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Challenges of Purchasing Teams during the COVID-19 Global Health Crisis

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Abstract. *As a result of dealing with global or internal crises, the role of the purchasing function usually increases. For example, facing the pandemic health crisis, the purchasing teams were forced to act in an agile way in order to deliver the expected value within the organizations. On the other hand, there are continuous challenges for the purchasing teams, coming from the supply chain, market uncertainties, spending management, potential misalignment, or changing priorities within a company's objectives. This paper is a qualitative study based on semi-structured interviews addressed to eight purchasing executives from the local banking organizations (in Romania). The study focuses on the challenges the purchasing teams have faced in the last period and the potential solutions that were applied to ensure continuity and success within their organizations. It was demonstrated that the complexity of the purchasing teams' activity has been exacerbated during the health pandemic crisis and there were identified strategies for the potential future crises.*

Keywords: management, purchasing teams, challenges, COVID-19, health crisis.

Introduction

The general context of our research is the global spread of COVID-19 virus, which was firstly registered in Wuhan, China, as of December 2019 (World Health Organization, 2020). Three months later, the World Health Organization publicly stated about the pandemic nature of this virus, as more than 100 countries were already affected. In Romania, the first person with COVID-19 infection was confirmed at the end of February 2020.

The global health crisis determined the authorities from almost every country to help prevent the increase of infection cases. For this purpose, we assisted in the partial closure of many education institutions, the prohibition of public events, the cancellation of tourism operations, the restrictions within general stores, the closure of markets, etc.

The last two years were representative for both the COVID-19 pandemic health crisis and the multiple economic and social lockdowns. According to the International Labor Organization, the COVID-19 crisis had a devastating effect on business continuity, labour force, revenues and occupational health (International Labour Organization, 2020).

The companies' agility to face COVID-19's challenges also depends on the effectiveness of their purchasing policies and practices. The purchasing function ensures the minimum needed supply of goods and services in order for a company to survive.

The purchasing role is linked nowadays to business continuity and sustainability. Its direct impact on the profitability of the company is particularly relevant. The purchasing teams faced

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various challenges during the pandemic crisis, and they had to adapt their practices rapidly to influence their companies' businesses positively.

The COVID-19 has come with incredible difficulties on the supply chains all around the world (Baker, 2020). The health pandemic crisis has brought many bankruptcies or companies' temporary shutdowns, quarantine measures and multiple barriers within the supply chain. The economic damages worldwide are visible, and the executives witness many businesses going out of control.

In parallel, striving to keep the pace downstream, in the relationship with their customers, one of the main preoccupations of the companies was upstream, aiming for better spending management control. The companies' performance relies also on the purchasing teams' performances and their capacity to prevent or mitigate financial, operational and contractual risks.

The heads of purchasing teams usually report to a vice-president or another representative of a top-level executive, that could be the chief financial officer, the chief operating officer or even the chief executive officer. This ensures a strong purchasing team position, by influencing a company's effectiveness and efficiency.

The health pandemic crisis let additional challenges to the purchasing teams. From this perspective, our study focuses on the main challenges that influenced the purchasing activity during the hard times we faced and the solutions adopted by the organizations to adapt and move on, as 'Covid 19 has given businesses a push to make changes' (Ibarra, 2020).

Purchasing teams and efficiency – a brief literature review

Purchasing represents the process of procuring "the proper requirement, at the time needed, for the lowest possible costs from a reliable source" (Winthrop University, 2020). According to Reck and Long (1998), the purchasing function evolved from the 'passive' stage (when it was perceived as a clerical function) up to an 'integrative' stage (when purchasing means a strategic contributor).

There is a normal preoccupation with evaluating and monitoring the purchasing teams' efficiency to align purchasing process outcomes with the company's vision and strategy. The performance of a purchasing team is evaluated not only in terms of delivering savings, but also in its capacity of minimizing risks and contributing to sustainable growth (Johnsen et al., 2018).

The responsibilities of the purchasing teams are multiple. They may depend on various factors, such as the line of the business, the company's turnover, the degree of regulations within the field of activities, the position within the organizational structure, the compliance rules and the financial resources allocated or the access to the needed technology.

Having the appropriate key performance indicators (KPIs) for the purchasing teams allows the organizations to optimize their spending and to decide on process improvements and competitive strategy. Measuring the performance of the purchasing teams has been a vivid topic, no matter if there is an economic turmoil period or not. It is linked to the appropriate tool for evaluating this, going from the simple Balanced Scorecard developed by Kaplan and Norton (Kaplan and Norton, 1996) to the state-of-art digital tools allowing the managers to measure, control and adjust in an agile way the purchasing flows (Drake et al., 2013). According to the Hackett Group's complementary research (Hackett Group, 2021), one of the important goals of the purchasing function is to increase the agility 'through simplification, empowering decision-making and calculated risk-taking, digital processes, and streamlined governance'.

Considering some of the most important purchasing KPIs to be measured in 2022, there might be taken into consideration the following categories of metrics related to the performance of the purchasing teams, as explained in figure 1:



Figure 1. Purchasing KPIs to be measured in 2022
Source: adapted from *Important Procurement KPIs to measure in 2022*, 2022

With the help of appropriate metrics, we may evaluate and monitor a purchasing flow on a continuous basis. Consequently, we previously see suppliers and staff's KPIs, but also some organizational measurement indicators. Among them, we acknowledge that sustainability in purchasing has been a challenging preoccupation. Being sustainable is more and more important in the conditions in which the natural resources represent serious challenges for the business development. Therefore, meeting the business sustainability goals has become a key action in the purchasing activity. Sustainable purchasing was described as green supply chain (Bowen et al., 2006), socially responsible purchasing (Carter and Jennings, 2002) or green purchasing (Large and Thomsen, 2011). Acting as responsible purchasing becomes important also in the conditions of sustainability demands following customers' claims, as, 'for a company, to reach high standards in dealing with its customers, it is vital to reach high standards in controlling the relationship with its suppliers' (Saunders, 1994).

The organizations, through their purchasing teams, observe the sustainability standards of their products and services, aligned with the global objectives, i.e. United Nations Sustainable Development Goals to be achieved by 2030 (United Nations, 2015). Therefore, the aim of the purchasing activity is not only to obtain savings, but it focuses on the possibility to facilitate sustainable value creation within the business environment. Usually, during a crisis, policies and procedures need to be adjusted to reduce the stress of uncertainty both for purchasing teams and for their internal or external partners aiming to meet the business requirements.

Methodology

The general *objective* of our empirical research was to identify the main challenges the purchasing teams have encountered during the pandemic health crisis and the potential strategies used to bring success to their organizations.

We performed qualitative research, based on semi-structured interviews addressed to eight purchasing executives coming from the local banking organizations (in Romania).

Most of the studies within the specialized literature on purchasing activity focus on large organizations; because of this, we chose companies acting in a dynamic field of activity, namely the banking sector. Except for one organization, all of them are owned by multinational companies.

The analyzed *target group* was composed of 8 managers from private companies within the banking industry. In order to encourage transparency of their internal practices, the anonymity of their answers was ensured. In terms of gender, out of the 8 managers, 5 were women (62.5%) and 3 were men (37.5%). Except for one manager, all the participants in our interviews have more than 10 years of senior management experience.

Within the interviews performed, the *main topics* presented to the participants were related to (1) challenges of the purchasing teams' activity following the impact of COVID-19 crisis, and (2) solutions they applied to face the encountered difficulties.

The following main questions were addressed to the participants, by encouraging them to openly enlarge the related answers in order to better understand the comprehension of the subject (table 1):

Table 1. Main Questions Asked in the Semi-structured interviews

No.	Items
1	To what extent the purchasing function's performance was influenced by the health crisis within your organization? Please provide relevant examples from the current activity. Please rank the impact on a scale from 1 to 3 (i.e. 1 = low influence; 2 = medium influence; 3 = high influence).
2	Did the purchasing head dismiss a part of the purchasing team' members during the health crisis? Please explain the situation.
3	Please mention the main challenges that the purchasing team has been faced during the pandemic health crisis, by focusing factors coming from both inside and outside the organization. Please consider presenting the measures used to mitigate the difficulties.

Source: Authors' own research

The questions were sent via email in September 2021. The *answers* were received up to November 2021, when we also had o*nline discussions* with the participants in order to clarify some statements. Due to the health crisis and their busy agenda, online communication was preferred by all the interviewees, instead of the physical meetings we initially suggested. The analysis of the answers was performed at the end of December 2021.

Results and discussions

After analyzing the answers to our interviews, we could notice many challenges affecting the purchasing teams during COVID-19 crisis.

Related to *the first question*, we found out that within the banking field, the activity of the purchasing teams was intensively affected by the pandemic health crisis, since all participants ranked the impact as 'high influence'.

The second question revealed that there was no intention to lay off the employees involved in the purchasing activity. The explanation for this situation was that the crisis helped the purchasing teams to prove their strategic importance. Their daily charge did not decrease. They were forced to reinvent themselves, the purchasing activity having reverberations throughout the entire institution. They helped acquire products and services within hard times, in proper conditions, and observe general purchasing rules. Practically, they contributed to the business sustainability, as developed in the answers regarding the challenges they faced.

In line with the above, regarding *the third question,* the participants' answers could be structured as it follows below (table 2 – for internal challenges, and table 3 – for external challenges):

Table 2. Challenges from the inside of the organization

No.	Challenge	Explanation	Solution
1	General panic of people	The initial panic was installed among the human resources from all the divisions, including concerns about their own health and security. This situation was general, not only present at the purchasing team level. Particularly to the purchasing teams' members there were the additional working hours to ensure the needed time to answer for the urgency sourcing of medical supplies and equipment. Unfortunately, the end of the first year of pandemic health, in the case of 3 out of the 8 organizations analyzed, there were also a series of registered burnout phenomena among the purchasing teams' members.	In order to mitigate this, in parallel with the normal decrease in the pressure on excessive deadlines, there were allowed more recovery breaks and mandatory holidays without accessing emails or phones; the HR division also proposed additional wellbeing programs.
2	Change of priorities	The change of the purchasing' priorities on a frequent basis has become a constant, but, in parallel, the requested deadlines to perform the entire purchasing flows were tighter. This situation badly influenced the agenda of the purchasers, who gave up various plans and were forced to perform reactively, instead of proactively, at least at the beginning of the health crisis.	The mitigation for this important aspect was to implicate purchasing heads in the steering committees when there were expressed different needs of products and services to rearrange and rapidly reset the schedule of the purchasing to be performed. The proper positioning of the purchasing function within the organizational structure helped the purchasing team to have the appropriate sponsorship and fast decision making when necessary.
3	Strict purchasing rules with multiple phases and complex processes	This was an important challenge, since rules and complexity generally mean more work and, therefore, larger deadlines. This was observed during the pandemic health.	In order to mitigate this, purchasing heads and the main internal stakeholders, with the top management's sponsorship, readapted the norms and procedures and stipulated clear roles and responsibilities, thus enhancing the simplification of the process. Therefore, looking back, we can consider the health crisis was actually an opportunity to speed up the internal decision process, better prioritize the business requirements and be more agile at every internal stakeholder, not only at the purchasing team's level but also on the beneficiary that expressed the business need and formalized the business requirements.
4	Budget overruns	Without generalizing, this was the case for some internal budget owners. These cases were visible due to spending analytics analyzed by the purchasing and financial teams that proposed to readapt	Primarily, the mitigation coming from the purchasing teams was represented by multiple efforts to tighten the spending in various ways, by renegotiating their commercial contracts with the suppliers.

No.	Challenge	Explanation	Solution
		the budgets after acknowledging the priorities of the business needs.	
5	Monitoring spending for the delegated purchasing	This refers to the uncontrolled apparently low spending that could be ultimately expensive for the organization. It is the case of purchasing performed by various internal stakeholders without the purchasing team's direct intervention.	The mandated purchasing out of the purchasing teams' direct intervention should be clearly monitored and controlled by the purchasing team in a granulated form, with the appropriate IT tools, to prevent spending out of the company's regulations. All the purchasing heads emphasized the need to navigate any crisis equipped with agile IT tools capable of ensuring transparency and full visibility on the entire source-to-pay flow.
6	Mistakes as a result of pressure of urgency	Some budget owners recognize their tendency to not fully observe the internal purchasing rules in running their mandated purchasing flows, due to the urgency of acquiring the needed products or services.	To mitigate and prevent this, the purchasing teams underlined the importance of organizing RFPs, instead of direct negotiations with single suppliers, to ensure transparency and fairness, obtain savings and discourage internal customers' potential orientation toward particular traditional suppliers. Another critical point is implementing rules less complicated for the mandated purchases, facilitating the process and keeping the purchasing team as leader and auditor of this kind of small-ticket purchase. Change management and learning from mistakes were envisaged in the case of the mandated purchases, frankly presenting them inside the organizations and finding ways of improving processes.

Source: Authors' own research

Table 3. Challenges from the outside of the organization

No.	Challenge	Explanation	Solution
1	Supplier's risk	The implications of supplier's risk could lead to a series of issues, such as financial statements' deterioration or potential legal issues raised in the case of some suppliers.	This risk is diminished by conducting *Know Your Supplier* (KYS) process periodically for the top suppliers in terms of the spend and observing the internal compliance rules to prevent reputational or operational risks for the organizations.
2	Operational difficulties	Operational difficulties were encountered by some suppliers when respecting the contractual clauses. Some of these suppliers are critical to the analyzed organizations.	The mitigation consisted in trying to include business continuity plans in the case of the critical suppliers for the own business, as they could state their inability to perform their contract as being linked to the pandemic. In addition, there are necessary investments in some agile right tools to control and monitor the suppliers' performance. It was agreed that all the contractual clauses and KPIs would be monitored throughout the contract's lifetime.

No.	Challenge	Explanation	Solution
3	Prices	During the COVID-19 global health crisis, suppliers were generally very reluctant to decrease their prices.	When renegotiating contracts or signing new ones, potential mitigation of this situation is working on the cost structure with the suppliers by trying together some cost reduction strategies. Short-term payments could also be proposed by the purchasers and obtain discounts. The participants to the interview also stated that they made synergies between entities part of the same financial group or participated in global RFPs within their international network, the centralized needs and the cumulated volumes being an advantage for better negotiations.
4	Lack of supply for urgent needs	Particularly at the beginning of the health crisis, there was a big issue related to critical medical supplies and equipment shortages.	During the health crisis, an important takeaway for the purchasing teams was to assess the right balance between national and foreign suppliers. Different geographical regions may be affected differently during future pandemics or crises, and we may assist regional supply chains disruptions and parallel recovery of others. Therefore, sustainable purchasing procedures and criteria should be continued to be implemented to avoid the related risks.

Source: Authors' own research

Following the lessons learnt from the current pandemic, the participants were satisfied with the performance of their activity, considering particularly that the purchasing teams *earnt business*, as, for example, but not limited to:

a) being more agile and speeding up the decision-making process;
b) improving risk and spending control tools;
c) implementing change management inside the organization;
d) increasing collaboration with suppliers and *obtaining savings* by renegotiating contracts such as giving up expensive rent and signing new contracts for smaller buildings that are still appropriate for the agencies of the banks.

As previously underlined, the role of the purchasing teams is not only to obtain savings. Considering particularly the turmoil period and the fact that the contribution to the business performance is always monitored, there were several ways of calculating the savings related to the supply contracts, based on the purchasing situation they face:

a) cost avoidance;
b) savings against the budget;
c) benefits realization monitored based on the current consumption and not on forecasts;
d) reporting approved by the financial control.

After considering the participants' feedback during the current research, a summary of our discoveries about how to mitigate the potential challenges that the purchasing teams encountered

could be regarded from the three initially proposed perspectives: organization, staff and suppliers (in line with figure 1). These solutions are presented in table 4.

Table 4. Solutions to mitigate the challenges faced by the purchasing teams

No.	Perspective	Solutions
1	Organization	● focus on the spend management control; ● synergize business requirements needs, financial and human resources inside the organization; ● appropriate risk and monitoring tools; ● appropriate sponsorship from the top management; ● sustainable purchasing implementation; ● contingency plans.
2	Staff	● focus on people – empower them, upskill and train, build and maintain a strong purchasing team with specialized category managers; ● attention to the well- being of the team in order to avoid lay-offs, various errors like reducing the focus and the employees' motivation; ● balanced work environment.
3	Suppliers	● collaborate outside the organizations, by securing the supply chain collaboration; ● strengthen the suppliers base, and update the list of preferred suppliers; ● encourage collaborative ways such as the open book system with suppliers, when the case; ● work together on cost reductions strategies; ● update the KYS process at least for the top spend suppliers

Source: Authors' own research

Conclusions

The role of the purchasing team will continue to evolve as companies rely on the purchasing function to adjust their business, facing the challenges coming from the scarcity of natural resources. The purchasing team's expertise and expediency have become critical factors to the companies' success. Accompanied by the necessary digital technologies in their day-to-day work, the purchasing teams must act agile, facing the rising risks and the potential new crisis.

As stated by the executive purchasers we interviewed, the complexity of the performance indicators regarding the purchasing teams' activity has been exacerbated during the health pandemic crisis, by creating additional challenges for them. Throughout our analysis, we have tried to objectively evaluate the participants' input. We appreciated how the purchasing teams managed to mitigate the difficulties within their organizations and consider strategies ensuring more agility during some potential future crises.

Considering that the research on the health pandemic crisis is still few, we addressed the questions towards the participants and appreciated their comprehension of the challenges and the proposed or already implemented solutions.

However, we consider our study limited due to the particular field of activity chosen and the small number of companies analyzed through their representatives. It would have been difficult to access a considerably higher number of participants in our study due to the low number of banks

in Romania and because purchasing is done in a centralized manner (not at the banks' branch level). The type of activity and the size of the business influence how the purchasing departments could react during pandemics, as their organizations were not among the most affected from a financial point of view or by considering the necessity to restructure their purchasing team.

As a follow-up of our research on the purchasing activity, we may further develop the analysis on various areas, such as the current challenges within the public purchasing structures, the impact of digital purchasing solutions on business development, globalization and strategic purchasing, etc. In the future, some specialized software for qualitative research could be used. Comprehensive graphical representations and text analysis could emerge and lead to a better understanding of the areas to be analyzed.

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