

On Tariffs and Procurement Strategy

Procurement leaders must now face an increasingly complicated and geoeconomically fragmented environment. For the procurement function to succeed, it will need to be elevated to a more strategic, proactive, intelligent, and resilient unit.

The rules-based globalization and free trade era that followed the second World War has been dramatically disrupted. Tariffs, export controls, localization mandates, and geopolitical fragmentation are now reshaping the operating environment for enterprises worldwide. As a consequence, the enterprise procurement function must become a fully institutionalized business unit that embeds resilience, drives innovation, and improves competitiveness. Procurement leaders have four key elements to consider.

1	2	3	4
<p>Geopolitical Awareness</p> <p>State-driven security agendas are playing an increasingly important role in trade flows and costs, requiring procurement leaders to integrate geopolitical sensitivity into supply strategy.</p> <p>Key recommendations include:</p> <ul style="list-style-type: none"> ▪ Identify and map the risk environment through trade corridors, resource dependences, and supplier footprints using frequent geopolitical scanning and assessments ▪ Develop and stress-test clarity at all levels of the supplier network, including identification and ongoing monitoring of sensitive areas (e.g., US-China technology restrictions, EU carbon regulations, and India's production-linked incentives) ▪ Incorporate geopolitical risk monitoring into long-term procurement planning and allow for reactivity to sanctions and tariffs ▪ Implementation: Form a geopolitical risk committee that reports directly to existing enterprise risk management functions, and is overseen by external advisors 	<p>Structural Resilience and Redundancy Engineering</p> <p>In order to support long-term continuity, enterprises must design and operationalize resilience into their supply chains</p> <p>We recommend enterprises:</p> <ul style="list-style-type: none"> ▪ Plan supplier networks with redundancy and geographical diversification to provide alternatives for business continuity and protection of strategic inputs against vendor concentration or geopolitical risk ▪ Develop products with dual- or multi-sourcing across various categories to prevent supply disruptions linked to changing trade, regulatory, and/or operational variables ▪ Develop key performance indicators (KPIs) for a resilient enterprise performance management system, to evaluate and enhance adaptive capacity ▪ Implementation: Conduct formal resilience assessments across key procurement categories to identify vulnerabilities and enact redesign initiatives 	<p>Innovation Enablement and Ecosystem Development</p> <p>Procurement can be a value center that enhances competitive positioning through dynamic supplier relationships that lead to greater responsiveness and avenues for growth.</p> <p>Enterprises are urged to:</p> <ul style="list-style-type: none"> ▪ Build strategic partnerships with suppliers in fast-moving markets to drive accelerated production evolution through co-innovation, deeper collaboration, and faster time-to-market, increasing the flexibility of the enterprise ▪ Incorporate ESG, sustainability, and technology advancement criteria in supplier selection and onboarding so procurement activities embed long-term value creation ▪ Unite procurement, R&D, operations, and commercial teams to align supplier strategies with innovation pipelines and market delivery timelines ▪ Implementation: Establish a formal supplier innovation program with governance framework, pilot initiatives and performance measurement and tracking to embed innovation and maintain competitive advantage 	<p>Execution and Enterprise Integration</p> <p>Procurement needs to be operationally disciplined and bounded by enterprise governance processes and frameworks to achieve long-term value to the organization</p> <p>Our guidance for enterprises is to:</p> <ul style="list-style-type: none"> ▪ Leverage advanced data and analytics capabilities, including predictive modeling, total cost of ownership tools, as well as dynamic risk dashboards, to inform procurement teams in making high-impact decisions ▪ Integrate procurement into key enterprise governance structures such as capital allocation committees, strategic risk reviews, and innovation forums, to provide visibility, accountability, and alignment with leadership priorities ▪ Consider building procurement performance frameworks that measure performance in several ways including resilience, innovation, and ESG priorities rather than just cost per unit ▪ Implementation: Align responsibilities, incentive models, and reporting structures so procurement can demonstrate its value within organizational mandates

A well-crafted procurement strategy translates into an enterprise advantage through disciplined operational practices

Developing a resilient procurement organization involves establishing structural resilience, facilitating interconnectedness across functions, and integrating adaptability into operational processes, so that organizations can constantly navigate geopolitical complications, compliance changes, and supply disruptions, enabling procurement to be a focus of competitiveness.

Exhibit

Best Practices for Building Procurement Resilience

