

# CORONAVIRUS

## MANAGING STRATEGIC SUPPLIERS IN A CRISIS



*...how to navigate the next 90 days...*

Stephen James, Operations Manager

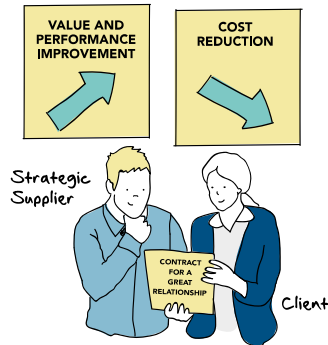
Allan Watton, CEO

# CORONAVIRUS : Managing Strategic Suppliers in a Crisis

*How to navigate the next 90 days*

## New Relationships

You're procuring or contracting and you need it to **work really well**.



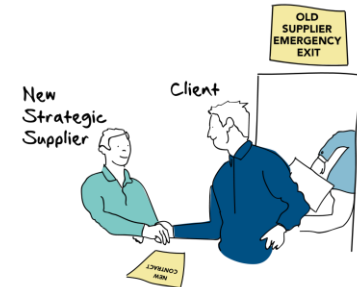
## Existing Relationships

You're in a partnership that could be **working better**.



## Broken Relationships

It's gone wrong. You need help to exit a relationship early and **safely transition to another**.



LESSONS LEARNED FROM THIS EXPERIENCE INFORMS 'WHAT GOOD LOOKS LIKE'

STRATEGIC PARTNERSHIP  
REVIEWS

DAY TO DAY  
MANAGEMENT OF  
STRATEGIC PARTNERSHIPS

EXPERT WITNESS COURT  
EXPERIENCE OF FAILED  
RELATIONSHIPS

EXPERIENCE OF 500+ STRATEGIC PARTNERSHIPS

# CORONAVIRUS : Managing Strategic Suppliers in a Crisis

*How to navigate the next 90 days*

Strategic Suppliers – Recent existential threats we've given guidance through

## 2000-2002

Dot-Com Stockmarket  
Crash – liquidity  
crunch



## 2016

Mini Stock Market  
Recession – quick  
recovery of liquidity



FUTURE?



## 2008 - 2009

Great Recession –  
Financial Crash –  
liquidity crisis



## 2020-2022

Anticipated as worst  
global recession  
since 1929 (The  
Great Depression)

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## COVID-19 Overall Organisational Challenges



### EMPLOYEES

- Obligation to inform
- Health
- Insecurity, fears
- Remote work
- Flexible working hours
- Reduced work
- Exemptions
- Continued payment of wages
- Compensation for quarantine measures



### STRATEGIC SUPPLIERS

- Decline in sales
- Cashflow/liquidity bottlenecks
- Alternative delivery options
- Value chain
- Standstill and interruptions
- Delays
- Contract disputes
- Effects on customers and citizens



### REVENUE

- Decline in sales
- Cash flow/liquidity bottlenecks
- Government aid/financing
- Loan issues



### OPERATIONS

- Reduced capacity and resources in core areas, infrastructure and services
- Breakdowns of entire locations



### MOBILITY

- Travel and mobility restrictions
- Travel bans
- Quarantines
- Effects on recreational activities/social interactions



### REGULATION

- Compliance challenges

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In a normal marketplace - Strategic supplier existential concerns

## Events that threaten the existence of a company

- Liquidity problems
- Insolvency risk
- Loss of essential company processes
- Loss of important customers or suppliers

## Threat to economic success and brand

- Impact on brand recognition and value
- Event-driven brand crisis e.g., negative press and headlines

## Problems within the management of a company

- Bad decisions and absence of decisions
- Power monopoly, power vacuum
- Lack of Information for decision making

## Inadequate change management

- Lack of acceptance to changes in existing processes and structures
- Changes within the company



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Covid-19 is no normal marketplace - Strategic supplier viability threats



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## Attempted use of force majeure : Strategic supplier considerations we've seen recently

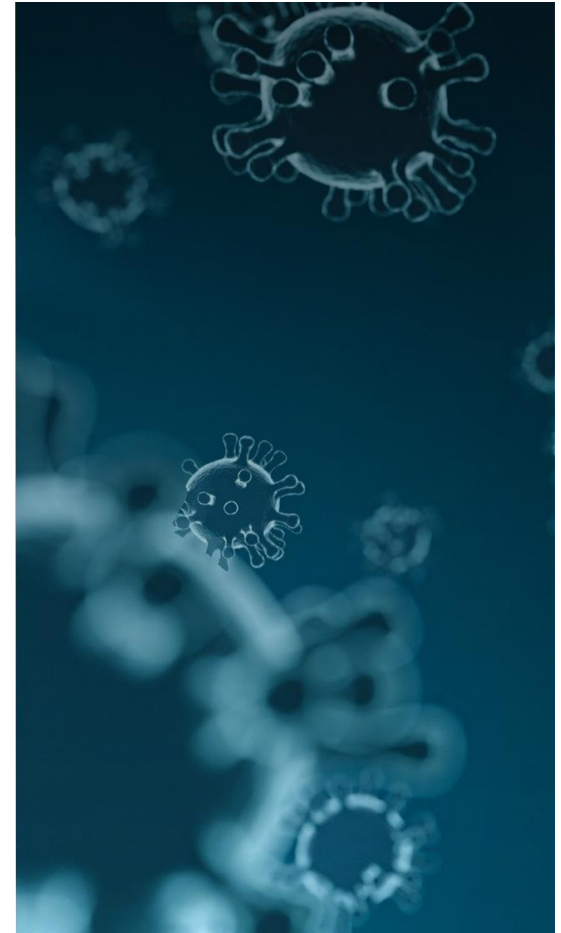
**The facts.** It is for the party relying on a force majeure clause (or doctrine of frustration) to *evidence* the trigger is reasonable.



**Increased cost of service delivery**  
- **Not a trigger.** It is an inconvenience for the supplier. Nor can they usually legitimately reduce KPIs as a result.

**Need to employ additional people – not a trigger.** If the service is a pre-agreed cost, then it is an inconvenience for the supplier. KPIs will usually remain intact.

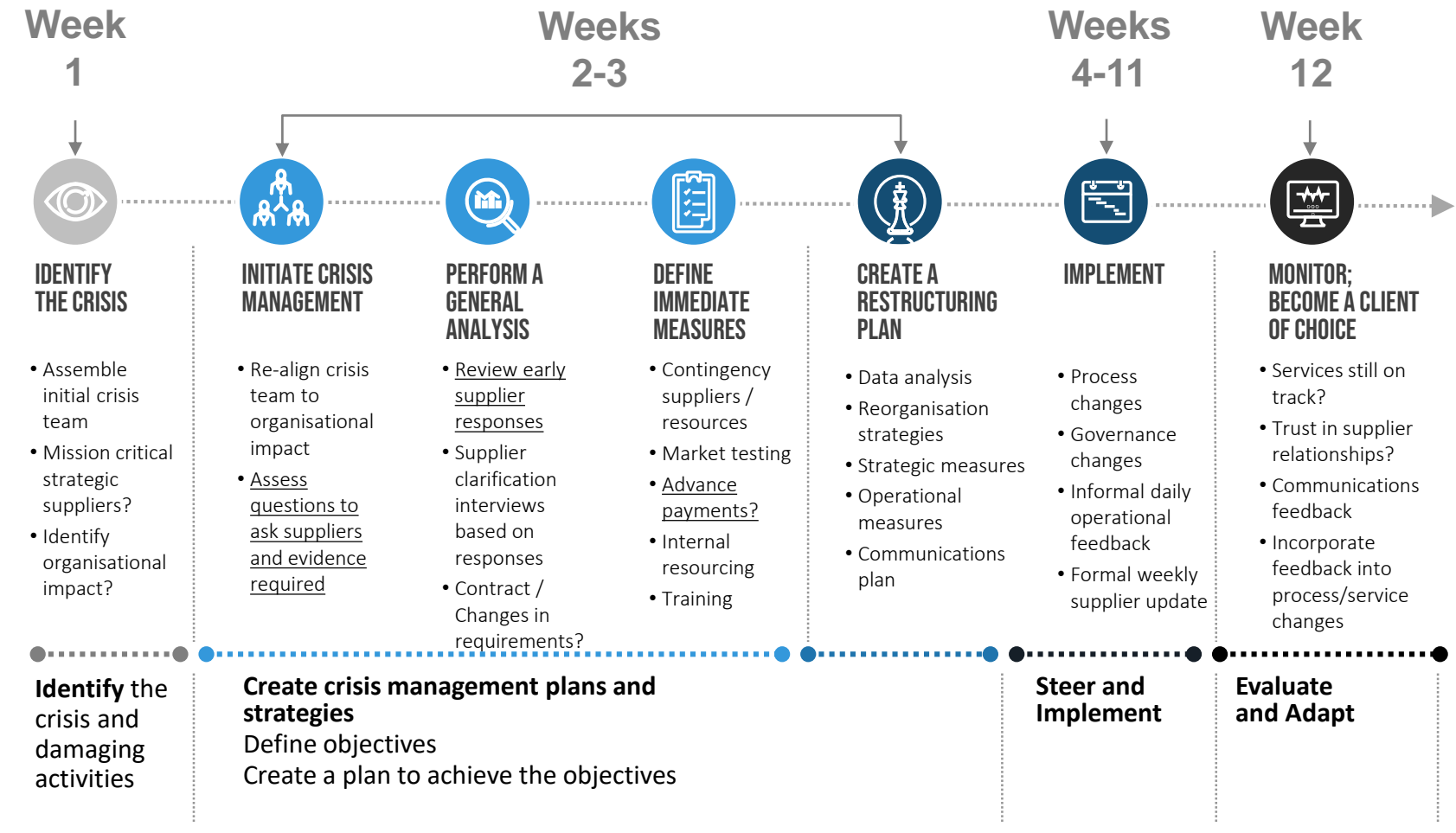
**No-one is legitimately available to perform the service – this is a trigger.** It means everyone is self-isolating or ill, AND they are physically (by law – not by their management) prevented from recruiting other people / interims to perform the service.



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*How to navigate the next 90 days*

The 90 day navigation plan – for mission critical strategic suppliers





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How to diagnose crises in enough time – honest conversations with your strategic suppliers

STOCK OF IDEAS	9	Do they have new business ideas?	<input type="radio"/>	<input checked="" type="radio"/>	Risk level 1
INNOVATIONS	8	New or innovative products or services?	<input checked="" type="radio"/>	<input type="radio"/>	
CUSTOMERS	7	Winning enough new customers?	<input type="radio"/>	<input checked="" type="radio"/>	
OPERATIONAL RESULTS	6	How strong are their on-going operational results?	<input checked="" type="radio"/>	<input type="radio"/>	Risk level 2
REVENUE	5	What do you know about their contracted revenue stream?	<input checked="" type="radio"/>	<input type="radio"/>	
COSTS	4	Can they evidence their costs are under control?	<input checked="" type="radio"/>	<input type="radio"/>	
LIQUIDITY	3	Do they have sufficient liquidity?	<input checked="" type="radio"/>	<input type="radio"/>	Risk Level 3 (Crisis)
CREDITWORTHINESS	2	Will their bank still offer them credit?	<input checked="" type="radio"/>	<input type="radio"/>	
INSOLVENCY	1	Cashflow is king; can they avoid bankruptcy if you and other clients support them?	<input checked="" type="radio"/>	<input type="radio"/>	

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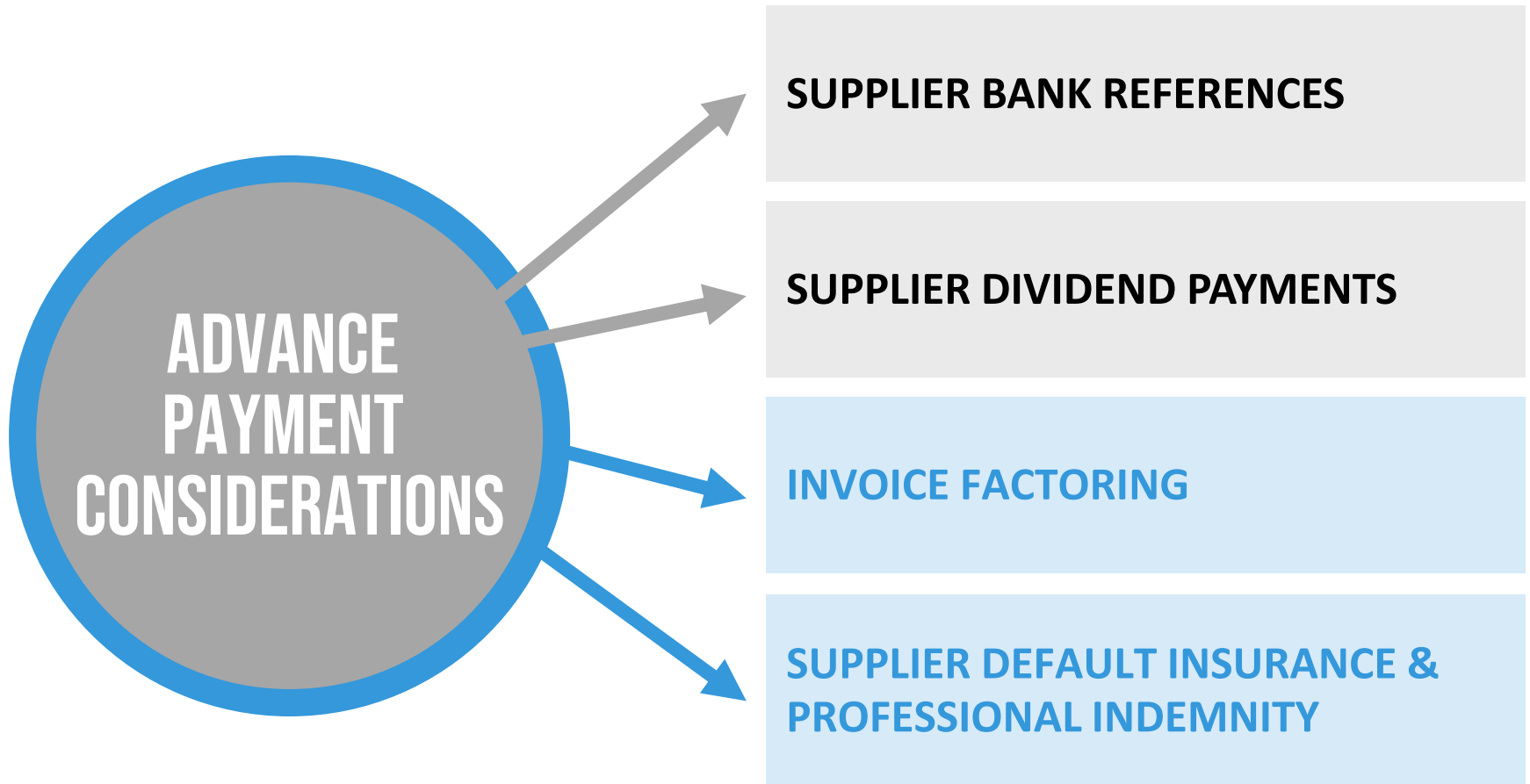
Strategic Supplier's "Expert Responsibilities" can be implied in law



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Thinking of paying your suppliers in advance? (not just before the invoice falls due)



# CRISIS AVERTED

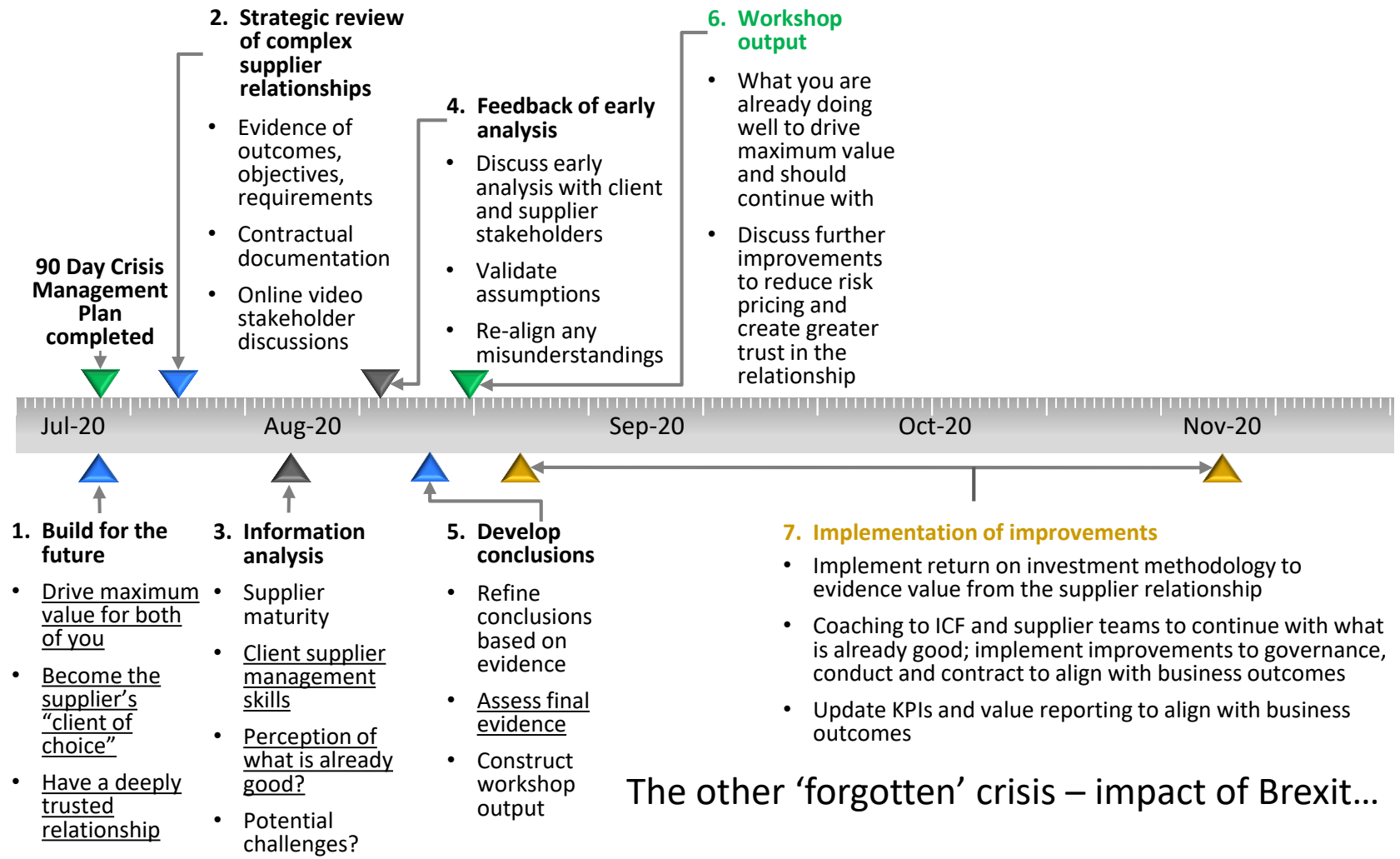
THE FUTURE – DRIVING  
MAXIMUM VALUE



*...how suppliers nominate their 'clients of choice'...  
(...and how you'll get priority service in the future...)*

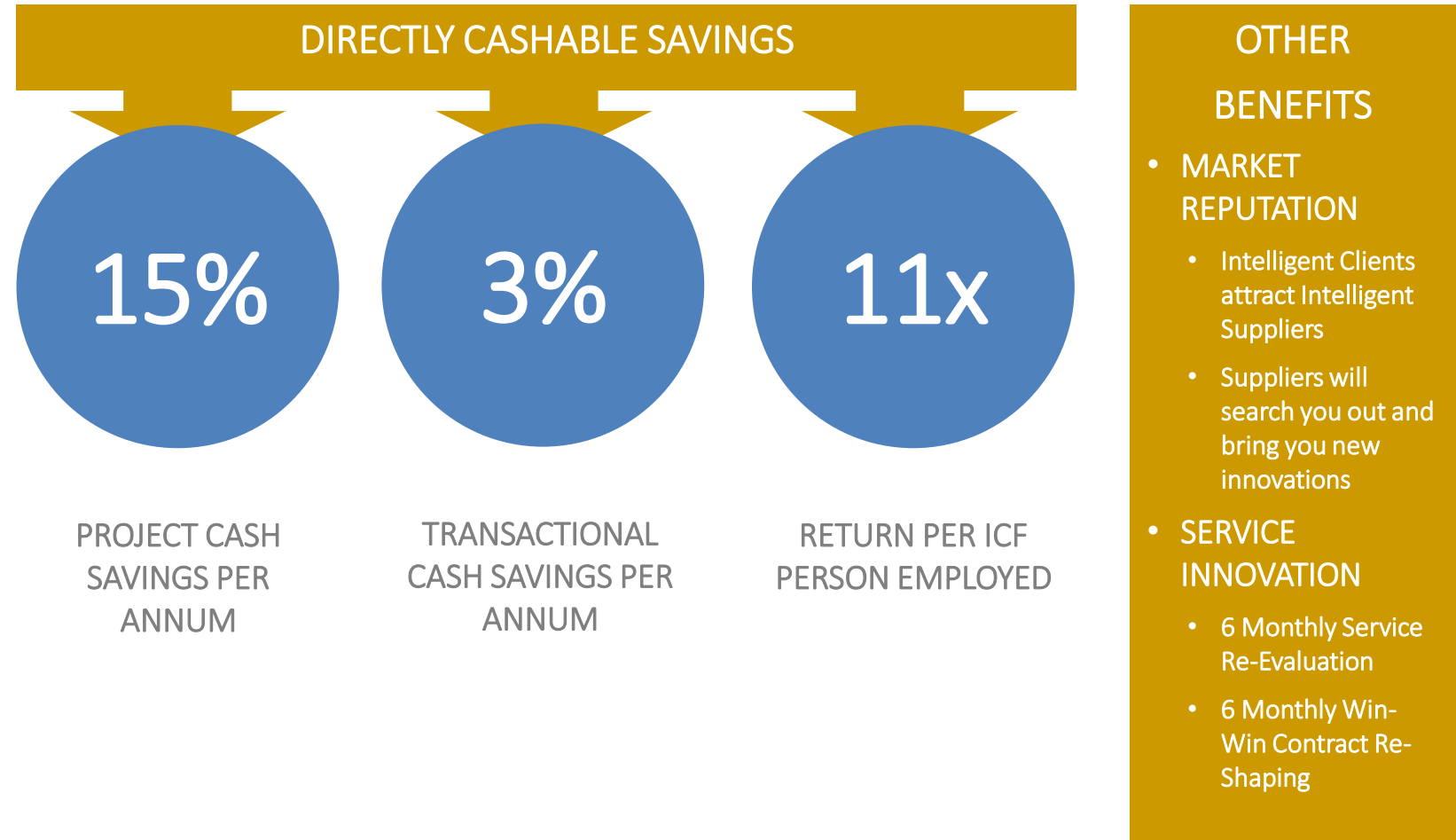
# CORONAVIRUS : Managing Strategic Suppliers in a Crisis

The future – a plan for driving maximum value and becoming the ‘Client of Choice’



# CORONAVIRUS : Managing Strategic Suppliers in a Crisis

## Why Build a World Class Intelligent Client Function?



# CORONAVIRUS : Managing Strategic Suppliers in a Crisis

## The benefits of being a 'Client of Choice'

### What do strategic suppliers want from clients?

1	Respect from Client	2	On-time Payments	3	Collaboration
<ul style="list-style-type: none"><li>• Strategic partners often reflect back how they themselves are treated by the client</li></ul>		<ul style="list-style-type: none"><li>• Cashflow is the lifeblood of commerce. Delayed payments will decimate any goodwill you have created</li></ul>		<ul style="list-style-type: none"><li>• Strategic suppliers want to feel part of the team.</li><li>• Share business planning - want to share success</li></ul>	

### What does a 'client of choice' receive as a result?

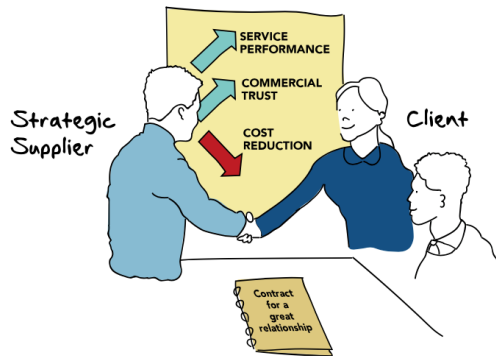
4	Management support	5	Supplier Resources	6	Innovation	7	Prioritisation
<ul style="list-style-type: none"><li>• Crisis – go extra mile to resolve issues, quickly</li><li>• Supplier's management teams mobilise quickly</li></ul>		<ul style="list-style-type: none"><li>• Most talented team</li><li>• Secure scarce resources</li><li>• Higher service at lower cost</li></ul>		<ul style="list-style-type: none"><li>• Early (first) access to new ideas and products</li></ul>		<ul style="list-style-type: none"><li>• You'll receive 'first in queue' attention</li><li>• Consistently prioritised service levels</li></ul>	

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## The 10 characteristics of an optimised strategic supplier relationship

To drive maximum value



- ✓ Objectives being met
- ✓ Critical friend supplier
- ✓ Inherent commercial trust
- ✓ Sustained collaboration and innovation
- ✓ Reduced service cost
- ✓ High reputation with your peers
- ✓ Internal team aligned
- ✓ Services always aligned to outcomes
- ✓ Flexible/agile contract structure
- ✓ Evidenced based results



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The Eight Key Components Found in Every Fit for Purpose Strategic Supplier Relationship

ARTICULATED BUSINESS VISION

SUPPLIER “EXPERT RESPONSIBILITIES”

AN INTELLIGENT CLIENT TEAM

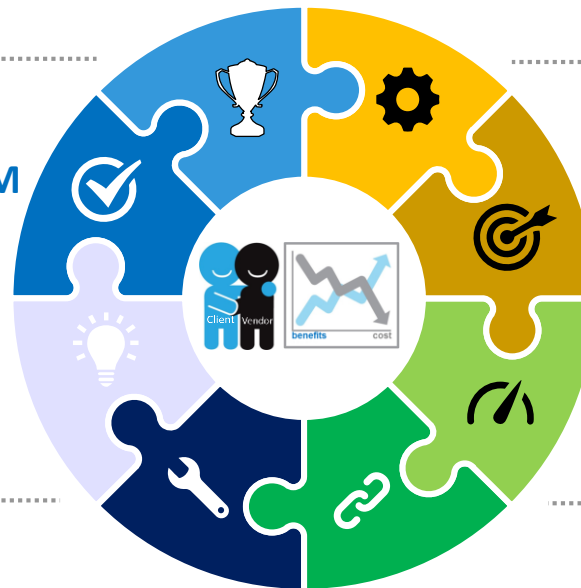
FIT-FOR-PURPOSE CONTRACT

AN INTELLIGENT SUPPLIER

BUYING GOVERNANCE

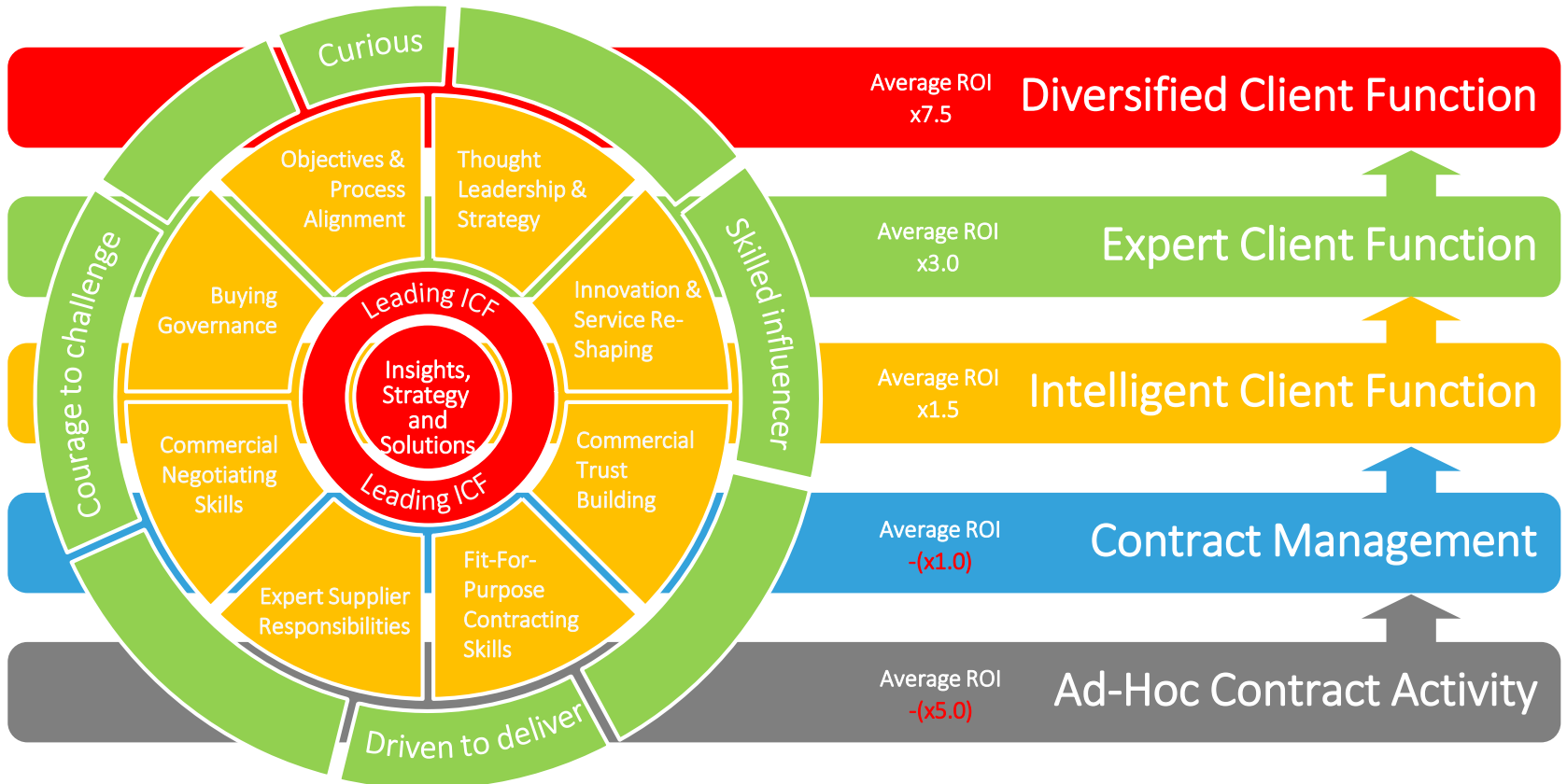
CLEAR SERVICE REQUIREMENTS

RELATIONSHIP MANAGEMENT



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## Intelligent Client Function – What ‘Good’ Looks Like



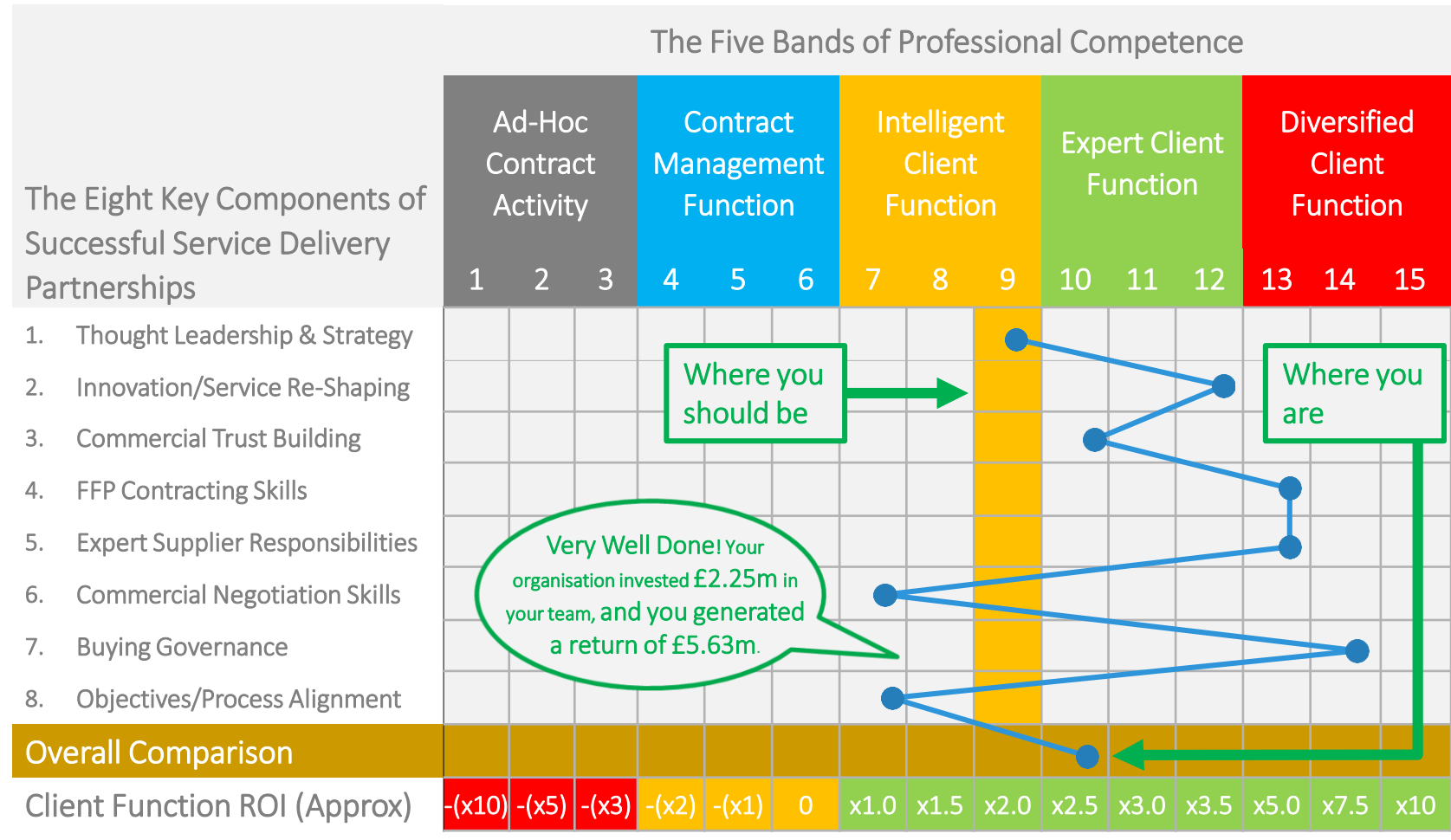
Eight behaviors

Ten professional areas

Five bands of professional competence

# CORONAVIRUS : Managing Strategic Suppliers in a Crisis

Your ICF Team strengths aligned to 'What Good Looks Like' for your specific supplier



# CORONAVIRUS : Managing Strategic Suppliers in a Crisis

The future – a plan for driving maximum value and becoming the 'Client of Choice'

## ANY QUESTIONS?



90 Days

### The Current Crisis

1. Identify Crisis
2. Initiate Crisis Management
3. Analysis
4. Define Measures
5. Create Restructuring Plan
6. Implement
7. Monitor



120 Days

### The Future

1. Build For The Future
2. Strategic Review
3. Information Analysis
4. Feedback
5. Develop Conclusions
6. Workshop Output
7. Implementation of improvements

**Informal and confidential chat** : If you would like a brief call at some point to discuss how to apply the 90 day crisis plan or the 120 future plan to your specific circumstances, you can schedule a call with us over the coming days. Just put 'call 90' or 'call 120' into the questions box and we'll arrange something with you.

<https://bestpracticegroup.com>