



COVID-19 Framework for Managing Sourcing Relationships

A practical framework for formulating and executing your sourcing strategy in these unprecedented times

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Around the globe, while extreme measures remain in place to flatten the curve, organisations have been evaluating and triaging the immediate impacts of COVID-19. In this new environment, strategic sourcing arrangements are coming under strain. Existing arrangements were negotiated and concluded in the context of a commercial and social paradigm that is, in many respects, profoundly different from the one now faced the world over. Organisations are also evaluating the possibilities of establishing new outsourcing arrangements to support cashflow management and reducing fixed cost overheads.

Our framework will help customers and service providers ensure that their commercial objectives are underpinned by a solid contract management strategy for their strategic sourcing relationships.

Stage 1 – Analyse:

Contractual analysis: explore, identify and analyse key issues from a contractual and legal perspective. Consider

immediate triage and longer term variation of sourcing arrangements.

Context considerations: identify additional factors likely to affect the strategy going forward.

Output: Stakeholder Briefing Report – providing answers to the key issues. Important contextual considerations taken into account for strategy formulation purposes.

Stage 2 – Strategise:

Option generation: generate possible options to pursue. This could include calling force majeure, step-in, termination, variation / renegotiation or other measures.

Strategy formulation: confirm objectives and formulate a clear strategy to address the impact of COVID-19 and associated fallout on the relevant sourcing relationship.

Output: Sourcing Strategy – strategy will set out agreed overall objectives and specific steps to be taken to achieve the objectives. This will include suggested approaches to overcome expected obstacles and mitigate perceived risks.

Stage 3 – Execute:

Execution: execution in line with the chosen strategy - could be as simple as an exchange of correspondence to protect your legal position right through to a full-scale renegotiation of a sourcing relationship, depending on the circumstances.

Adaptation: lessons learned from the execution of the strategy, and from the evolving situation, should be taken into account within documentation and practices so that your organisation moves forward in a refined way.

Output: Adapted Sourcing Arrangements – a successfully executed strategy resulting in sourcing relationships and arrangements adapted to suit the “new normal” for your organisation.

Key takeaways

COVID-19 is a catalyst for change

- Strategic sourcing arrangements are coming under strain, having been negotiated and concluded in the context of a very different commercial and social paradigm to that which now exists.
- Strategic sourcing arrangements will need to be triaged in the short term and varied (perhaps considerably) in the mid to long term.
- We are already working with clients globally as they triage their sourcing arrangements and begin to prepare for the new normal.

COVID-19 framework for managing sourcing relationships

- Our framework provides the basis for exploring and finding a solution to your strategic sourcing challenges arising from COVID-19.
- Our framework can be applied on a dynamic basis whether in respect of an individual strategic sourcing contract or to take into account a portfolio of sourcing agreements.
- Beginning with an evaluation of the impact of COVID-19 on your organisation, both now and in the foreseeable future, our framework seeks to ensure that your sourcing arrangements are adapted to meet the challenges of the new normal.

DLA Piper global sourcing expertise

- Our award winning global sourcing experts are available to support your organisation with the implementation of our framework.
- We will work with you to arrive at a holistic and not purely “legal” decision, and support you to achieve the

optimum outcome for your organisation.

- If you would like to know more, please [click here](#) or contact your usual DLA Piper sourcing specialist.
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