

# Navigating COVID-19 storms

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**Proactive management of strategic supplier relationships is potentially a critical tool in managing the turmoil of COVID-19**

## The Situation

One thing is certain – businesses across the world have been rocked by the COVID-19 pandemic. Whilst this initial impact, albeit severe, is now understood, there remains great uncertainty and concern around what the recovery looks like and how long it will take. A further complication is the potential of a ‘no deal’ Brexit to create additional disruption as we enter 2021.

COVID-19 has presented challenges and opportunity for business change that turn disruptive technologies into necessities. This accelerates the trend for more partnership driven approaches based on delivering business value and customer experience.

In the short term it’s about recovering and restoring order and making contracts, commercials, and services ‘fit for purpose’ in the changed operating environment. In parallel and for the medium term there is a need to re-balance the services and contracts to adapt to the new reality of the client’s business. Rapid transformation has never been so important for business survival and reinvigoration of the business back to growth. **Recovery** may be the immediate priority but **Rebalancing** and **Reinvigoration** must start at least in parallel.

Businesses working proactively and openly with strategic suppliers will greatly enhance their ability to navigate the major challenges successfully. From a supplier perspective, it has become critical that they actively support their clients throughout the journey – the need to be flexible and focus on helping clients navigate the storms is crucial (and where this doesn’t happen clients could, and should, consider using different strategic supplier).

Strategic suppliers will need to adopt a new mindset and collaboration approach – having shared objectives and real ‘skin in the game’. Clients will also need to embrace this approach, which does not sit comfortably in the traditional procurement behavioural zone.

This article sets the scene and a context for a series of Burnt Oak Partners papers which will explore these problems, constraints, and solutions more deeply and with different industry sector perspectives

## Recovery

Recovery addresses the most pressing areas of concern in respect of short-term viability of service and business continuity:

- Responding to the sudden changes to business transactions and revenue
- Supporting the move to working from home and the phased return
- Responding to any material changes to business operations (mothballing or projects)
- Rapid channel switching (e.g. physical to online)
- Ensuring integrity of end-to-end supply chain (including suppliers supply chains)

This may involve managing interim arrangements with suppliers around contractual obligations, commercials arrangements, operational procedures, policies, scope of service, supplier delivery models, resourcing, and in-flight projects.

## AT A GLANCE

### Unprecedented challenges

#### Situation

- Significant impacts on business volumes and revenues
- Changes to working practices
- Disruptions to supply chain
- Projects disrupted / stopped

#### Constraints

- Continuing uncertainty in operating environment
- Budgets significantly reduced

#### Solution

- Collaboration with strategic supplier(s)
- New short / medium / long term planning
- Agile / iterative / partnering approach
- Focus on today but don’t ignore tomorrow
- Innovative contractual and commercial approaches

This isn’t easy and requires a nimble experienced team that can shrink the decision cycle and execute a very flexible plan whilst thinking on their feet. It also necessitates closer working relationships with the right strategic suppliers.

The turmoil and uncertainty will be with us for the foreseeable future – navigating these storms needs proactive action – doing nothing is not an option!

## Rebalancing

Rebalancing considers the short to medium future of the business over the next 6-18 months:

- Likely scenarios in terms of projected revenues
- Expectations and impact of remote versus office working
- Any medium terms business decisions and strategies (e.g. store closures, investments in new channels)
- Mitigations to supply chain risks

This will require close collaboration with strategic supplier(s) to establish flexible and sustainable contract, commercial and service models which might include:

- Migration to 'As a Service' and 'On-demand' commercial models
- Changes to service delivery models (right shoring; mix of onshore, nearshore and offshore)
- Increased focus on delivery of business rather than transactional outcomes
- Redefining of scope and responsibilities (e.g. to mitigate supply chain risk or reflect different ways of working)
- New joint governance processes and structures (reducing effective decision cycles)
- Refocusing services and resources to new operational realities

## Reinvigoration

The realities of the new business environment we now live in, and focus required for future survival and growth, mean that conscious iterative decisions need to be taken for longer term strategy. The landscape may have changed but businesses still need to be competitive despite the massive ongoing disruption from COVID-19 and other potential uncertainties.

Reinvigoration will be required to adapt your people, process and technology to support growth. Businesses should consider:

- How will the business operating environment look as we emerge from the grip COVID-19 (e.g. online versus physical)?
- What new or blended channels are required to support and sustain growth?
- Status of all in-flight projects (many of which may have been paused during the pandemic):
  - Which are critical and need to continue?
  - What are the timing imperatives and why?
  - What are the potential consequences of stopping or delaying projects?
  - How do new budget constraints impact future projects and transformation planning?
- How to lead, motivate and encourage positive momentum in the business?

There is much to be gained joining with your strategic suppliers to answers these questions. They will have insight and different perspectives from their experience in other businesses and sectors. They may provide options to funding issues with new commercial models using mutual balance sheet arrangements. You should be leveraging their informed experience in planning and dependencies.

## Conclusion

Navigating through the stormy waters of COVID-19 will be dangerous and painful for many. Although we don't yet know how long the storms will last, or what our business world will look like as the waters calm, doing nothing is not an option – there are decisions that need to be taken in the coming days and weeks to secure the best outcomes for your business in in the three phases of Recovery, Rebalancing and Reinvigoration.

Working collaboratively with your strategic supplier(s) should add significant value - whether that be bringing outside experience and insight, or more concrete support with new commercial / contractual / service models, or even giving access to new / flexible funding.

## Burnt Oak Partners

Burnt Oak Partners are an established sourcing advisory firm supporting both clients and suppliers in building and implementing sourcing strategies which meet and exceed client expectations. As recognised thought leaders we bring innovative thinking and approaches in field that is largely still sitting in traditional ways of working that are not fit for purpose in today's world.

Our collaborative, iterative approach drives pace, flexibility, and quality so establish sustainable sourcing relationships that work for both client and supplier, and which provide greater speed and certainty of business value.

Our people are practitioners rather than consultants, all having held senior positions on both the client or supply side of outsourcing. We are already adding real value to clients in driving, brokering, guiding them through the recovery, rebalancing, and reinvigoration of their business in collaboration with their strategic suppliers.

If you would like to learn more about our approach, then please get in touch

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