

Sourcing Under Stress: How to Manage Supply Risk When Cash Is Tight

When Cash is Tight, Procurement Actions Should Directly Tie to The Cash Plan



In a turnaround, every dollar matters; and sourcing becomes a high-stakes balancing act between cost, risk, and continuity. Companies in distress often rush to cut spend or extend payables, but doing so without a structured approach can backfire and damage supplier relationships, disrupt operations, and compromise customer commitments.



What Procurement Looks Like Under Stress

- **Segment Suppliers by Criticality and Operational Impact**
Not all suppliers are equal. Procurement must identify which are strategic vs. transactional, sole-sourced vs. competitive, and which parts are directly tied to revenue-generating production lines.
- **Connect to Material Planning and Shop Floor Execution**
Go beyond unit prices and payment terms to understand production schedules, capacity constraints, and BOM requirements and synchronize with manufacturing needs
- **Negotiate/Re-negotiate Intelligently; Not Uniformly**
Prioritize negotiations based on supply risk, spend concentration, operational impact, and cash exposure.



Procurement As a Late Add-On

Engaging Procurement reactively after financial targets are set and legal structures are underway results in missing out on early wins. Companies risk solving the cash flow problem on paper, while supply disruptions, inventory gaps, or production delays erode value on the ground.

In a Turnaround, the wrong PO can stop the line. The right sourcing strategy keeps the business moving and the cash flowing.