



EIPM

The source for Excellence

HOW PROCUREMENT WILL NAVIGATE THROUGH FUTURE CRISIS

Lessons Learnt from the Past

CPO MEETING
Istanbul Dec.9th 2023

Bernard GRACIA
EIPM Founder

TUSMODCPOxL
Executive Lounge

QUESTION 1



ARE YOU COLOUR BLIND?

1. YES

2. NO

Who is EIPM



VISION

To serve our clients deploy knowledge in Purchasing and Supply Management to contribute to sustainable value creation for the different stakeholders

Our Key Numbers

33

YEARS
OF
EXPERIENCE

5000

PROFESSIONALS
TRAINED AND EDUCATED
EVERY YEAR

9

LANGUAGES
AVAILABLE
FOR TRAININGS

2

CAMPUS
IN GENEVA

7

BRANCHES
WORLDWID
E

The EIPM 3 Pillars

Benchmark : EIPM Peter Kraljic Awards
Certification Process



Education



- Global Executive MBA
- Global Executive Diploma
- 4 Certification Programmes
- Open Courses

Research



- CPO Round Tables
- Workshops
- Annual Conference
- Value Creation Observatory
- Dedicated surveys
- Journal of Supply Excellence
- Club: EIPM Peter Kraljic Think Tank

In-Company



- Customised / Standard
- Certification / open courses
- Foundation / Advanced
- "À la Carte" Modules
- Speaker for conference
- Coaching

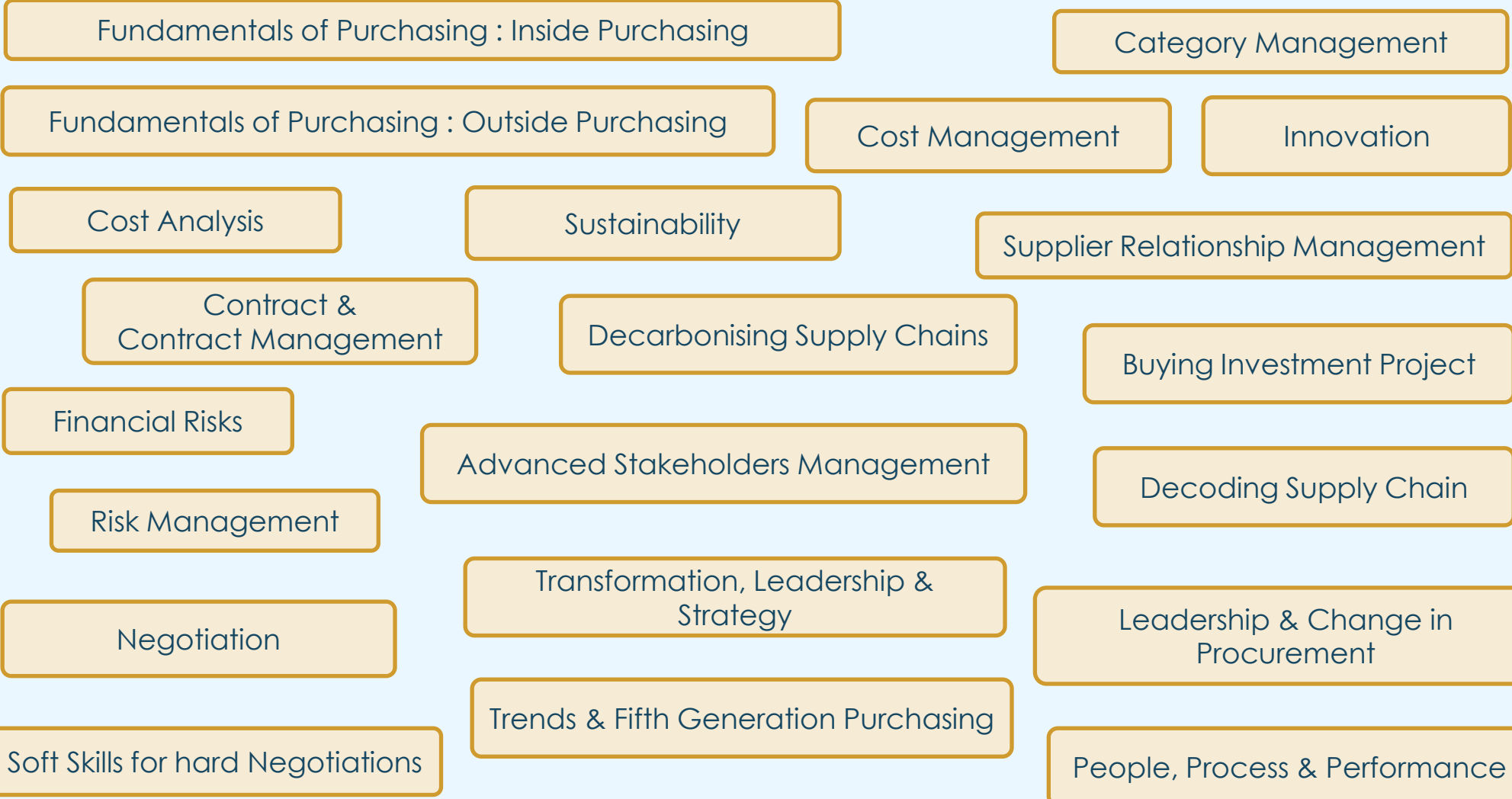
Learning solutions & tools (Face 2 Face Trainings, e-learning, virtual class, webinars, videos, cases, games, simulations)

Online Talent Assessment (over 20 000 Users) Online Assessment of the Organisation (over 400 users Companies)

200 participants/year

5000 participants/year

List of standard EIPM stand alone courses



The EIPM Portfolio of Diplomas & Certifications

The different EIPM trainings are accredited worldwide by



For Executives

Executive MBA
Executive Diploma

For Non Executives

L4. Leading Purchasing Transformation

An EIPM Certification for Managers

L3. Achieving Purchasing Excellence

An EIPM Certification for Purchasing Experts (CatMan, Projects)

L2. Buying for Performance

An EIPM certification for Purchasing Professionals

For Newcomers & Stakeholders

L1. Discovering Purchasing

An EIPM Certification for Newcomers

QUESTION 3

**IS THE CRISIS WE ARE FACING,
THE BIGGEST CRISIS SINCE 1945?**

1. YES

2. NO

RAISE YOUR HAND

PAST CRISIS



29

1939/45

1973/75

2008/10

2019/...



2nd WORLD WAR

RAW MATERIAL &
ENERGY CRISIS

FINANCIAL CRISIS

COVID+WARS
ENERGY / ENVIRON.
CRISIS



Some Reminders

- **Environment...LACK OF...**

Raw materials, Products, Production Capacity, Suppliers

- **Some Objectives**

To **produce** in a short time, large volume/capacity

To **deliver worldwide**

- **Some Solutions brought by Purchasing/ Procurement Dept**

To **define new solutions**: Science the endless frontier....everything's possible

To minimize utilisation of product/ raw material: **Value analysis**,

To start Practical **operational Training** for Buyers (Buyers train Buyers)

Emerging concept/ Tool: Value Analysis

Between 1938 & 1947, Laurence Miles conceived Value Analysis

- **based on the functions necessary to realize a solution**, due to shortages of skilled labour, raw materials, and component parts
- 1961 - Miles wrote the definitive book, *Techniques of Value Analysis and Engineering*,

At the same time Pierre Boulanger created the 2HP

- “Design a car capable of carrying two farmers in their wooden shoes, fifty kilos of potatoes or a small barrel, at the maximum speed of 60 km per hour, and using 3 litres of gasoline per 100 km.”
- “The car must be able to run on the worst roads, has to be driven by unskilled people, with a high-level of comfort. Look is not important.”



1973



Some Reminders

- **Environment**

Worldwide Energy & raw materials crisis generating scarcity and high prices

Consequences: a lot of bankrupts in many different sectors, in occidental countries

- **Some Objectives**

To avoid sky-rocketing price increases (**high inflation & high interest rates**)

To maintain cost by sourcing from **different countries** (decrease all costs)

- **Some Solutions brought by Purchasing/ Procurement Dept**

Value Analysis, to decrease utilisation of raw material

To deploy Value analysis, **value engineering**, **Design to cost**

To develop **Make or Buy** Concept

To start **Purchasing/ Procurement education with Diploma**

Emerging concept/Tool: Design To Cost & Supplier Quality

- **Value Analysis** to design a product / solution to answer necessary Functions
- **Value Engineering** to apply VA to design new products / solutions
- **Design to Cost To** apply VA / VE to a new solution, with market price constraints
- **Supplier Quality Assurance & Supplier Development**
- **Supply management** with:
 - **Supplier Portfolio rationalisation** : Tier1 , Tier 2, Tier 3
 - **Supplier Globalisation** at least at a European Level

2008



FINANCIAL CRISIS

Some Reminders

- **Environment**

Worldwide financial crisis generating:

Risky banking system cascading risks to all cash-weakened companies

Numerous **bankrupts of SMEs** for **cash** reasons

Stagnation & Unemployment

- **Some Objectives**

To avoid cash problems

To avoid sky-rocketing price increases

Some Solutions brought by Purchasing/ Procurement Dept

To avoid cash problems (**terms of payment**)

To decrease financial risks (**Risks management, cash management, hedging..**)

To work on all costs with **Price Review formula, Cost Breakdown & TCO**

To secure supply chains by improving suppliers' relations (SRM, cash management)

To develop **global Purchasing education** to share similar tools

Some Tools

- **Risks Management:**

To understand the **probability of occurrence** of those risks and their impact, to calculate the criticality and find correct **mitigation solutions**

- **Cost Breakdown:**

To **help in negotiating** the right part of increase of the product

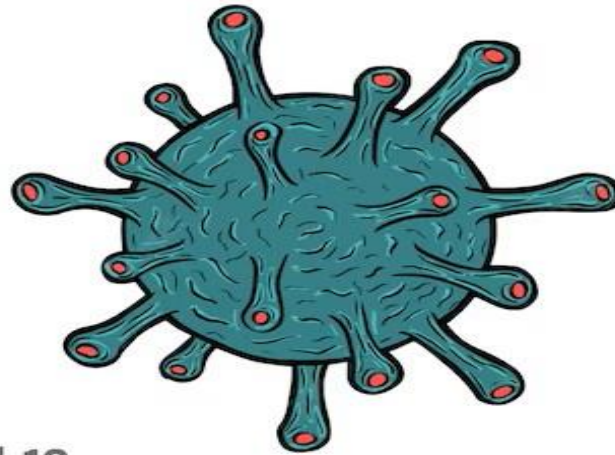
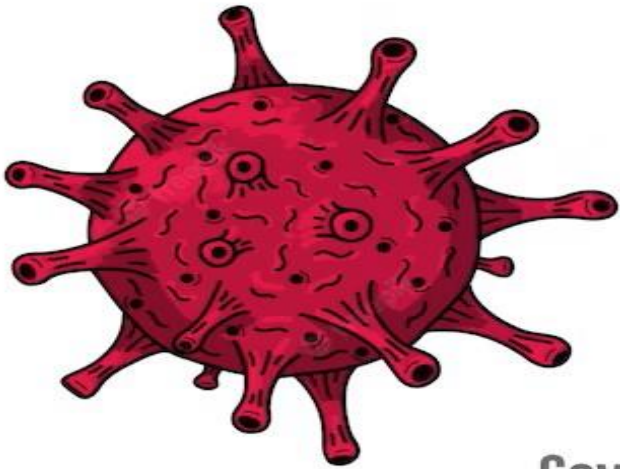
- **TCO:**

To work on the **life cost of the solution** to depreciate the cost increases

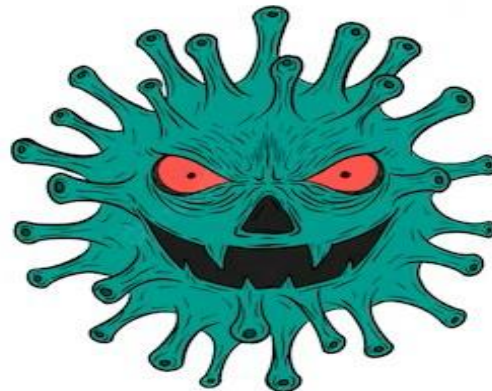
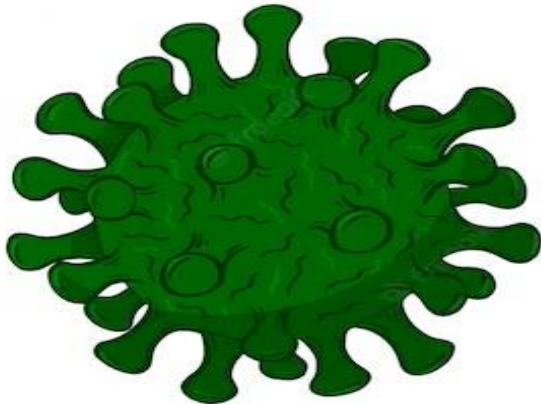
- **SRM:**

To be considered as **the Preferred Client** of the suppliers to get Innovation, volume & then cost

2019



Covid-19



QUESTION 4

Rank your present priorities (1st to 5th)

Volume/Capacity from Suppliers

Price from Suppliers

Decarbonation with Suppliers

Digitalisation with Suppliers

Innovation from Suppliers

RAISE YOUR HAND

Some Reminders

- **Environment**

1. **Worldwide crisis starting with Covid** in China generating: semiconductors crisis, transport & containers crisis, then all spare parts coming from Asia Pacific and a crisis on labour & manpower
2. European Crisis associated to the **Ukrainian/ Russian** War generating shortage in gas, increase in energy & raw material
3. **Climate Change & decarbonation**

- **Some Objectives**

To find suppliers capable to deliver raw material & products (**volume**)

To try to **limit price** increase

To integrate the new **decarbonation challenge**

- **Some Solutions brought by Purchasing / Procurement Dept**

To **support Business development** by getting the right volume / right quality

To have a **strong SRM** deployed to ensure Supplier support

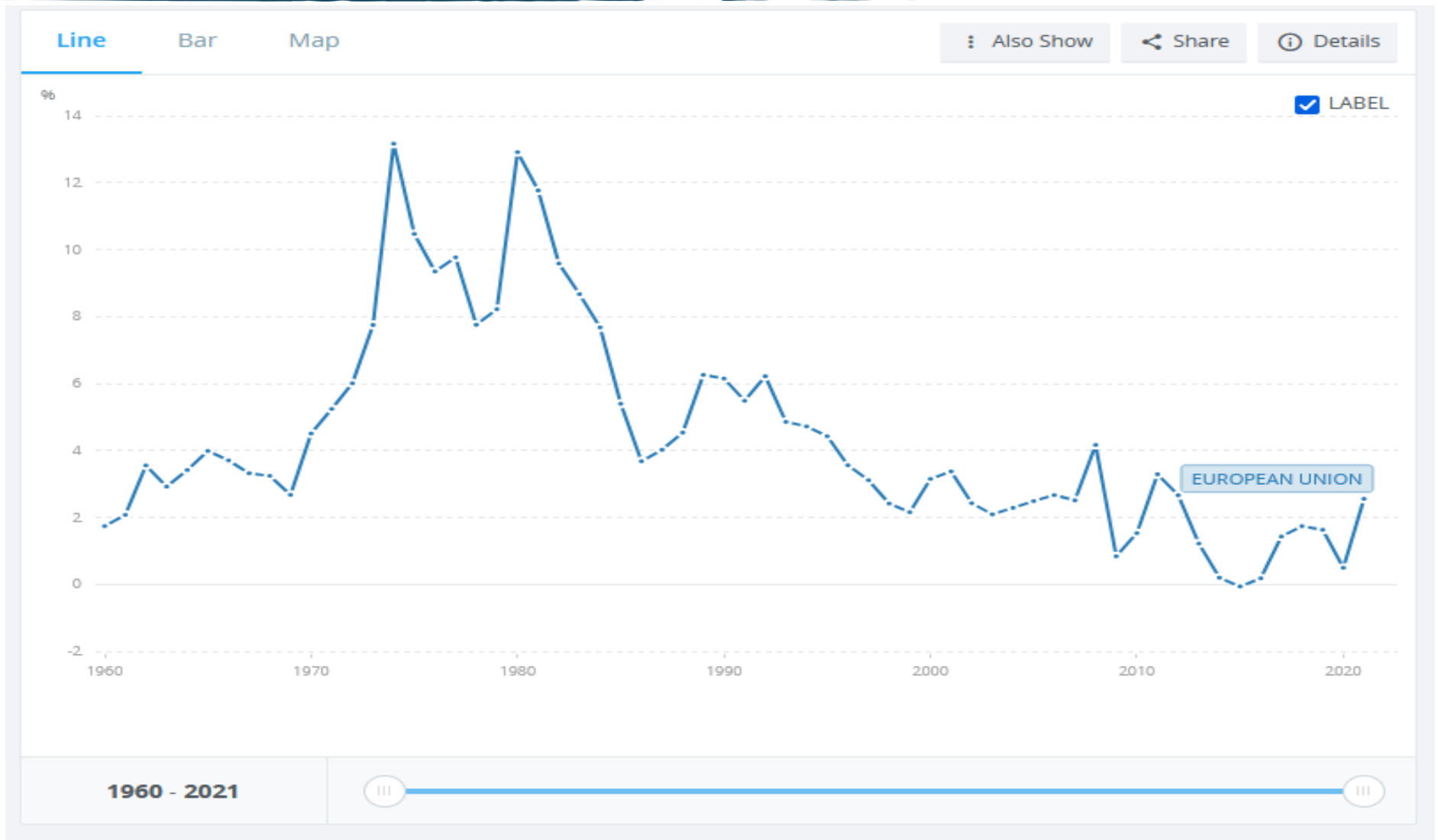
To implement **global sourcing regionally**

To implement **decarbonation** of the supply chain

Some new solutions

- **Decarbonation**
- **Circular Economy**
- **Re-Shoring & Re-Regionalisation**
- **Supply chain digitalisation**
- **Backward integration & Open Supply Chain**

European Inflation over the years



European inflation over the Years

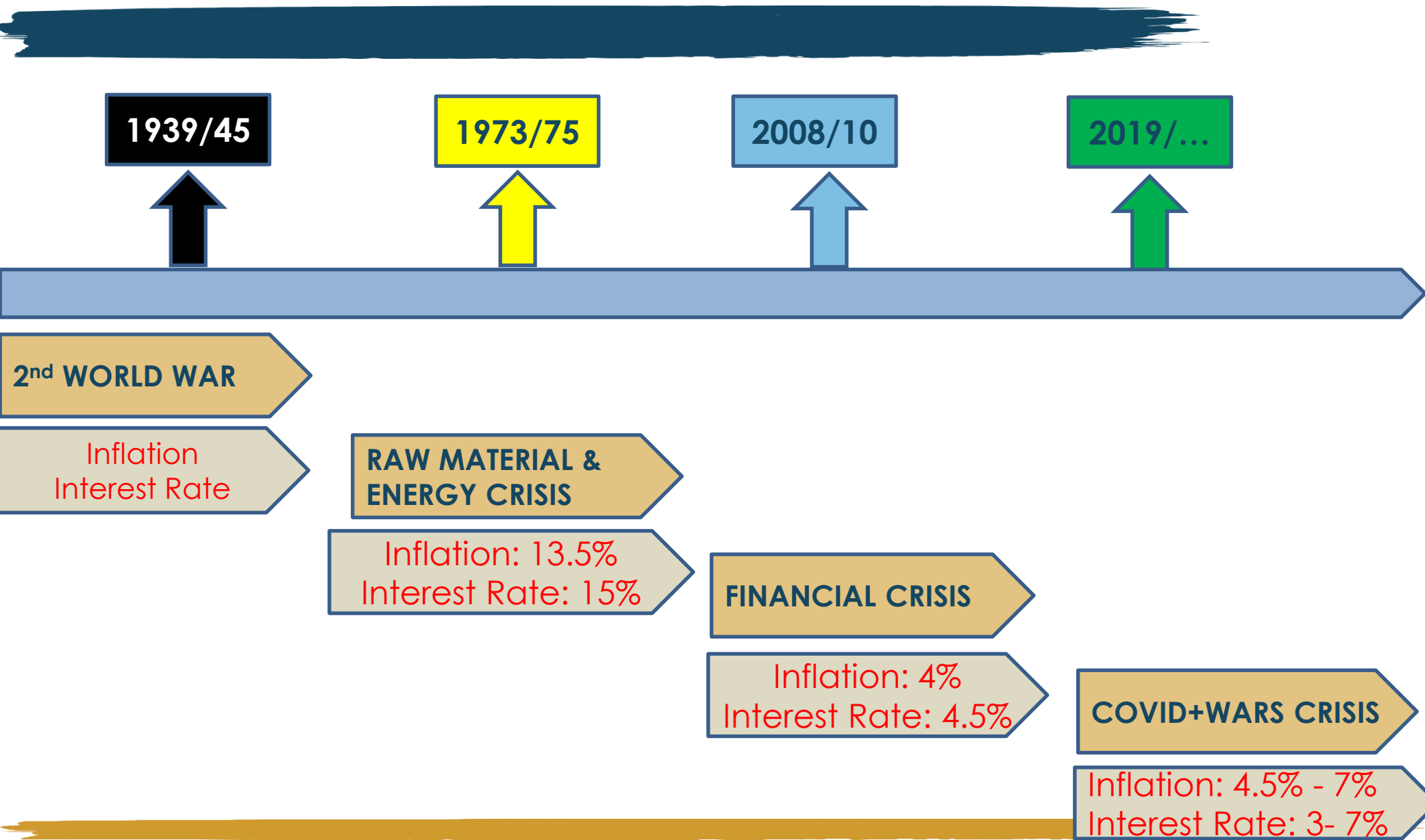


TRADINGECONOMICS.COM | EUROPEAN CENTRAL BANK

European Interest rate over the Years



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**So.... the Economic Crisis
we are facing today
is not worse than past ones**

BUT...WHAT IS SO DIFFERENT TODAY?



TODAY

FINANCIAL CRISIS

RAW MATERIAL + ENERGY CRISIS

SOCIAL/MANPOWER: willingness/desire for a NEW LIFESTYLE

SOCIAL RESPONSIBILITY

Environment, Green Solutions Decarbonation

RE SHORING GLOBALISATION Less suppliers

DIGITALISATION / A.I. / AUTOMATION

Wars in the European environment

YESTERDAY/TODAY



YESTERDAY

The Buyer Classic Formula was
QCD (Quality Cost Delivery)

TODAY

The Buyer New Formula is
CQCD (Carbon Quality Cost Delivery)

**Carbon emission starts to be considered as the
Reference for the transaction instead of
cost & other elements**

YESTERDAY/TODAY

YESTERDAY

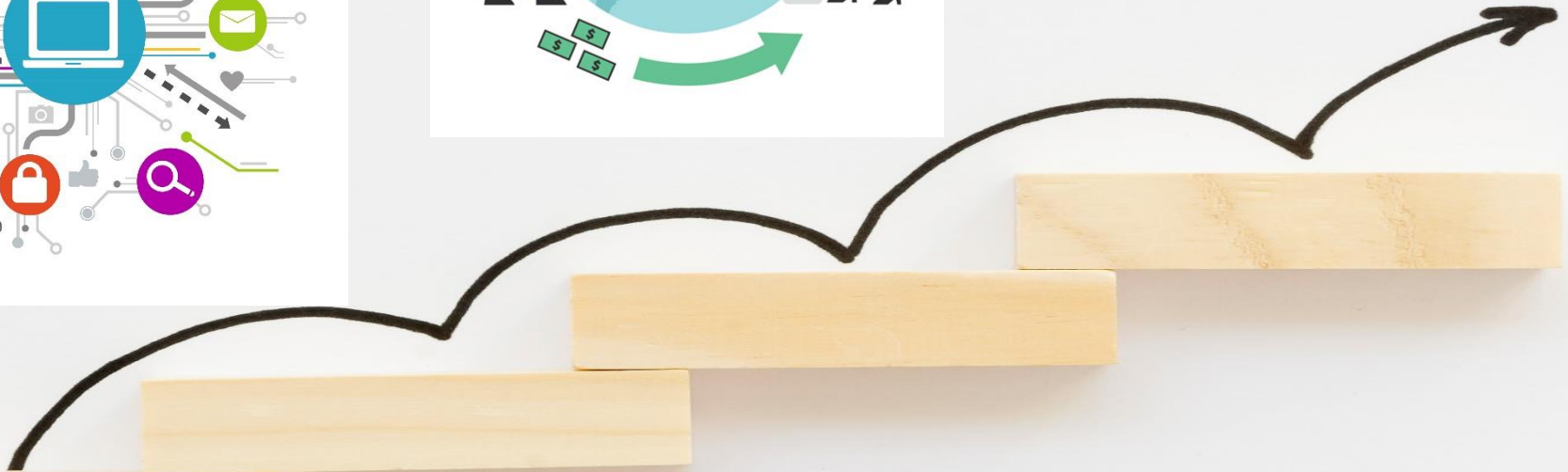
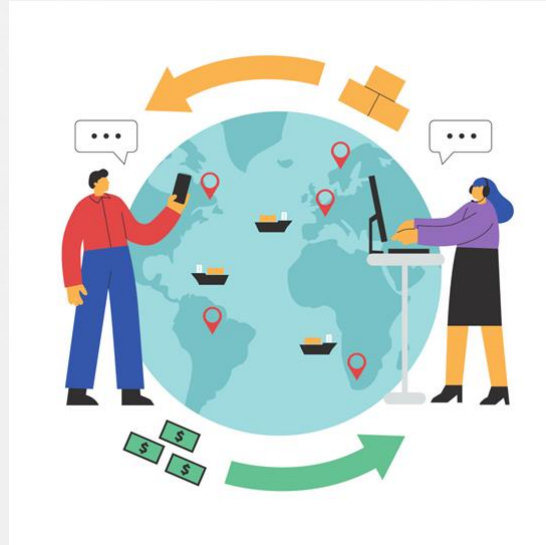
The Buyer was balancing
Innovation with: Cost/Business Advantage

TODAY

The Buyer has to balance
Innovation with: Carbon/Cost/Business Advantage

To move from Design to Target cost...
To Design to target Carbon

LESSONS LEARNT FOR TOMORROW



1st Lesson learnt: Supplier Relation

All researches prove that:

- the Role of Purchasing/ Procurement **is to support Business - Business Continuity** , then Business Growth
- To select & to be selected by the right suppliers - **communication is key**
- To get connected with Suppliers - **human digitalisation** will give an advantage
- To conserve & be conserved by those suppliers
SRM is a philosophy, a state of mind
Are Suppliers willing to go on serving you?

2nd Lesson Learnt: New Challenges for developing Business

- To have Professionals willing to **perform for the Business**
Business KPIs & no Procurement KPIs
Business Professionals & not only Procurement Experts
- **Leading big challenges**
Innovation identification for the business
Decarbonation vs Price (Procurement vs Finance)
- Local Content Support
Developing local Suppliers
Compliance & Risks

3rd Lesson learnt: Back to Basics

- **HUMANITY** (despite digitalisation)
- real **COMMUNICATION** (despite internet)
- **HUMILITY**, despite being the Buyer
- **LEADERSHIP** to be a change Agent



TO WIN TODAY'S **HOPE** CRISIS



Our core belief

VALUES... FOR VALUE!

Peter Kraljic

Discussion with

Bernard Gracia EIPM Founder

"Some advices as conclusion"

September 2023

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