

Procurement Essentials for Scale-up companies in a COVID-19 World.

If scale-ups get procurement/supply chain management right this can generate significant value in terms of cashflow and profitability (EBITDA), the benefit of which is multiplied by investors on exit. Getting it wrong seriously damage the business from a financial or reputational perspective. This is particularly true in the uncertain times that we currently live in, due to COVID-19.

In terms of the procurement essentials that scale-up's need to consider, then these can be grouped into three areas:

1. Overall value and cost effectiveness (Direct impact on cashflow, profitability (EBITDA) and exit valuation)

- 1.1. Value of service or product: - It is not unusual to see service improvements and around 10-20% annual cost savings in certain spend areas using a professional procurement approach.
- 1.2. Supply sourcing and management effort: - Understanding the business requirement is fundamental to selecting the right supplier and getting appropriate service level. It is also important to ensure you segment your suppliers to understand which are critical and those which are important, so efforts are focussed appropriately. It is key for example that Service Levels and Exit Clauses are considered as part of contractual arrangements, we have seen where companies extracting themselves from inappropriate contracts has been expensive and time consuming. Business Executives of Scale-ups also need to take account of the time taken in setting up and managing their suppliers.
- 1.3. Contracting compliance: - If the supplier you have chosen does not meet the needs of the business / employee then they are likely to try to use alternatives or you operate inefficiently. Maverick spend is an issue in many companies and exposes them not just to potential value/cost issues but also to compliance issues around legal requirements related to say General Data Protection Regulation, Modern Slavery Act and Corporate Social Responsibility.

2. Innovation and Service proposition

- 2.1. Capability to support scale-up growth:- You need to ensure that you selected supplier that can continue to support your business as it grows, we have seen the difficulties that can be caused by the need to change suppliers whilst still servicing your customers.
- 2.2. Adequate service proposition:- You need to understand whether the supplier is for example, able to provide an adequate service in different parts of the UK, only being able to service London when you want to open a second office in Manchester or vice versa is not very helpful.
- 2.3. Access to appropriate level of innovation: - Employees expect an appropriate level of supplier technology to support them in their role, not having a relevant support

app for example can impact on employee behaviour. This is particularly true in a post COVID-19 world of more remote working.

3. Supplier Resilience/Compliance

- 3.1. Financial stability of your supplier: - You need to be able to rely on your suppliers as being around when you need them, with the financial challenges of COVID-19 for many companies this is going to be even more important. We have personally experienced being involved with sorting out situations after supplier insolvency and it is very time consuming and costly.
- 3.2. Service/product delivery resilience:- Suppliers having the right level of resilience is critical in terms of scale-up ability to deliver on time for their customer, we have known something as simple as a factory fire at a key supplier's factory impacting on the ability of a scale-up to get relevant investment.
- 3.3. Contractual and Supplier Compliance: - Organisations are increasingly accountable for the actions of their supplier including on Health/Safety, Corporate Social Responsibility, General Data Protection Requirements and Bribery. Reputational and other due diligence challenges are taking up an increasing amount of management time for a scale-up with the impact of social media means these areas are becoming more important in customer and investor due diligence procedures.

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