



The Role of Sourcing Strategically in 2021 – How Your Supply Chain Can Benefit from Smart Sourcing

COVID-19 has shown us that far too many businesses get by on basic sourcing strategies or don't bother paying much attention to how and where they get their products. The risks and downfalls with this have been characterized in recent times due to single points of failure, poor supplier relationships, immature processes, and undefined supply chain networks. Such an approach is fundamentally unsound, and organizations should be looking to utilize strategic sourcing to prevent recurrence and further pain caused by supply chain uncertainty.

In this article, we'll go through what strategic sourcing is, the main lessons from 2020, the benefits of improving your supply chain strategy, and finally, implementation strategies to ensure your organization's sourcing and supply chain strategy is future-proofed.

What is Strategic Sourcing?

In a nutshell, strategic sourcing means sourcing goods or required products for your supply chain by:

- Collaborating strongly with other organizations
- Aligning your purchasing power with your value proposition
- Boosting your supply chain efficiency
- Diversifying your supply base

Regular supply chain sourcing is focused on the bottom line and short term productivity. By practicing strategic sourcing, you'll design and execute a smart procurement plan that takes all of your end-to-end costs and other opportunities into consideration.

Supply Chain Sourcing Lessons from 2020

Smart and strategic supply chain sourcing is more important than ever before, as we've collectively learned due to COVID-19. The pandemic created a wide range of economic problems. Every industry has experienced significant impacts on its supply chains. For example, COVID-19:

- Shook supply networks when demand skyrocketed
- Interrupted supply chains when certain sellers couldn't provide according to projections
- Showed certain supply chains that they relied too much on one or two suppliers when they should have been more diverse
- Shifted masses of business to become digitalized
- Proved that supply chain agility is more important than ever before

Ultimately, any organization that wants to survive the future competitive environments or economic shakeup needs to practice and implement smart supply chain sourcing strategies.

How Does Improving Supply Chain Strategy Help?

By sourcing strategically in the upcoming year, an organization can see a variety of benefits.

Improved Supply Chain Efficiency

Strategic sourcing improves supply chain logistics efficiency across the board. Many businesses spend over half of their revenue purchasing or implementing their supply chain efforts and by purchasing goods and services. Transitioning to a more efficient supply chain, through diversifying your suppliers and leveraging cost-efficient technologies, means your supply chain will become more effective and you'll spend less money to get the same or better results.

Better Risk Management

Through strategic sourcing, you can mitigate certain amounts of supply chain risk. Risk can be affected by several factors, including:

- the nature of the items being purchased
- where the items came from
- how the items are transported
- and more

By sourcing with a strategy in mind, organizations can prioritize broader goals and certain performance metrics. Better buyer and supplier risk management can be maintained and key procurement activities can become safer.

Greater Product Quality Management

By its nature, sourcing strategically requires organizations to pay greater attention to the product they purchase. This will have a positive ripple effect later down the road. Organizations that pay more attention to the quality of the product they purchase will pass that greater quality on to their customers.

Cost Saving Benefits

As mentioned, sourcing strategically can produce significant cost savings benefits. By developing and leveraging a smarter supply chain plan, organizations can save significant cash and funnel that money into expansion or other business activities.

Robust Relationships Between Your Organization and Others

Organizations can even find that their relationships between suppliers and other organizations flourish in the process of practicing strategic sourcing. Furthermore, organizations may find new supplier relationship opportunities.

Improvements in relationships will lead to greater benefits as well. Closer relationships may result in higher quality products, more reliable fulfillment of products, negotiation flexibility, and more.

How to Implement Strategic Sourcing in 2021

The new year has already begun. But implementing strategic sourcing is possible by following a few key steps.

Identify Gaps in Your Sourcing Methodologies

First, organizations should identify any existing gaps in their sourcing strategies so far. These should be easy to determine. Look at where your sourcing team or supply chain suffered during COVID-19. These are areas where you need to shore up your performance and/or diversify your supply sources.

Maximize Your Supply Chain Management Team and Appoint a Leader

If your organization doesn't already have a supply chain management team, form one. You should also appoint a supply chain manager that can head this team and lead it to success. Your supply chain leader can:

- Ensure that future supply chain strategies are consistent with greater corporate directions
- Use their analysis and expertise to inform the strategy more effectively
- Execute future business strategies
- Utilize strategic planning to build a flexible supply network and more

Determine Improvement Methods

How you adjust your supply chain sourcing techniques to become better is dependent on your organization. For instance, you might diversify your approved supplier list so you aren't reliant on a single supplier whose shipments could become disrupted due to events outside your control.

Or you might decide to improve your supply chain sourcing by forging stronger networks with existing suppliers. Collaboration and strong relationships help businesses survive tough economic times.

Regardless, you must make a plan and determine your improvement methods to create a more responsive supply chain before executing.

Leverage Technology and Research

New technologies can assist with sourcing strategically in 2021. Technologies can automate certain processes. In the case of your supply chain management software, it can help to create supply chain modeling solutions. Modeled supply chain scenarios and solutions can assist with identifying problems sooner rather than later.

Platforms meanwhile, can help your organization scale and automate your sourcing efforts when under the direction of skilled managers. Ultimately, technology will help your organization's supply chain sourcing in the future.

Enact New Sourcing Strategies

Once you have your plans, technology, and logistics management team in place, it's time to execute. Begin transitioning to a lean supply chain step by step and roll the changes out across your company.

Summary

All in all, sourcing strategically will be even more important in 2021, both due to the lingering aftereffects of the COVID-19 pandemic and other economic shifts. But organizations can survive and even thrive in this new environment with the right sourcing agility.