

The Future of Procurement

From Function to Capability

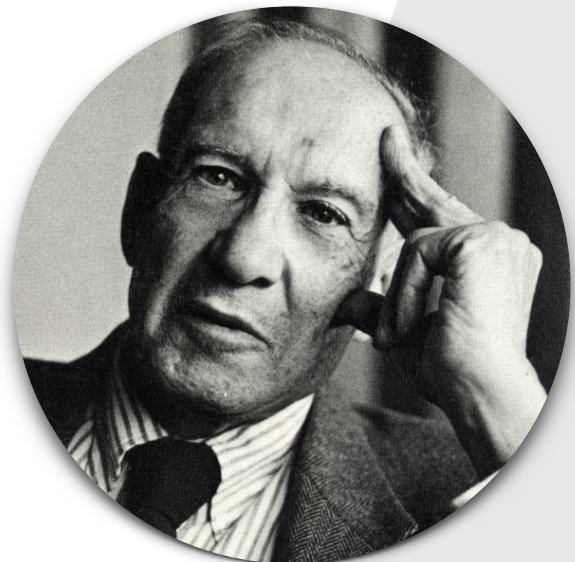
A Survival Guide for Leaders



EXECUTIVE SUMMARY

As market conditions became increasingly volatile and unpredictable, the ability to move fast and rapidly implement change and innovation has taken on a new urgency for all companies. The latest market challenges (Pandemic, inflation, supply chain disruptions, etc.) put procurement in the spotlight at a time where procurement mainly caught unprepared for complex and time-critical demands. Even more it turned out that the current transactional service-oriented approach and mindset in procurement is not enough any more.

The Agile Movement offers promising new ways of working so that companies like Tesla have had e.g. much less struggles with the CHIP Shortage. They followed a different sourcing strategy and were Agile enough to use other semi-conductors by rewriting the operating system in no time. Other Agile Companies like e.g. Buurtzorg (Success story on page 17) with more than 15,000 employees have one of the highest customer & employee satisfaction without a HR department. Or Haier a Chinese multinational (Success story on page 18) with more than 80,000 employees organized in an Ecosystem of over 4,000 micro-businesses achieved a \$2b market value while revenues & profits have grown annually by 20% over the last 10 years.

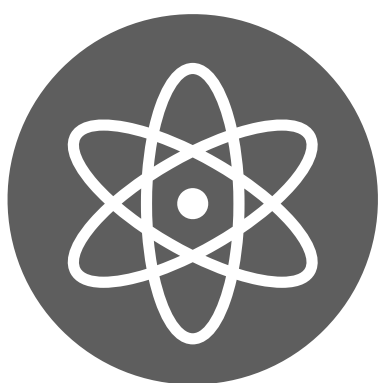


The best way to predict the future is to create it

Peter Drucker

After years of focusing on improvement of procurement via e.g. digitalization & automatization but not questioning the current ways of working will this white paper provide insights about the future of procurement - beyond just a function. Get inspired from 8 success stories in various maturity stages how you could develop your ways-of-working and drive your own journey.

The top 3 take-aways from this white paper are:



From Supply Chain to Ecosystem

Current examples like Haier show that an Ecosystem of Agile Micro-Businesses is much more successful & resilient. Procurement has the opportunity to take a leading role in that Movement



It's a Journey - Start today!

To become a leader in Business Ecosystems Procurement needs to first transform itself and its way of working. This white paper might give inspiration for an incremental change.



Procurement becomes a Capability

Successful examples like Roche show that Procurement becomes a strategic Capability in the Business to be as reactive as possible. Procurement shifts its role to a proactive enabler.

Success stories show that with Agile ways of working all current important trends in Procurement like e.g. Digitalization / Automatization, Sustainability / Circular Economy, Supply Chain disruption / Risk Management, Inclusion / Diversity, etc. could be much easier incorporated than today. Even better than that it could be achieved better outcomes, faster on a much sustainable work pace which increases obviously also employee and customer satisfaction.

FOREWORD



Peter Coesmans
Chief Agility Officer (CAO) at Agile Business Consortium



Have you ever asked yourself what comes after the Digitalization & Automatization of the procurement processes / data?-In this white paper we'd like to give some inspirations about the future of Procurement based on 8 success stories. With Lean-Agile Procurement we're also pushing the boundaries of procurement to the next level so that Adaptive Business Ecosystem could become a reality.

Mirko Kleiner
Thought Leader in Lean-Agile Procurement , CIPS Award Winner 2018, President of LAP Alliance, co-founder flowdays, Agile Enterprise Coach, Certified Scrum@Scale Trainer

COOPERATION PARTNERS

This white paper would not have been possible without the support of our global cooperation partners. We're proud to see the collaboration even between competitive alliances to achieve something bigger than us.



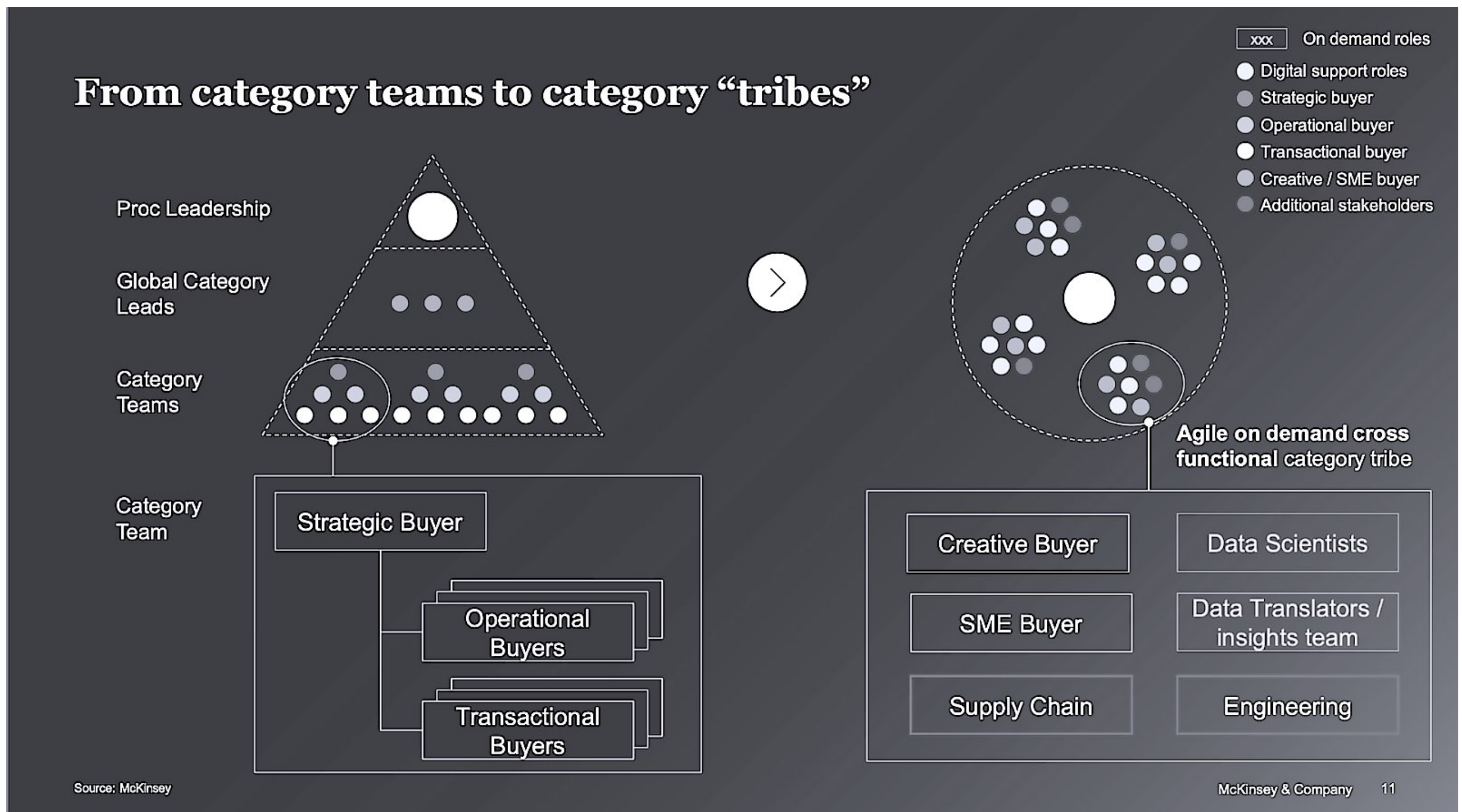
McKinsey' Senior Partner Jan Wüllenweber delivered a keynote at *Digital Procurement World 2021*¹ that addressed the Next Big Thing in Procurement - namely looking Beyond the Digitization of the Function.

This white paper is for leaders that like to learn more about the transition from a traditional- to a more Agile Operating Model in Procurement and its Benefits. Therefore we use Examples from current Companies for each of the development steps and why we think the Future of Procurement is less functional and becomes more of an important Capability.

Jan explained the current status of today's procurement organizations very well. Let's just summarize it once again for interested non-procurement professionals. Depending on the industry the procurement organization is either a decentralized or centralized support function to the business divided in strategic- and operational procurement teams. A simplified view at procurement is: The Strategic Buyers handle all strategic sourcing cases / partnerships / etc. while the Operational Buyers look for enough inventory to deliver value upstream via their production / services / etc. The people are organized in Categories such as e.g. Professional Services-, Facility Management, IT Procurement, etc. and operate traditionally in a very transactional, service oriented way according to their given role/processes. An example of a given process is e.g. Request for Proposal. Doing so procurement has most often not yet applied any agile principles/practices nor were able to grow an agile mindset. According to the current *Global annual Report State of Agility in Procurement & Supply*² are almost all of the procurement organizations currently focused at Digitization & Automation of these operational procurement processes.

Procurement might have heard of Agile Transformation activities in other parts of the organization e.g. in Innovation / Software Development or IT. In the best case they have got in touch with Agile ways of working as a stakeholder while e.g. introducing Digitalization+Automation to Procurement, or while looking for a new software vendor.

McKinsey, a key player in helping businesses to develop and prepare for future needs, summarized the developments of procurement from a static line organization into so-called "Agile Cross-Functional Category Tribes".



In this White Paper the mentioned aspects by McKinsey will be enriched towards an Agile Operating Model for Procurement. Furthermore it should give leaders in procurement some guidance on their own transition. From our experience -in global engagements and developments in the agile community- there is far more to it than „Category Tribes“.

In today's ever changing and demanding world almost all successful companies no matter their size, industry, location, culture, etc. have applied Agile ways of working. Well known examples are Tesla, Google, Amazon, but also e.g. Saab Aerospace, John Deer, etc. Startups and "Satellites" (startups by Corporates) are typically Agile from the start. No matter what your starting point is for every company the transition to Business Agility is always a journey. Important to mention Agile is more of a new Mindset than a new approach and has no self-purpose. It's always about a joint OUTCOME and IMPACT which obviously means for every company something different. Nevertheless as the Agile Movement just turned 20 years some good practices evolved in the meanwhile.

That this White Paper becomes a real *Survival Guide for Leaders* we've referred the following case studies to a *Business Agility Maturity Model*⁶ and explained usual stages in the transition accordingly.

Business Agility Maturity Model

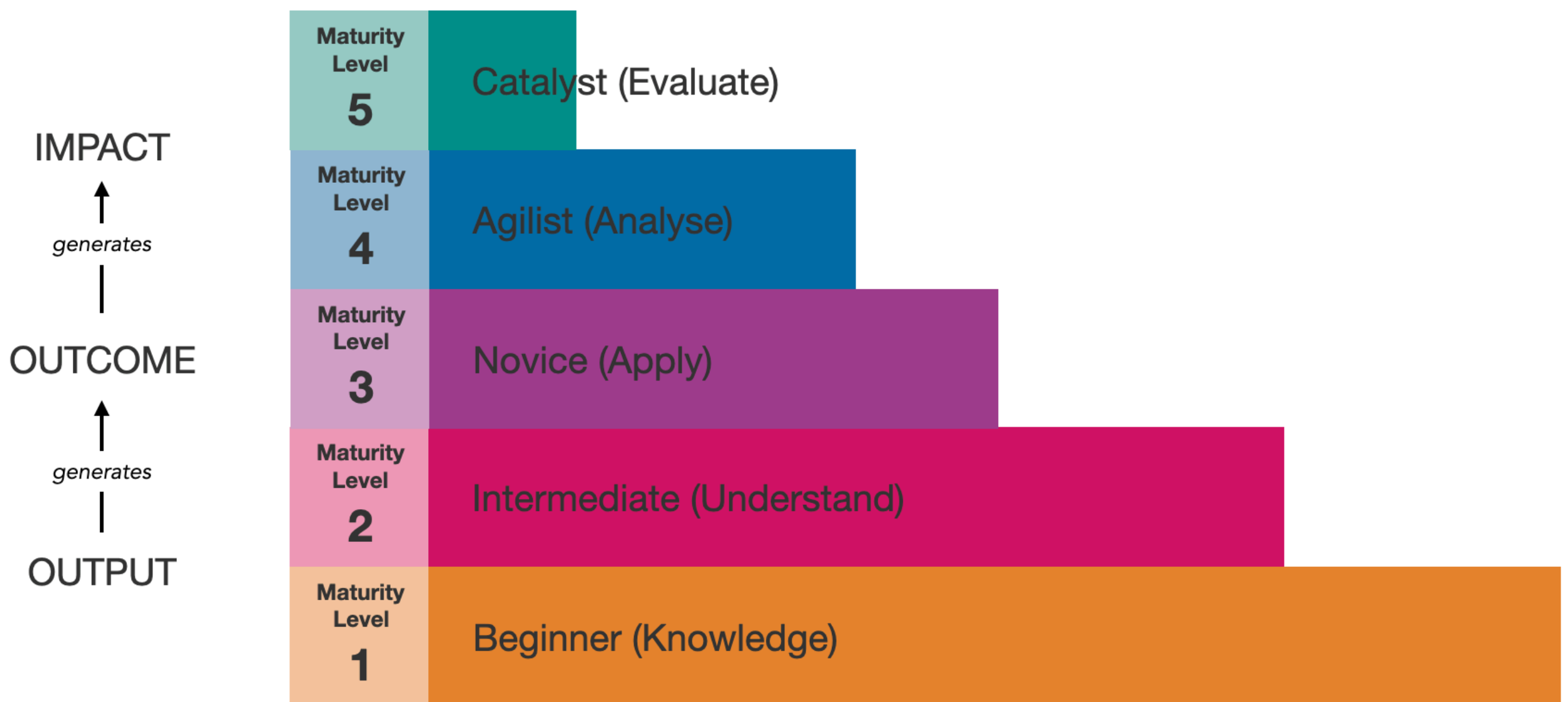


Image Source: flowdays.net

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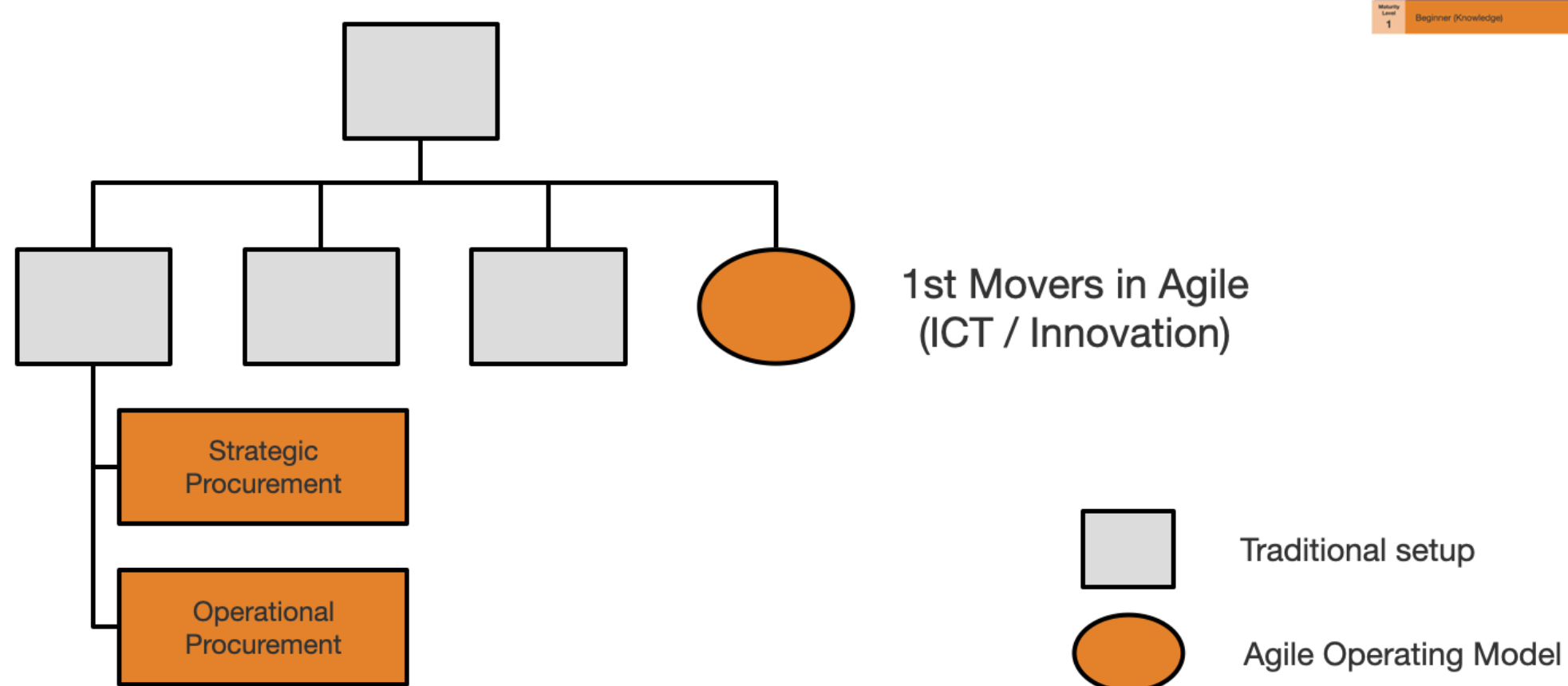
The sections of this White Paper are structured like the following:

- **Description of Maturity Level**, how it feels to be in that stage from procurement point of view
- **Summary of Maturity Level**, what are other aspects of this stage such as e.g. level of Digitalization, Benefits of Stage, etc.
- **Examples** representing this Maturity Level in reality

Disclaimer: This Agile Maturity Model shall not be seen as a step-by-step guide. Every company is different and could be in different stages of maturity at the same time. This model is just a very high-level abstraction to cope with the complexity of an organization.

Maturity Level 1: Beginner (Knowledge)

At this stage the whole company is still setup very traditionally where line organization is in focus and Procurement is no different. Inspired by other parts of the organization often dealing with ICT / Innovation, or sometimes even by the vendors, Procurement recognize the need to adapt their current ways of working. As a first step they invest in knowledge, so that a first understanding could be developed why and how to evolve procurement. Therefore training the leadership and employees in the basics of Agile e.g. via a *Scrum Master*³, or a *Practitioner Class in Lean-Agile Procurement*⁴ is a good starting point. Beside new potential practices, a new mindset is about to grow. To cope with complexity e.g. in strategic sourcing cases it's getting obvious that this could be solved just together more cross-functional. Early adopters might experiment also with *Kanban*⁵ making their work transparent, introducing a joint priority, or even a portfolio board sourcing cases, etc.



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The formal structure isn't touched in that stage and everything feels quite experimental. Digitalization+Automatization of operational procurement is still the main priority (focusing on better / more efficient OUTPUT) and while making progress people in operational procurement teams are starting to ask themselves about their personal future. Still there's a huge uncertainty in the organization's leadership and workforce how these new ways of working could bring benefits to the current procurement organization.

SUMMARY

Focus	Digitalization & Automatization of operational Procurement, enrichment of knowledge in Agile Practices (low priority)
Change to the prior level	Transparency of Supplier- & Contract data as well as digitalization of procurement processes has been more and more improved for procurement professionals, Employees in Procurement have got a basic understanding in agile, occasional first small improvements via application of agile practices within the given structure
Division of tasks	10% strategic, 90% operational procurement
Digitalization & Automatization	10-20% progress, e.g. in SRM / Reverse Auctions Tools, etc.
Benefits	Higher quality through standardized data sets and processes, minimized lead time through digitalization & automation of first operational procurement processes

An example of a Maturity Level 1 is e.g. the Procurement at the Canadian Government. Several years back the Office of the Auditor General of Canada and "The Standing Committee on Government Operations" Parliament came up with a recommendation for sourcing any ICT services / products to be executed in an Agile way. This was triggered by a number of big failures of ICT Sourcing Initiatives and set a vision for their public Procurement Organization and their public Agencies. At this stage these have been organized very traditionally according to public law and their procurement governance.

Federal organizations rolled out agile procurement without sufficient training for staff or engagement with key stakeholders

What we found

- 1.28 We found that, although the federal organizations showed enthusiasm for agile procurement processes, Public Services and Procurement Canada and Shared Services Canada did not provide sufficient guidance or training to employees on how to conduct agile procurement for major IT initiatives, including how to effectively collaborate and respond to suppliers' questions and feedback.
- 1.29 We also found that there were opportunities to improve governance mechanisms in order to meet desired business outcomes. For example, for the Benefits Delivery Modernization program, Employment and Social Development Canada's governance structure lacked clear accountabilities. And for the Workplace Communication Services project, Shared Services Canada did not take into account the technology needs of National Defence, the project's key stakeholder.
- 1.30 The analysis supporting this finding discusses the following topics:
- [Collaboration with suppliers needs improvement](#)
 - [Insufficient guidance and training](#)
 - [Opportunities to strengthen governance](#)

Why this finding matters

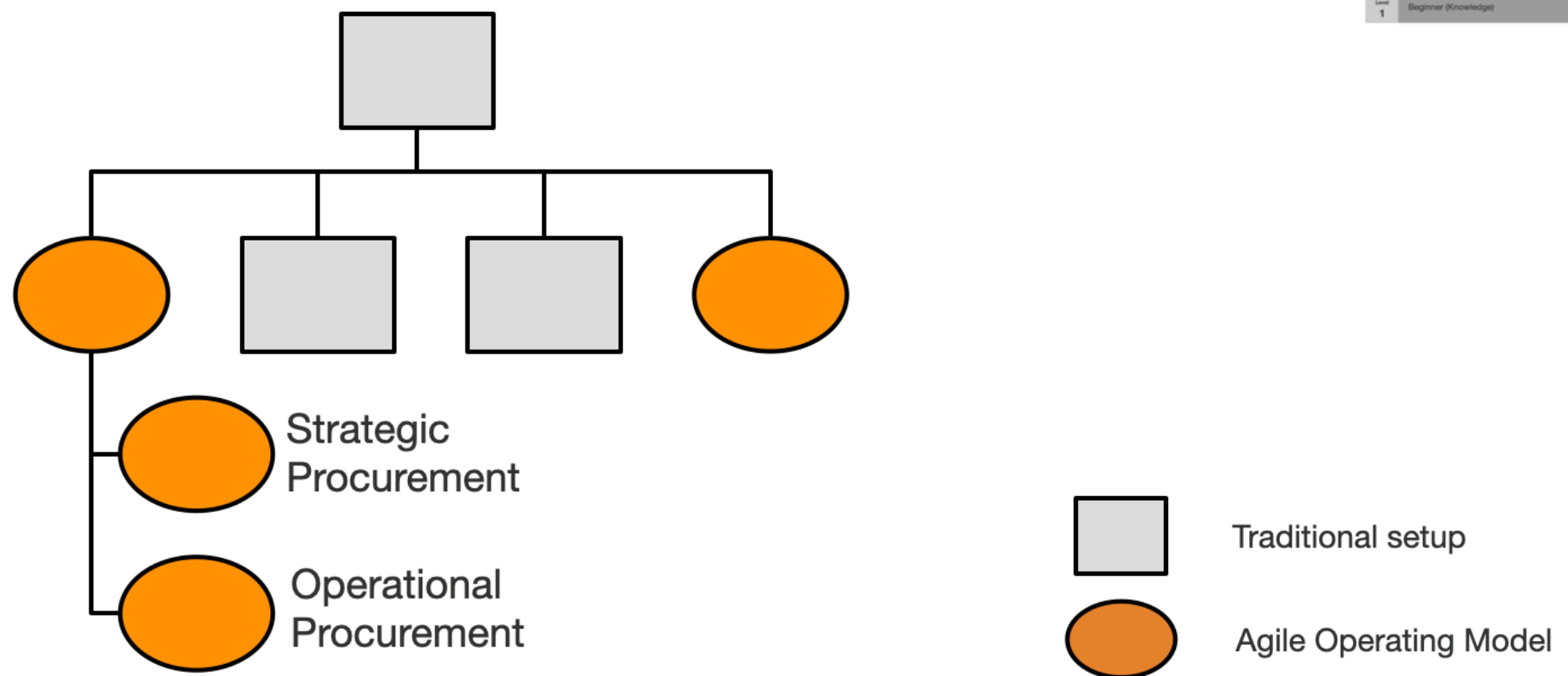
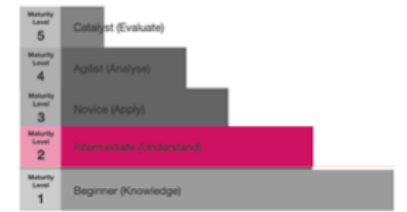
- 1.31 This finding matters because agile procurement processes include more collaboration with suppliers than traditional methods do. Without adequate training, procurement teams may be ill-equipped for these interactions. Also, lack of engagement with key stakeholders in governance mechanisms can lead to problems that are costly and time consuming to solve after contracts are awarded.

The new vision triggered them to get to know more about agile way of working and how this could be translated into public procurement. They have been experimenting new ways of working in real cases / public tenders too. With great results, such as improved lead time, minimized risks, better alignment through collaboration with the vendors, etc.

Their recent *Auditor General of Canada's report on Agile Procurement*⁸ showed their current status on that journey which is for scaling a new way of working more training is needed.

Maturity Level 2: Intermediate (Understand)

In Maturity Level 2 the operational procurement processes are about to be digitalized & automated end-to-end. To improve dealing with the new possibilities and data, new roles such as Data Scientist, Data Analysts, AI Specialist, etc. are introduced to the procurement teams. The reduction of operational buyers has been started and agile ways of working have become the standard for both strategic- and operational procurement teams. Some of the team members from operational procurement have been transferred into the new roles or became part of the Agile Service Teams that maintain and further develop the digitale procurement tools to serve the business.



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The formal structure isn't touched much in that stage. The procurement teams understood more and more the benefits of working Agile and applied it in their current setup. Thanks to Automatization strategic procurement became more in focus so that they started to think about how to improve themselves to deliver better Outcomes faster?-In time critical strategic sourcing cases first experiments applying *Lean-Agile Procurement (LAP)* have been done. The learnings from applying *LAP* have been shared and current governance / compliance / contractual frameworks / etc. have been questioned on how these could enable more Agile ways of working too. The employees and leadership in procurement experienced challenges with non-agile parts in- and outside of the organization. Furthermore the leadership is starting to ask themselves about their future role and the value of a line organization.

SUMMARY

Focus	Finishing Digitalization & Automatization of operational Procurement & introduction of new ways of working
Change to the prior level	Digitalization & Automatization of procurement processes has been almost finished for procurement professionals, Employees in Procurement applied Agile ways of working in their daily work within given structure of strategic procurement
Division of tasks	30% strategic, 70% operational procurement
Digitalization & Automatization	>90% progress, e.g. in SRM / Reverse Auctions Tools, AI, etc.
Benefits	Higher quality, minimized lead time through digitalization of operational procurement processes and first strategic sourcing cases applying new ways of working

Insel Group AG

1st Steps of an Agile Transformation of Procurement

The Future of Procurement

From Function to Capability

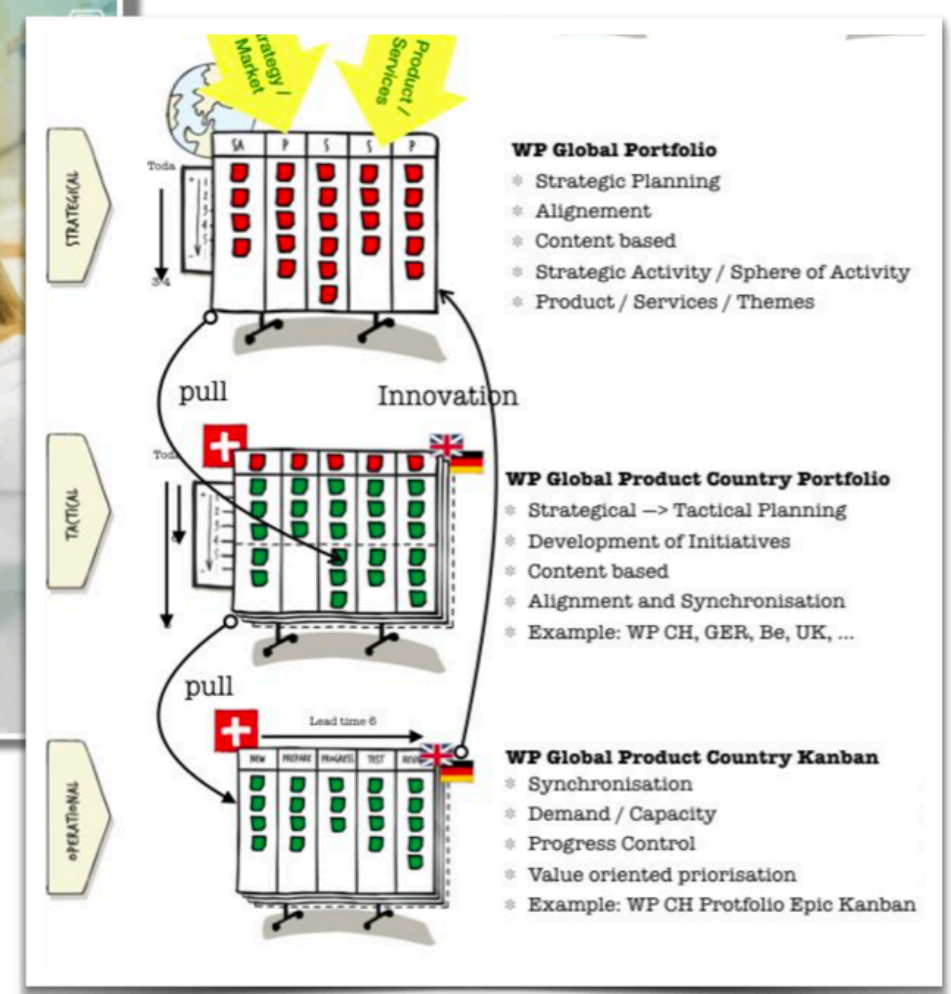
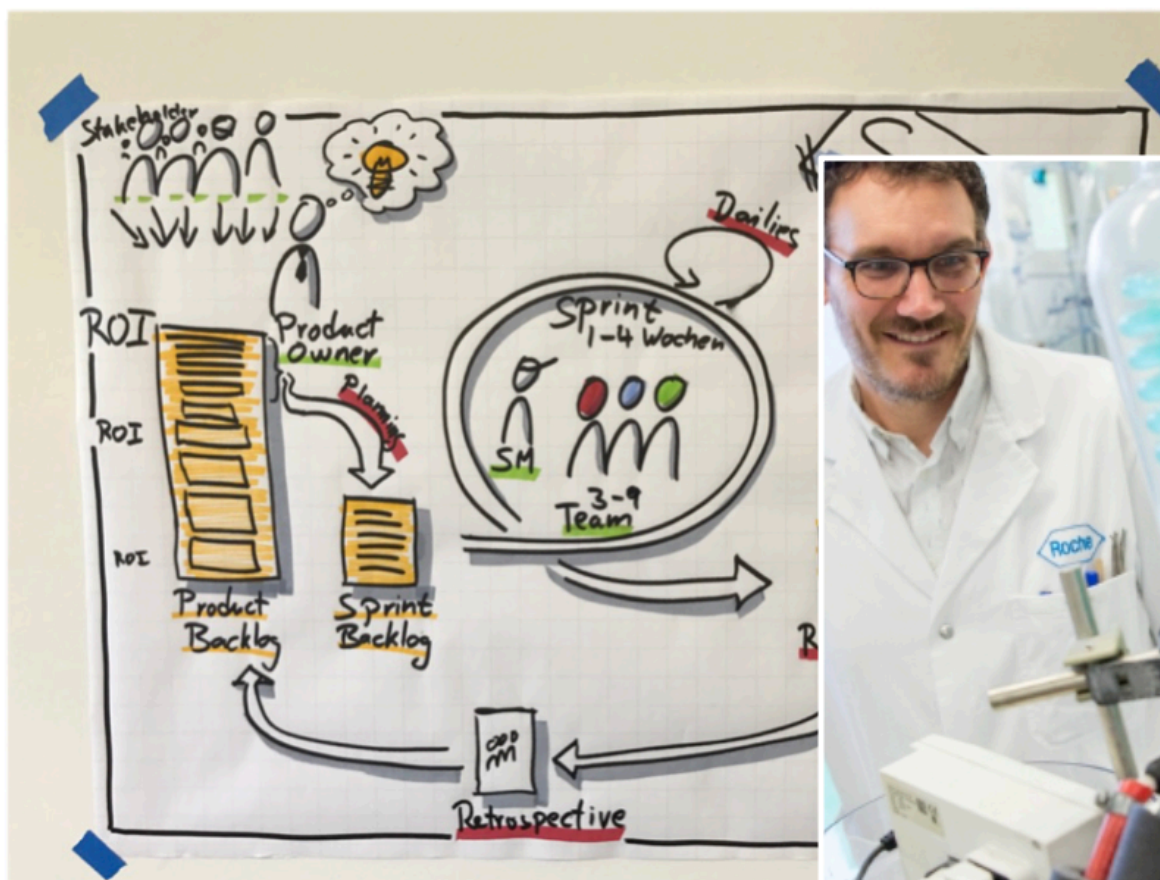
A Survival Guide for Leaders

An example of a Maturity Level 2 is e.g. the procurement function of the Insel Group AG, a healthcare organization from Switzerland with over 11,000 employees and multiple hospitals focused at medicine, nursing, operations, infrastructure, administration, teaching and research. Their procurement organization used to be organized very traditionally and caused by the covid-19 crisis the leadership decided to improve outcomes and the current way of working by introducing Agile. The workforce shall find a way back to a more sustainable workload at a similar or better speed of service.

The leadership team of Hannes Schritteser, Chief Procurement Officer Insel Group learned the main Agile practices like *Scrum*, *Kanban* and how leadership needs to change from working *in-the-system* towards working more *at-the-system*.

Scrum, Agile Portfolio Management

Improve your Procurement Organization incrementally!



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Together with the Head of Supply Chain and the leadership team in procurement a new *Agile Portfolio Board* has been developed, where for the first time an aligned priority across sourcing cases, organizational- and technical changes, projects, etc. has been jointly approved. Further rituals / meetings have been adopted, decision competencies delegated, etc. so that the priority was always up-to-date and sliced down even to the team level. This was the beginning of the journey for the strategic- and operational procurement teams.

Their current results include: faster delivery of procurement projects and sourcing cases; more focus / less distraction because of a joint priority; adaptable portfolio in case of changing priorities; significant improvement of customer- and employee satisfaction.

SwissCasinos AG

Sourcing a new ERP System in just 4 Weeks

Another example of a Maturity Level 2 is e.g. SwissCasinos Holding, Market Leader in Gaming in Switzerland that operates without a procurement function. Daniel Pellegrini, Former Head of Finance SwissCasinos Group, faced the challenge to source an ERP System -what usually takes 12 months- in just 4 Weeks, so that they could keep their ambitious schedule.

Applying *Lean-Agile Procurement (LAP)* he has achieved much more than that, e.g. has the team also been awarded as the Winner of the *World Procurement Awards 2020!*



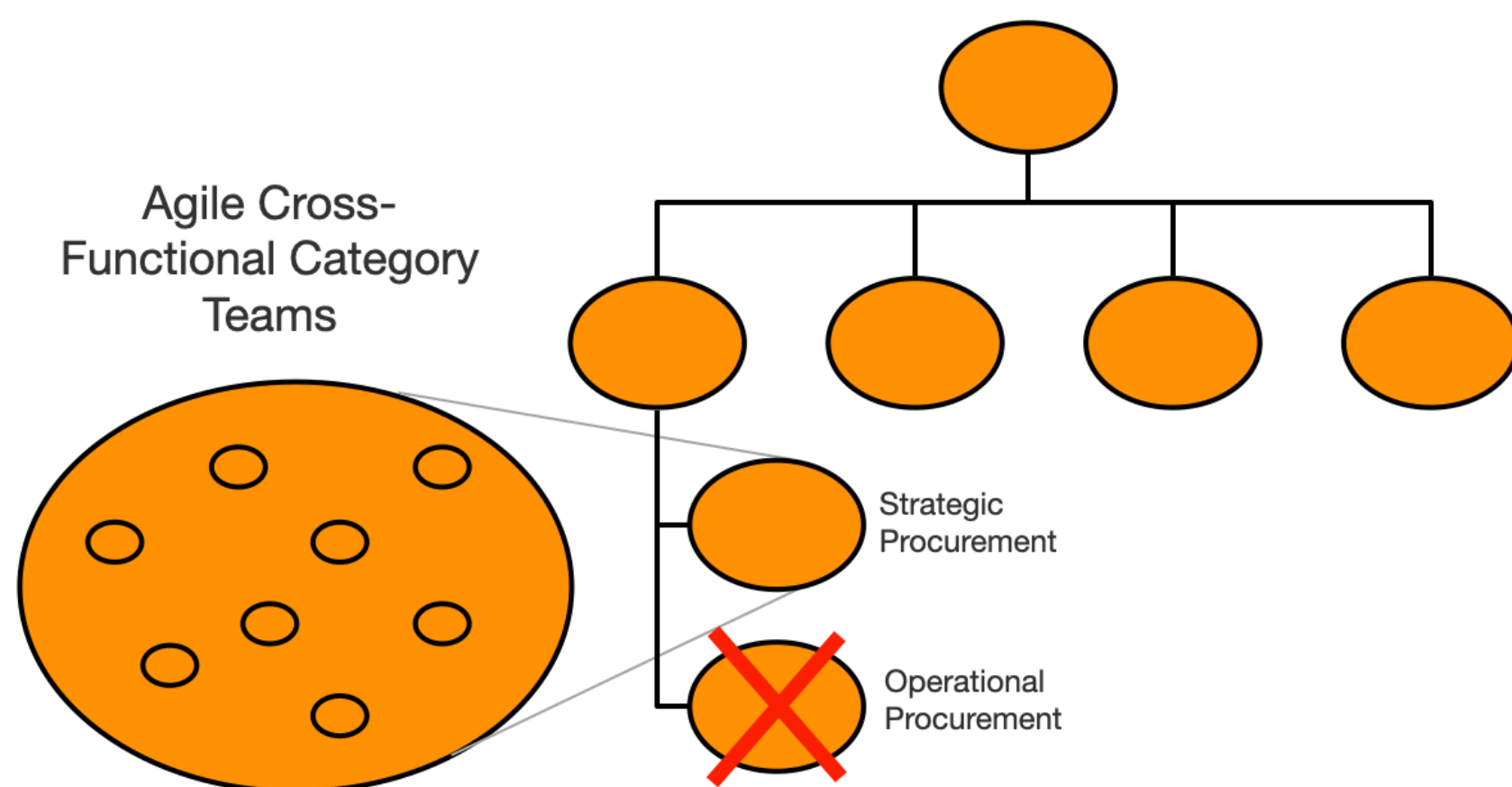
LAP is the 1st approach for sourcing that is based 100% on Agile values & principles and is optimal to deal with highly complex sourcing cases with a lot of uncertainty. It e.g. fosters collaboration with the shortlisted vendors as early as possible and so Daniel and his team have invited all 3 competitors in the same room to co-create their proposals, talk about any concerns / assumptions / questions / etc. It was very beneficial also to get the right social- & cultural fit. The commercial- and contractual “negotiations” took place in this 2 days workshop as well and because having the RIGHT people there from all the parties a WIN-WIN could be agreed on, with significant savings too.

After the case SwissCasinos started to adopt their organization based on the learnings of this pilot accordingly. E.g. applied the finance teams (Accounting, Payrole, etc) *Kanban* and *Scrum*.

Maturity Level 3: Novice (Apply)

In Maturity Level 3 the developments that have been started in Level 2 continue and materialize in a new stage. At the same time other departments are on their journey as well. In Procurement the traditional operational procurement teams are no more needed and have been phased out. Thanks to digitalization their service turned into a self-service model. The teams that introduced the new digital solutions to increase transparency about supplier-, contracting- etc. data extend their mission to serve the whole company and become a single source of truth.

Strategic procurement pulled down the traditional silo's of categories and organized around business value in cross-functional teams to serve the business more proactively and to deal with complexity even better. McKinsey called those Agile team's „category tribe“. From an operational Model point of view they would combine all the different commercial roles such as strategic buyer, data scientist, supply chain expert, lawyer, etc. which report to the head of procurement. Also the governance / policies, the contractual framework and even processes have been adopted to support a more agile way of working. *LAP* or similar approaches became the standard and the people in strategic procurement are ready to join a business case at any time.



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The developments still haven't changed the formal structure of procurement in that stage, except the change of the internal setup. To the leadership it's clear now that the focus changed to a value-add way of working (OUTCOME) over the line organization. Furthermore they've a much clearer picture about their future role too. They're about to become catalysts for change. The category tribes realize that developing procurement as a function isn't enough and start to transform their role into an internal- and external capability builder creating an even bigger IMPACT.

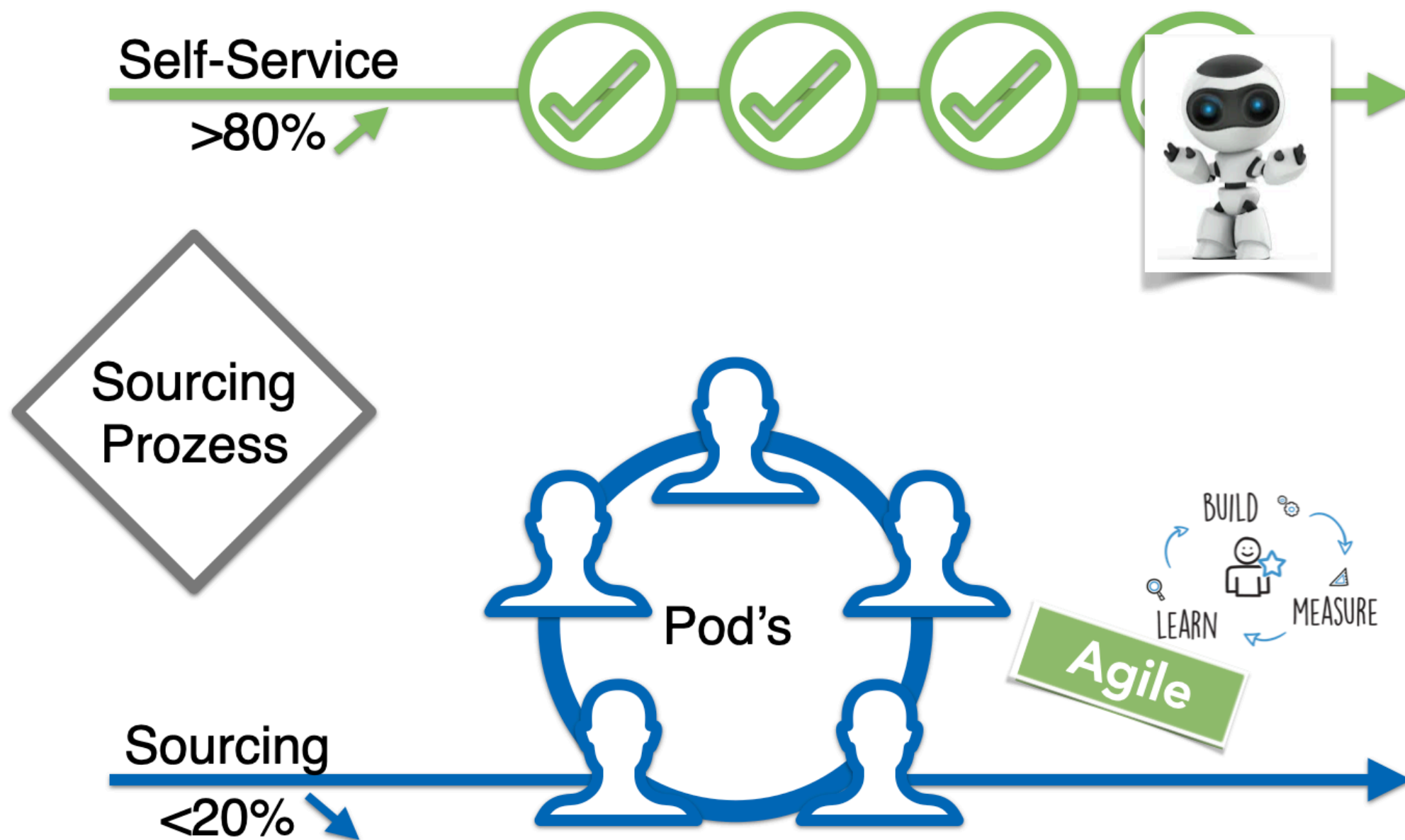
SUMMARY

Focus	company-wide supplier data, taking advantage of digitalization via analytics, transforming strategic procurement towards an Agile operating model
Change to the prior level	operational procurement has been transformed in platform teams to enable self-service, strategic procurement reorganized themselves around business value, platforms are about to become a single source of truth for the whole company
Division of tasks	70% strategic, 30% operational procurement including Serving Procurement Platforms
Digitalization & Automatization	80-90% progress, e.g. in SRM / Reverse Auctions Tools, contract data mng, etc. Data became available company wide.
Benefits	Higher quality and easier access to data, minimized lead time through cross-capability procurement approaches like <i>LAP</i>

Barclays Radical Transformation of Procurement

An example of Maturity Level 3 is e.g. the Procurement of the UK Bank Barclays. Barclays is well-known in the agile community for their Agile Transformation in IT / Delivery / etc. Phil Thomas, former CPO at Barclays presented the first time their new setup in procurement back in 2018.

Agile Cross-Capabilities Approach (Pod's) Radically improve Time-to-Market of strategic Sourcing Cases!



Source: Barclays 2018

For many years Phil and his team invested heavily in Digitalization & Automatisations of the commodity sourcing cases so that the business could become buyers themselves. They made up their mind how to deal with new upcoming sourcing cases in the future, because it was still unsure if all cases possible have been automated. Therefore a new sourcing strategy was introduced which always started with the question: "do we expect unexpected surprises or changes in scope?" - If the answer was "No" it shall be added to the Self-Service - If the answer was "Yes" standing cross-capability team/s of commercial experts could take over the sourcing case and walk it through the whole sourcing process as a team. As now all competencies were available and the team also limited the number of sourcing cases in progress the lead time per case could be improved radically. Nevertheless it became obvious that the commercial capabilities are just one side of the medal and pilots with LAP -where all capabilities such as the business, IT, etc.- showed the full potential of going cross-functional.

Roche Agile Solutions Team and Enabling Teams

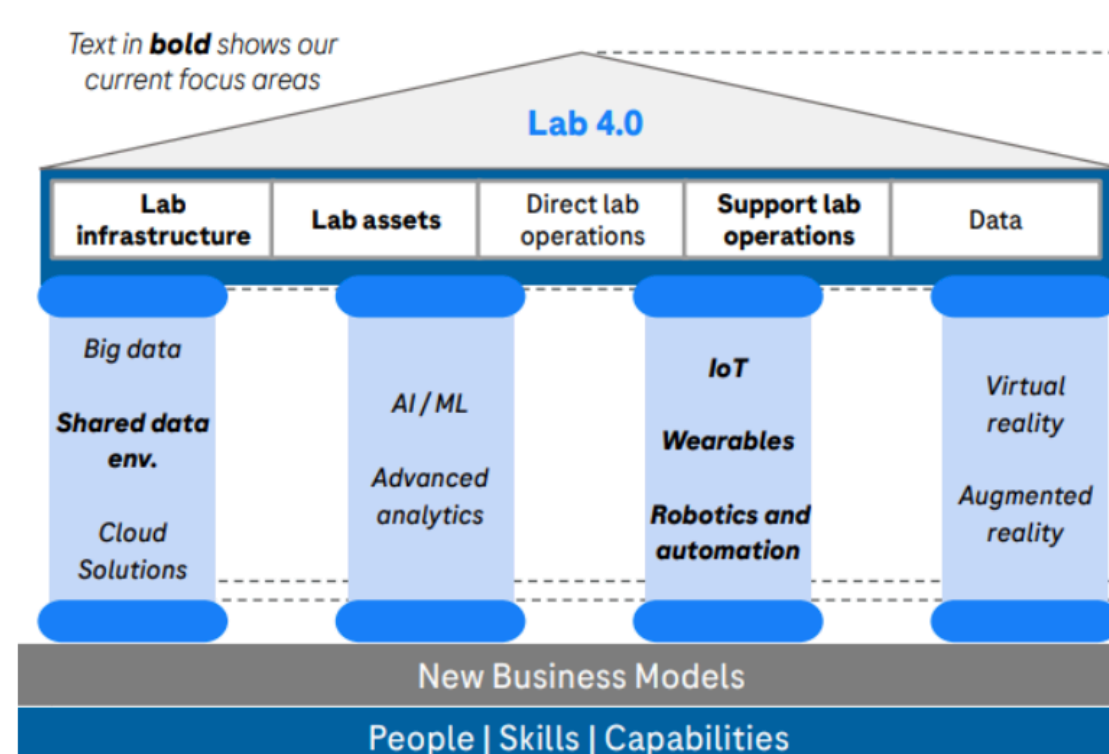
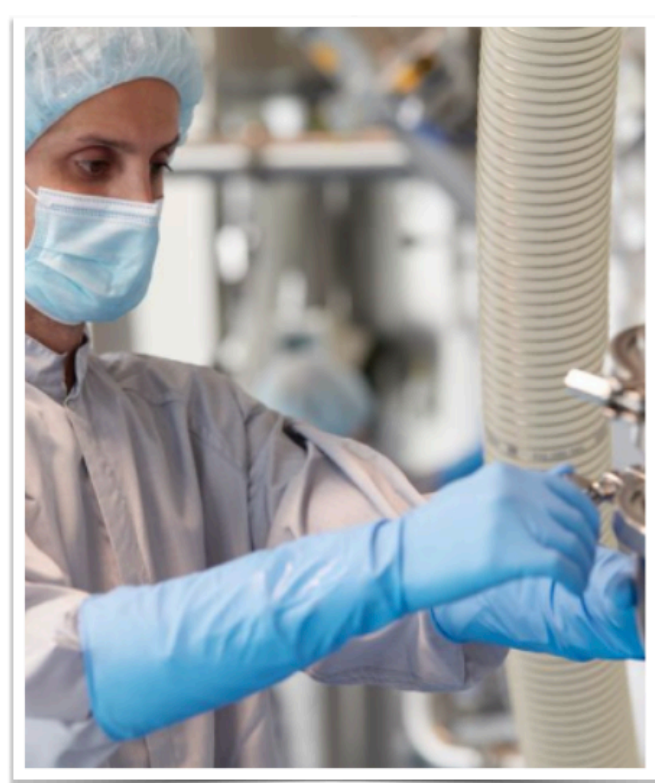
Colm Diamond, Productivity Lead Global Procurement at Roche and his team took the concept of cross-functional to the next level. They turned a traditional reactive / service oriented behavior into a proactive problem solving attitude. If he's talking about Roche he says: "with Roche the Patient is at the center of all our activities"!-In other words the scientists should focus on science and taking them away into cross-functional teams to deliver projects is not what they want.

Instead they have built Solutions Teams which combine on different specific business problems flexibly. They are then collaborating often with other teams where they lead "Squads" (project teams) based on need and skill sets at any point along the change journey.

Agile Cross-Capabilities Solutions Team Proactively solving Problems for the Business



How do we build the Lab of the Future with our Scientists?



Global **Procurement**

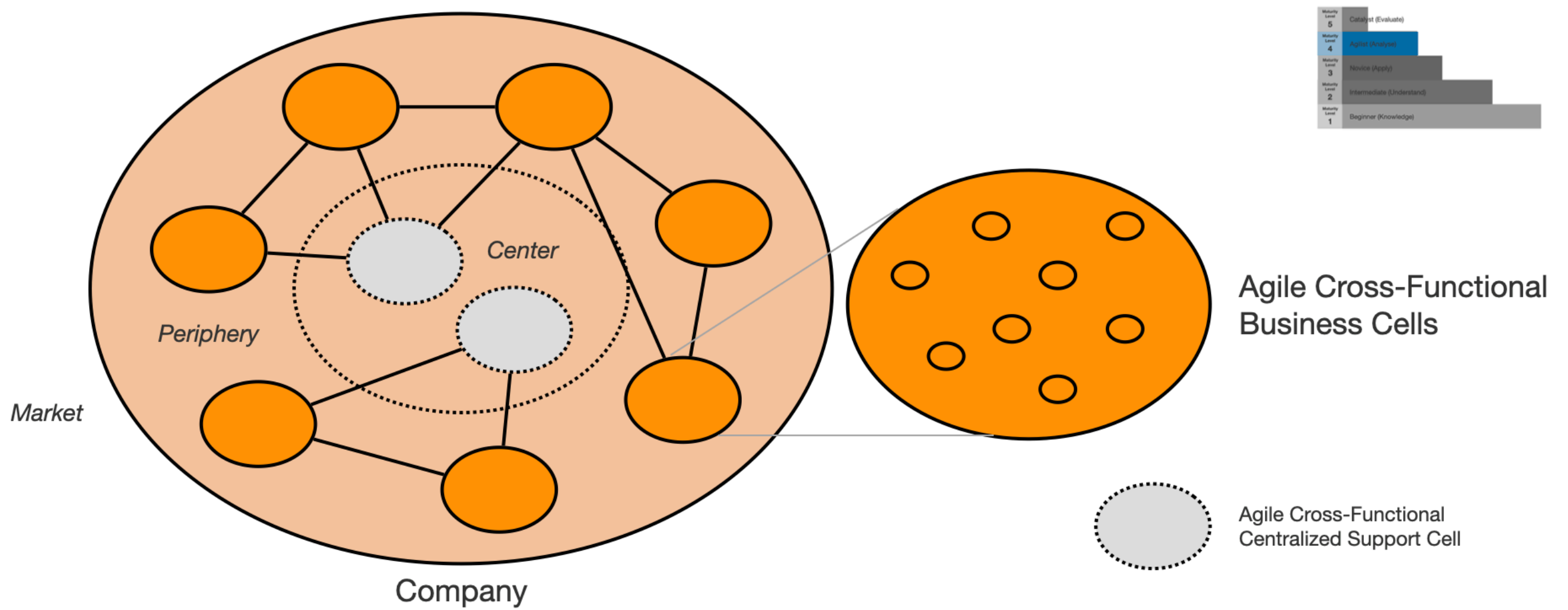
- **Solutions Team (core team)** - They bring the market expertise and have no "scope" as a Category team would have. Instead, they search out "business problems" then build the solution around them - whether that cuts across markets, internal and external combinations of resources or skills or even processes / technologies. They are made of former procurement professionals and extended this with functional experts e.g. Scientists in the R&D solutions team. Often, they do little to no actual "sourcing" as they are about creating new ways of working and combinations of internal / external ideas and not wedded to a category strategy or supplier relationship
- **Customer Team** - They are embedded in the business and bring the understanding of customer needs and priorities and networks. They guide the team on stakeholder engagement and also can answer the first level questions so that the business can focus on their immediate priorities and be involved in key decisions / sprint reviews / co-creation sessions but not needing to sacrifice their core work for the sake of the project

One of their current projects in procurement is to build the Lab of the Future. Therefore a lot of collaboration is needed with internals and externals, e.g. what new tools, instruments, etc. are available in the market.

Maturity Level 4: Agilist (Analyse)

In Maturity Level 4 the Agile Transition has become an organization wide journey, which resulted incrementally in an organization that is completely organized around value now. Any non value-add roles / structure / process / etc. are about to disappear or have been removed already. Those cells near to the market (*Periphery*), let's call them "*Business Cells*", are empowered cross-capability agile teams, or team-of-teams, able to deliver business value completely independently. In other words those act as independent Business Units or even Legal Entities.

With *LAP* it became obvious that each of those *Business Cells* needs all the capabilities that earlier have been served by procurement and that the business always should own the strategic partnership. The *Business Cells* in the *Periphery* setup and fund a centralized "*Cell for Procurement*" if needed to provide knowledge, guidance, create transparency via shared Platforms, etc. Basically the *Center* delivers just services the *Business Cell* doesn't want to do themselves. The main procurement activities such as Sourcing, Partner Management, etc. are done by the *Business Cells* in the *Periphery* themselves from now on.



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The formal structure / Line Organization still exists, but mainly just for compliance reasons. The focus is shifting towards the customer and an outcome-based effective delivery. First *Business Cells* realize that their strategic Suppliers / Partners need to be included in the new ways of working too, that the current contracts might no more reflect the current set of values and that a traditional supply chain isn't enough (IMPACT). Frontrunners might already start to experiment application of agile values & principles to their strategic Suppliers / Partners .

SUMMARY

Focus	Turning Commercial Roles into Capabilities, company-wide agile transition
Change to the prior level	Company turned incrementally into an agile organisation organized around value, consisting of independent, cross-functional team-of-teams, procurement function disappeared and has been funded by Business Cells as Central Cell if needed
Division of tasks	80% strategic, 20% Serving company-wide Procurement Platforms as a Centralized Service, Guidance & Enablement of Business Cells in all aspects of Procurement Capabilities
Digitalization & Automatization	>95% progress, company wide access to all relevant data
Benefits	Maximized time-to-market by empowered Business Cells, minimized internal Burocrazy, Full access to all relevant data via centralized Platforms

Roche Agile Productivity & Capabilities Team

The procurement at Roche is somewhat in between Maturity Level 3 / 4. They still operate centralized and decentralized / local procurement services. While Colm Diamond and his team are pushing the role of procurement to the next level.

The Productivity & Org. Change Team is a team of experts that's goal is to be "a catalyst for end to end change". They contain skills in Agile Project Delivery, Operating / Service Model Design and Change Management. They bring the "how" and focus to the teams built to solve the problem.

Agile Coaching, Capability Building & Change Self-organized Enablement of Procurement & Business Units



Team prioritisation and 'Pull' for work - skills NOT seniority...

90 day objectives and key results - transparent for all (including me!!!)

Productivity Projects	Subitems	Lead	Status	Capability Community	Priority	Priority	Impact	Value
SBTI Target Setting			Active	Agile Project Delivery	Priority	★★★	10	10
PT Transf. IT, Workforce & R&D			Idea		Not priority	★★★		
VMaaS - PD			Active	Service Design	Priority	★★★	9	5
Supply Risk Mitigation - Global Gas Supply			Active		Not priority	★★★	6	8
Global Travel Mgmt Roadmap			Active	Serv... Organizationa...	Priority	★★★	5	5
VMaaS E2E Solution			Ready	Service Design	Priority	★★★		
RDS Workforce			Active	Agile Project Delivery	Not priority	★★★	7	7
BenchSci			Active	Agile Project Delivery	Priority	★★★	10	8
Scientist.com Scale up			On Hold		Not priority	★★★	7	4
New Team Capability - Innovation & Design Thinking			Active		Priority	★★★	9	3
SSF Ferry Sourcing Strategy			Cancelled		Not priority	★★★		
Engineering Strategic Partnerships			On Hold		Not priority	★★★	9	9
Rotkreuz Blood Supply			Active		Priority	★★★	10	4
Global Workforce MSP Model			Active	Service Design	Not priority	★★★	8	9

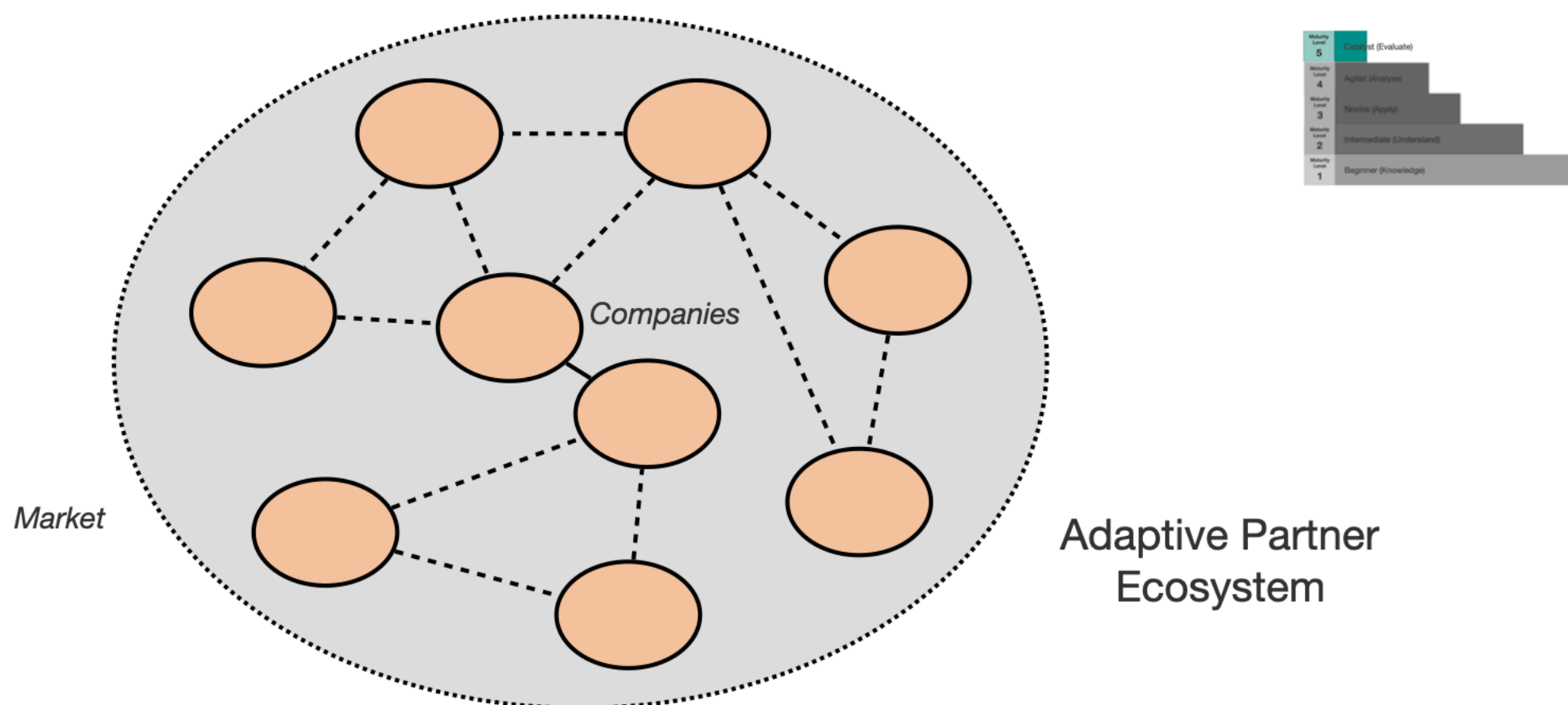
Global **Procurement**

Capabilities in communities NOT in teams

Their Productivity & Capabilities Team no longer does the sourcing, but enables the business and the procurement organization to become truly cross-functional as described in Level 4. They see themselves as a "Catalyst for End to End Change" and more than Coaches / Trainers but also enablers and drivers of the Change. They bring expertise on the "how" e.g. also as team members, but also provide focussed resources to add speed to teams on the biggest challenges.

Maturity Level 5: Catalyst (Evaluate)

In Maturity Level 5 the values & principles introduced by the new ways of working have been shared with the suppliers / partners, even competitors to overcome the limitations of a supply chain. The Companies started to organize around business value together, sharing openly their vision, data, etc. and collaborate on new topics together. Important topics like e.g. sustainability, inclusion / diversity, circular economy, etc. are addressed together to create not just a positive impact for the business, but more for the environment, society and humanity.



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From a structural point of view the borders between companies become more and more fluid. Each company tries to apply the same principles for an Agile Organization at Maturity Level 4 to an even bigger level of abstraction, becoming more of an *Agile Organism* or an *Adaptive Partner Ecosystem*. Cross-functional becomes *cross-company*, while the collective intelligence or right capabilities at the right time matter more than which company is offering it. Long contract negotiations became a thing from the past and the *Business Cells* learned to find, select, integrate new Partners in hours/days instead of months/years. Trust became a key driver in forming new Partnerships, while contracts still have its place where needed. If applied contracts support Agile collaboration between company / partners. To serve a bigger sense together also knowledge, data and experiences are shared openly.

SUMMARY

Focus	Scaling new mindset & ways of working through-out the supplier / partner network so that we become more agile as a whole (Adaptive Partner Ecosystem)
Change to the prior level	Former Suppliers turn into Partners, we openly share our vision, data, learnings to serve not just our customers better, but to create an even more impact to the society, the environment, etc.
Division of tasks	70% strategic, 30% Serving cross-company Platforms / Data
Digitalization & Automatization	100% progress, e.g. market data, shared analytics / AI, etc.
Benefits	Higher impact to the environment / society / etc, Sustainability & Security in a partner ecosystem, fast access to data / services / products to create joint outcomes to the customer

Buurzorg Ecosystem of Healthcare Services

Buurzorg is a pioneering healthcare organization established in 2006 with a nurse-led model of holistic care that revolutionized community care in the Netherlands and 24 more countries. Jos De Blok, Founder & CEO BUURTZORG, says "we shall spend our time for the patient and not for bureaucracy". That's why he created a Zero-Hierarchy organization consisting of 15,000 nurses & nursing aids organized just in teams. They are fully empowered and self-organized and do e.g. also a cell-split incl. employment of new team members if there's a bigger market demand, sourcing of all their utilities, office space, etc. BUURTZORG supports their team with a centralized platform with all data needed as well as centralized back office services (50 people), coaches (21) and board members (2). Jos recently said that he feels responsible for the CFO tasks which take him just 2 hours a week. In other words a separate position / function became unnecessary. All their data is openly shared with the Government, Insurances, etc. their partner ecosystem!

Adaptive Partner Ecosystem with almost no Overhead 15,000 nurses organized via a Zero Hierarchy



EMPLOYEES



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11th GLOBAL
PETER DRUCKER
FORUM 2019

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Client satisfaction rates are the highest of any health care organization staff commitment and contentedness is reflected in Buurtzorg's title of Best Employer (4 out of the last 5 years) and impressive financial savings and increased productivity has been achieved. Ernst & Young documented savings of around 40 percent to the Dutch health care system if all care was provided this way. More important than that is the impact Buurtzorg is creating to the society. Elderly people are sooner healthier, enabled to stay home and even connected with other people in their neighborhood so that they belong to the society again.

Haier Radical Transformation of Procurement

Haier Group Corporation is a Chinese multinational home appliance and consumer electronics company with more than 80,000 employees organized in over 4,000 micro-businesses consisting of Agile cross-company team-of-teams.

Adaptive Partner Ecosystem via Autonomy & Empowerment Over 4,000 Micro-Businesses organized in Micro-Communities



Ceo & founder of Haier Zhang Ruimin said they are going through their 4th big transformation, since 1970 following the 2 simple principles "Zero distance to the Customer" and "Everyone is an Entrepreneur". By pulling down the hierarchy they've achieved a \$2b market value while revenues & profits have grown annually by 20% over the last 10 years. The empowerment of their employees led to flexible and adaptable businesses that operate cross-companies. Procurement and any commercial role has become a capability in the team-of-teams. Waiting for a centralized service would simply slow them down!

The current developments of Digitalization & Automization left procurement professionals with a question what and how they'd be valuable to the business in the future. Furthermore have extended other important topics such as sustainability, risk management, etc. more and more procurement's workload. Combined with the current need for speed, not just in complex often strategic sourcing cases, the current way of working reached it's limits. It's time for a major upgrade for procurement and it's way of working!-The 8 success stories in this white paper showed current developments and might guide you on your own journey, so let's start - the future is NOW!

Important to know it's not just procurement that undertakes a transformation - it's the whole organization, actually the whole supply chain!- Some companies might call it new ways of working, others Agile Transformation. However it's called at your place it's time to improve and reduce burocrazy to become more reactive to market changes. Start small and include the people the nearest to the problem. Introduce e.g. a joint priority first in procurement and then cross-functional like the Insel Group did. Form cross-functional alliances to learn from each other and to improve together. The Agile Movement has developed a lot of good practices which might be a source of inspiration. If you have Agile Coaches / Scrum Masters in your organization (often found in the Innovation / IT / Software department) it's recommended to connect with those first. If your organization is already undertaking a company-wide Agile Transformation get a seat at the table. Procurement and any other commercial function play an important role and for the leaders involved in the Agile Transformation Team it might not be the most obvious topic to start with.

The examples from Haier or Buurzorg where the traditional hierarchy has been pulled down might be confusing in a first place. The purpose of these network organization is always to be as responsive as possible with a Minimum Viable Burocrazy (MVB). In other words it depends at your context what MVB means to you and how far you need to go to reach the needed Business Agility. Examples like Roche show a new role of procurement, that becomes an enabler of the *Business Cells*. For maturity of procurement organizations this means to create the foundation - making supplier and product data available to everybody - in a first place. In parallel it's recommended to transform the ways of working in procurement. Only this way procurement could become the enabler and stay relevant to the business. This means improving structures, policies, government while educating the procurement professionals simultaneously.

Because of the pandemic and it's supply chain disruptions it became obvious that every business needs to think the business case cross-company. Examples like e.g. Pfizer Biontech and the cross-company development of the vaccines showed that they could solve problems of society, sustainability, etc. just together. There's a need to rethink the concept of a ,static' supply chain driven by cost-optimization to an adaptive partner ecosystem where we even collaborate with competitors. Having new ways of working and especially an Agile Mindset in place will support us to overcome our barriers that hinder us today.



Thank you & what others say about

A big thank you goes to the reviewers, contributors and supporters of the LAP Alliance.

“Scaling Agile Cross-Companies is the Next Big Thing”

– **Jeff Sutherland**, co-creator of Scrum and father of Agile Movement

Tim Cummins, President at World Commerce & Contracting; Professor, Leeds University School of Law; Chair, International Commercial & Contract Management

Dan Murphy, Agile Executive Consultant focused on Strategic Execution at DJM Systems

“This is another good challenge to our thinking on our setup and mindsets in Procurement. It’s exciting to be on the journey and see so much opportunity ahead”

– **Colm Diamond**, Productivity & Organisational Change Lead, Global Procurement at Roche

Evan Leybourn, Serving the next-generation of companies to thrive with uncertainty. Founder of the Business Agility Institute.

“Read it, so we can discuss our next steps in our Procurement agile maturity journey”

– **Jaap-Jan De Bokx**, Senior Supply Chain Commercial Manager at Shell

“A great overview on the future of procurement from a pure business function and silo to a strategic capability.”

– **Andy Cooper**, Business Agility | Leadership & Management | Innovation and Market Development, SoftEd

More

To find out more about the creators of this white paper and visit their website:



www.agilebusiness.org



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