans to your supplier management platform.
 - Ensure communications are open and honest on financial stability and other customers impact, ensure reviews and communication frequency is appropriate.
 - Review and potentially shorten payment terms.
 - Have an internal contingency plan looking at alternative (preferably local) sources of supply?
-
- Put supplier management processes, policy and procedures in place.
 - Train staff in Supplier Management techniques (using virtual delivery in lockdown).
 - Rapidly deploy supplier management technology to manage the supplier relationship, performance, contracts and risks.
-
- Use supplier management technology as an alternative to face to face management.
 - Provide supplier management training to business stakeholders and suppliers.
 - Use supplier management technology for contact management and tracing of your suppliers personnel.

We recommend rapid deployment of supplier management to address these issues (2)

Covid-19 impact

5

Port and airport closure, airlines at skeleton operations

Call to action

- Have suppliers map their key supply chains (using the segmentation criteria previously mentioned).
- Have a plan and treatment strategy for key supply chain, logistics and transport suppliers.

6

Risk of spreading the virus via physical product

- Review key suppliers contracts for risk exposure.
- Map areas of responsibility and obligations.
- Track key risks, actions and activities.

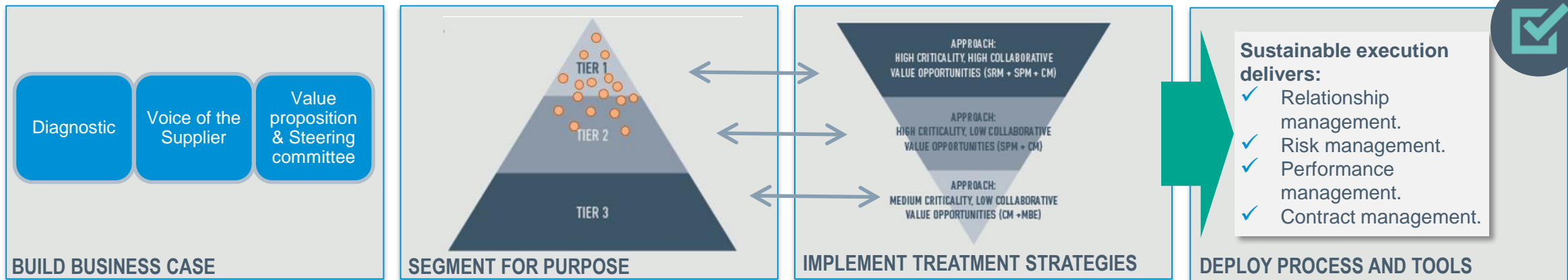
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Demand shocks

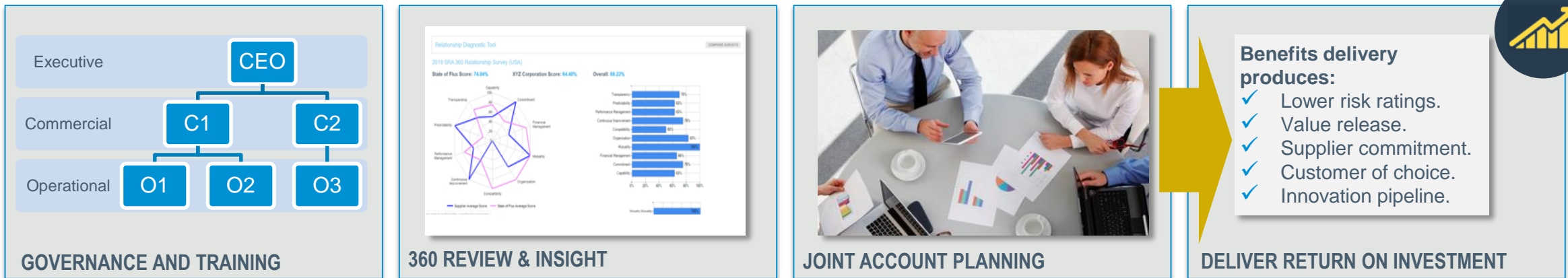
- Understand if you are a customer of choice by conducting a Voice of the Supplier research exercise across your strategic or key suppliers.
- Review each strategic and key suppliers account plans and put in place joint account plans for those suppliers.

To deploy at speed there are two parallel work-streams of activity

Work-stream 1 – build for longevity



Work-stream 2 – rapid rollout (and results)



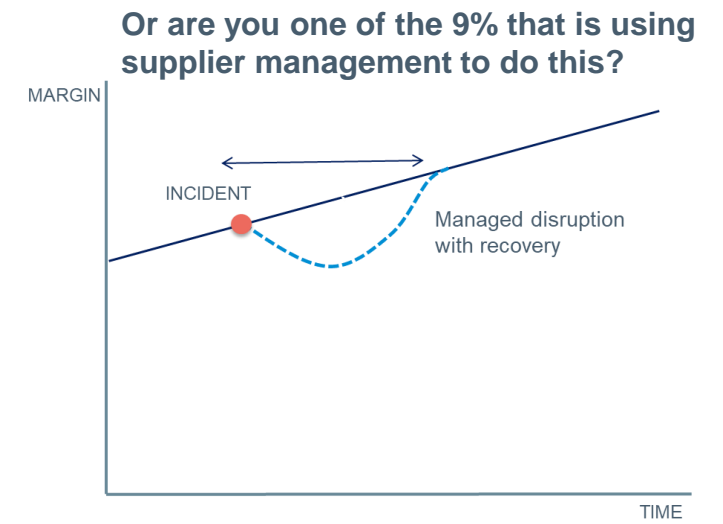
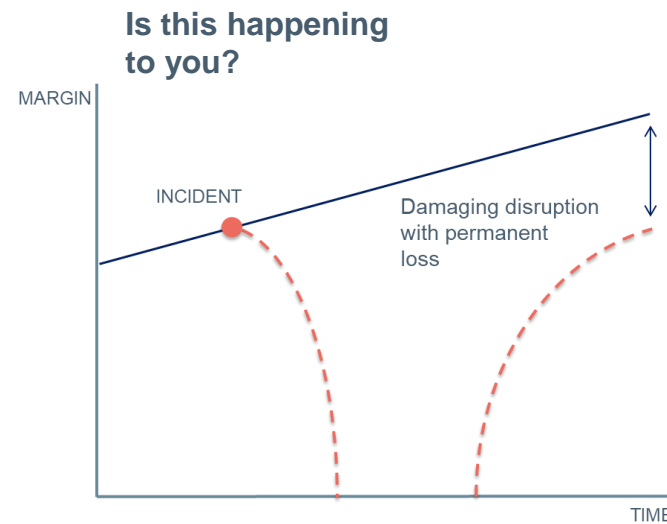
Time is of the essence, the longer you spend waiting to deploy supplier management the greater the risk impact

You may think your organisation is good at managing suppliers but our 11 years of annual supplier management research (+2000 organisations, with global reach and over 2 million data points) has shown that **only 9% of organisations would be considered 'leaders' in supplier management.**

Our annual supplier management research also shows that the longer disruption and reaction to the disruption the greater the long-term impact.

And, the longer you wait the more you miss out on those important customer of choice benefits that make the difference - especially in tough times.

Are you one of the 9% who is demonstrating supplier management leadership, or are you one of the 91% that is **leaving value on the table?**



You need to act now

Next steps - that you can take now

1. Benchmark your organisation

You can find out how you compare to the supplier management leaders, by taking our online survey and getting a free benchmark report.

We'll tell you how you compare to the six key dimensions of our best practice model and your industry.

2. Contact us to discuss how we can help you deploy at speed

For more information on any aspect of this executive overview, or to discuss how we could help you unlock the full value of your supplier relationships, please contact us using the details on the following page.

3. Visit us online

If you'd like to download any of our research reports, whitepapers or thought leadership articles, please visit our website at www.stateofflux.co.nz



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