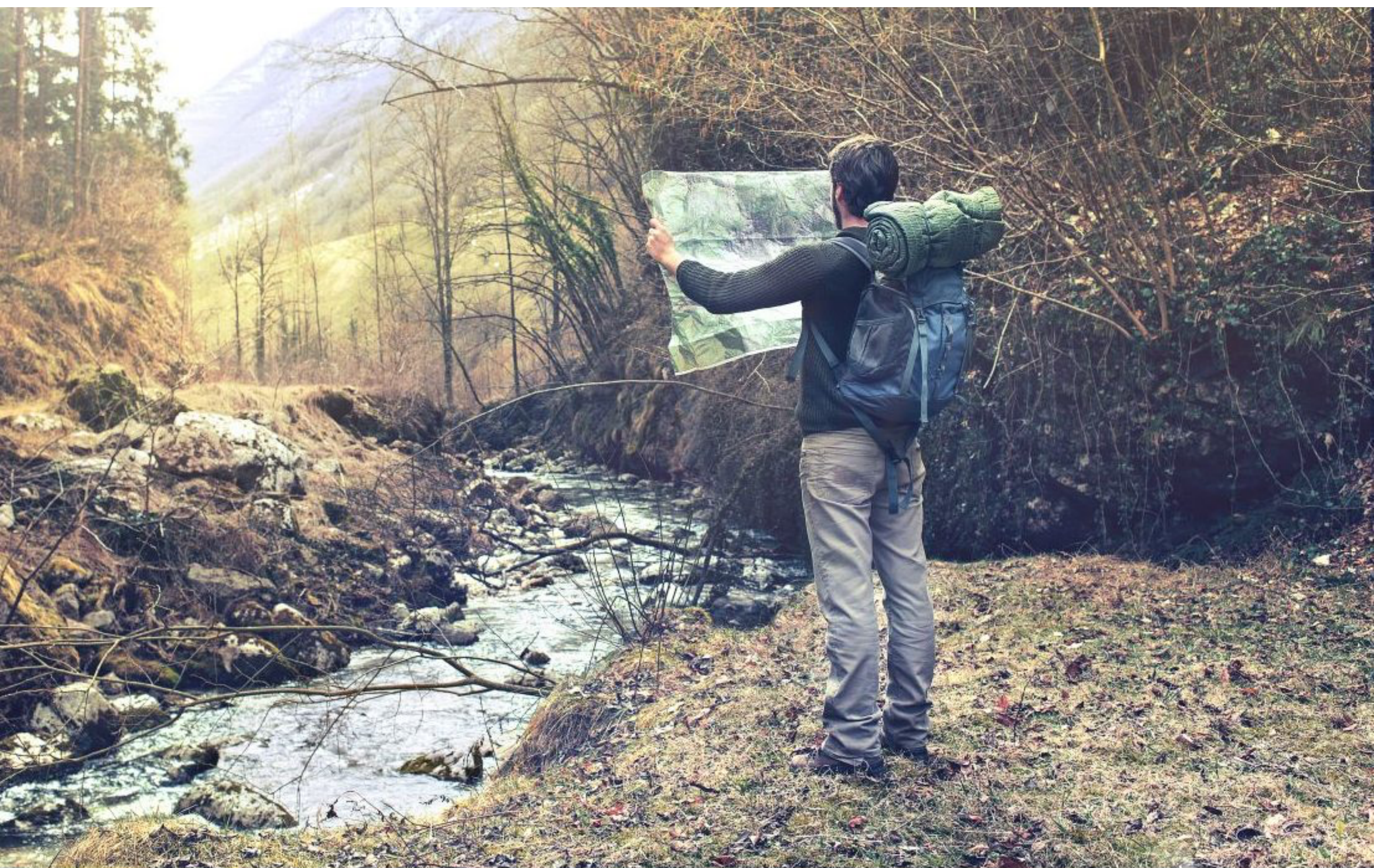


The Future of Procurement

# From Function to Capability

A Survival Guide for Leaders



Rekommenderad  
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AGILAKONTRAKT.SE





# EXECUTIVE SUMMARY

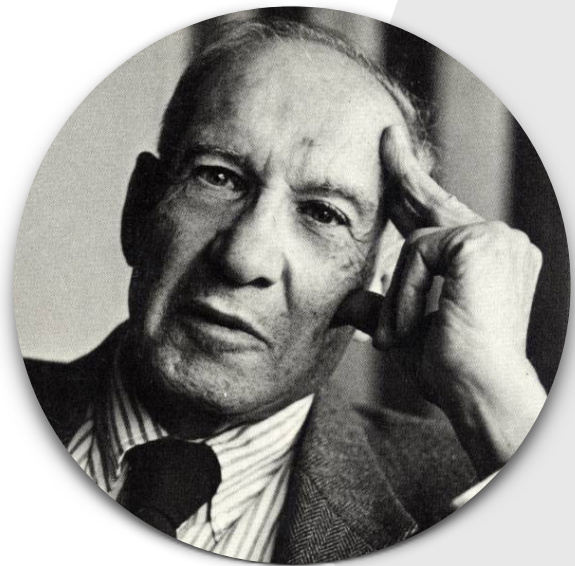
The Future of Procurement

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As market conditions have become 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) have put procurement in the spotlight at a time when procurement was largely 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 struggled far less e.g. 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 such as Buurtzorg (Success Story on page 17) with more than 15,000 employees, have one of the highest customer and employee satisfaction scores without an HR department. Haier, meanwhile 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 \$2bn market value, while revenues & profits have grown annually by 20% over the last 10 years.

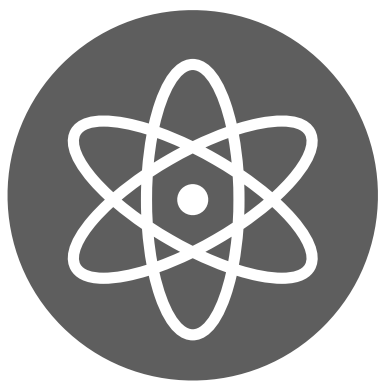


## The best way to predict the future is to create it

**Peter Drucker**

After years of focusing on improvement of procurement via e.g. digitalization & automization but not questioning the current ways of working will this white paper will provide insights about the future of procurement - beyond just a function. Get inspired by 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 such as 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 provide inspiration for an incremental change.



### Procurement becomes a Capability

Successful examples such as Roche show that Procurement becomes a strategic Capability in the Business to be as reactive as possible. Procurement shifts it's 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 more easily incorporated than they are today. Even better than that better outcomes could be achieved faster on a much more sustainable work pace, which increases obviously also employee and customer satisfaction.

# FOREWORD

The Future of Procurement

## From Function to Capability

A Survival Guide for Leaders

Business agility requires the whole company to be innovative. Time for procurement to get into the game. Make Effect driven innovation and playful collaboration with your partner ecosystem the new norm.

### Mattias Skarin

Lean & Kanban Coach, Author of "Real world Kanban" and the co-author of "Kanban and Scrum, making the most of both". Developer of agilakontrakt.se

### Mia Kolmodin

Founder of Dandy People. Executive & Enterprise Agile Coach, Organizational & Product Development Specialist. CEO - Chief Enabling Officer

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.





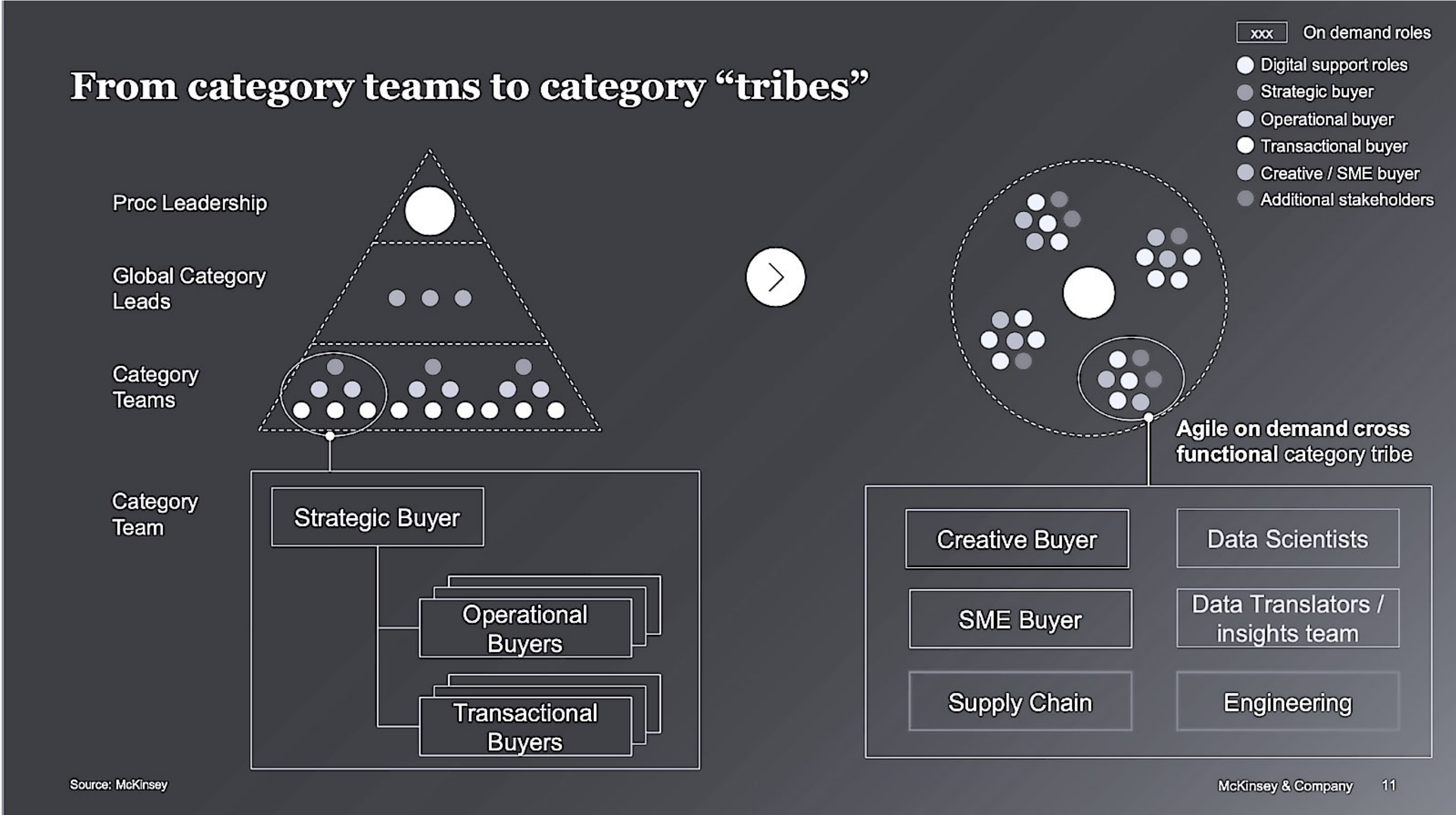
McKinsey's Senior Partner Jan Wüllenweber delivered a keynote speech at *Digital Procurement World 2021*<sup>1</sup> that addressed the Next Big Thing in Procurement - namely looking Beyond the Digitisation of the Function.

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 say why we think the Future of Procurement is less functional and is becoming 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 into strategic- and operational procurement teams. A simplified view of 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 into Categories such as 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 a 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*<sup>2</sup> almost all of the procurement organizations are currently focused at Digitization & Automation of these operational procurement processes.

The Procurement function 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 scenario, they may have got in touch with Agile ways of working as a stakeholder while for example 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 aspects mentioned 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. It is mportant to mention that 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 something different for every company. Nevertheless as the Agile Movement just turned 20 years some good practices evolved in the meanwhile.

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

## Business Agility Maturity Model



Image Source: [flowdays.net](https://flowdays.net)

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The sections of this White Paper are structured in the following way:

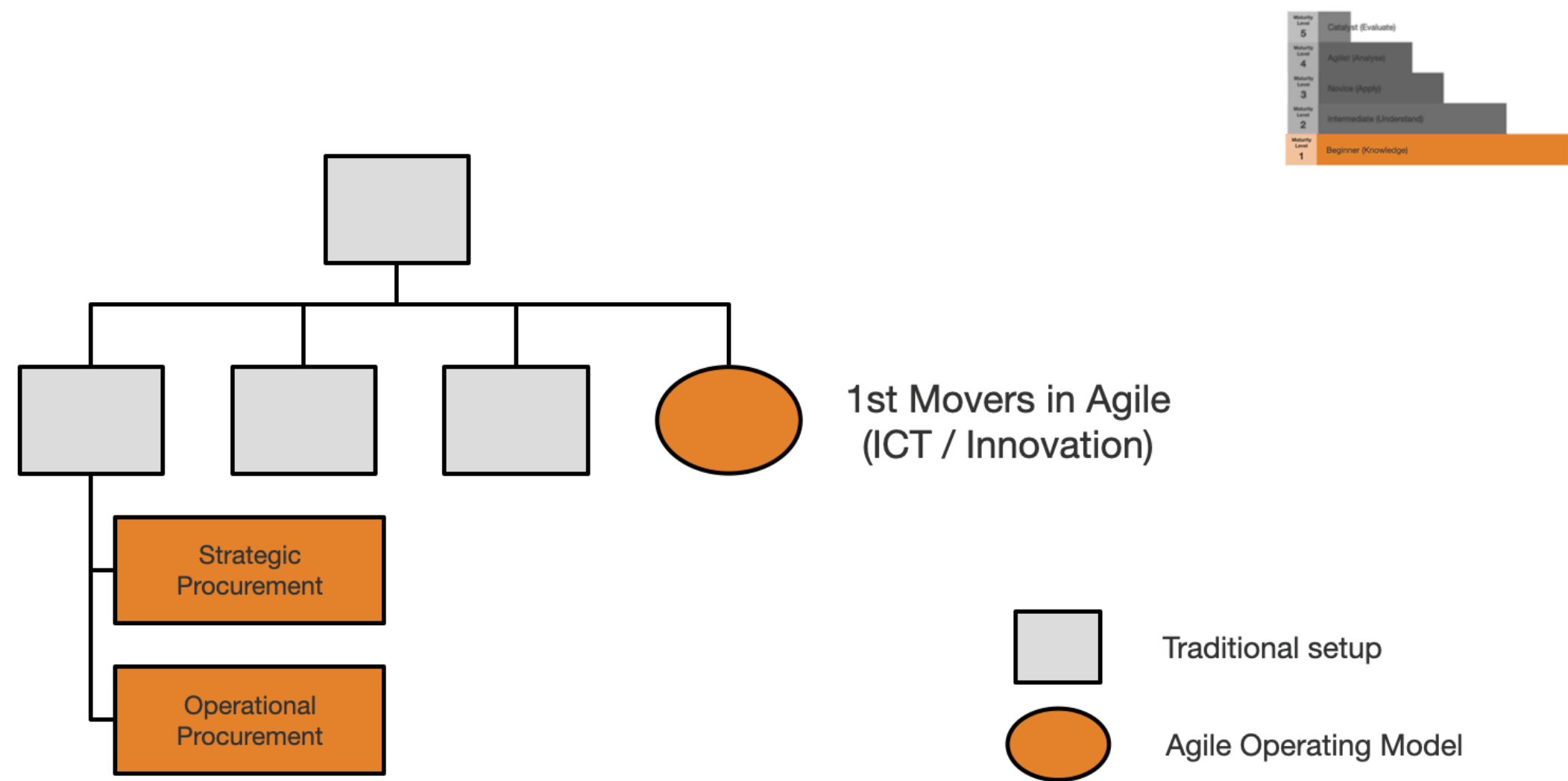
- **Description of Maturity Level**, how it feels to be at that stage from a procurement point of view
- **Summary of Maturity Level**, what are the other aspects of this stage such as e.g. level of Digitalization, Benefits of Stage, etc.
- **Examples** representing this Maturity Level in reality

**Disclaimer:** This Agile Maturity Model should not be seen as a step-by-step guide. Every company is different and could be at 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 has still a very traditionally set-up 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*<sup>3</sup> or a *Practitioner Class in Lean-Agile Procurement*<sup>4</sup> is a good starting point. Alongside 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 also experiment with *Kanban*<sup>5</sup>, 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 at 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 start to ask themselves about their personal futures. There's still huge uncertainty in the organization's leadership and workforce about how these new ways of working could benefit to the current procurement function.

## 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 improved more and more for procurement professionals, Employees in Procurement have got a basic understanding in agile, occasional first small improvements via the 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



# Canadian Government Agile Procurement as Requirement for sourcing ICT

An example of a Maturity Level 1 is 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 everything was organized very traditionally according to public law and the procurement governance.

Federal organizations rolled out agile procurement without sufficient training for staff or engagement with key stakeholders	
What we found	<div><div>1.28</div><div>We found that, although the federal organizations showed enthusiasm for agile procurement processes, Public Services and Procurement Canada and Shared Services Canada did <u>not provide sufficient guidance or training</u> to employees on how to conduct agile procurement for major IT initiatives, including how to effectively collaborate and respond to suppliers' questions and feedback.</div></div> <div><div>1.29</div><div>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.</div></div> <div><div>1.30</div><div>The analysis supporting this finding discusses the following topics:<ul style="list-style-type: none"><li>• <a href="#">Collaboration with suppliers needs improvement</a></li><li>• <a href="#">Insufficient guidance and training</a></li><li>• <a href="#">Opportunities to strengthen governance</a></li></ul></div></div>
Why this finding matters	<div><div>1.31</div><div>This finding matters because agile procurement processes include more collaboration with suppliers than traditional methods do. <u>Without adequate training</u>, 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.</div></div>

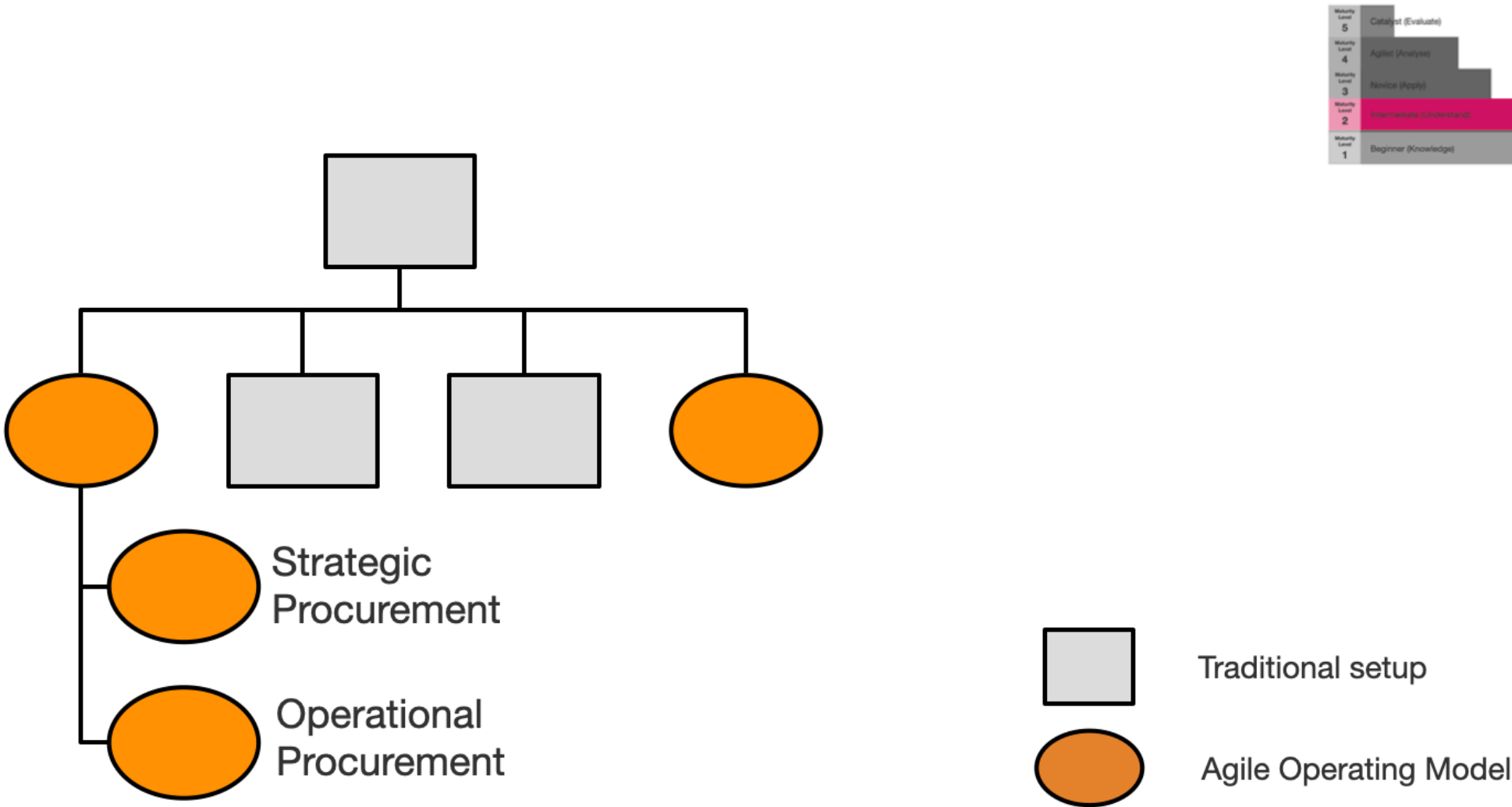
The new vision triggered them to get to know more about agile ways of working and how these could be translated into public procurement. They have been experimenting new ways of working in real cases / public tenders too. With great results, such as improved lead time, minimized risks, better alignment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

The recent *Auditor General of Canada's report on Agile Procurement* <sup>8</sup> 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 better deal 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 begun 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 have become part of the Agile Service Teams that maintain and further develop the digital procurement tools to serve the business.



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The formal structure isn't altered much at that stage. The procurement teams understand more and more about the benefits of working Agile and apply it in their current setup. Thanks to Automatization strategic procurement has become more in focus so that they start 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 taken place. 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 leaders are starting to ask themselves about their future role and the value of a linear 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 almost finished for procurement professionals, Employees in Procurement have applied Agile ways of working in their daily work within the 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

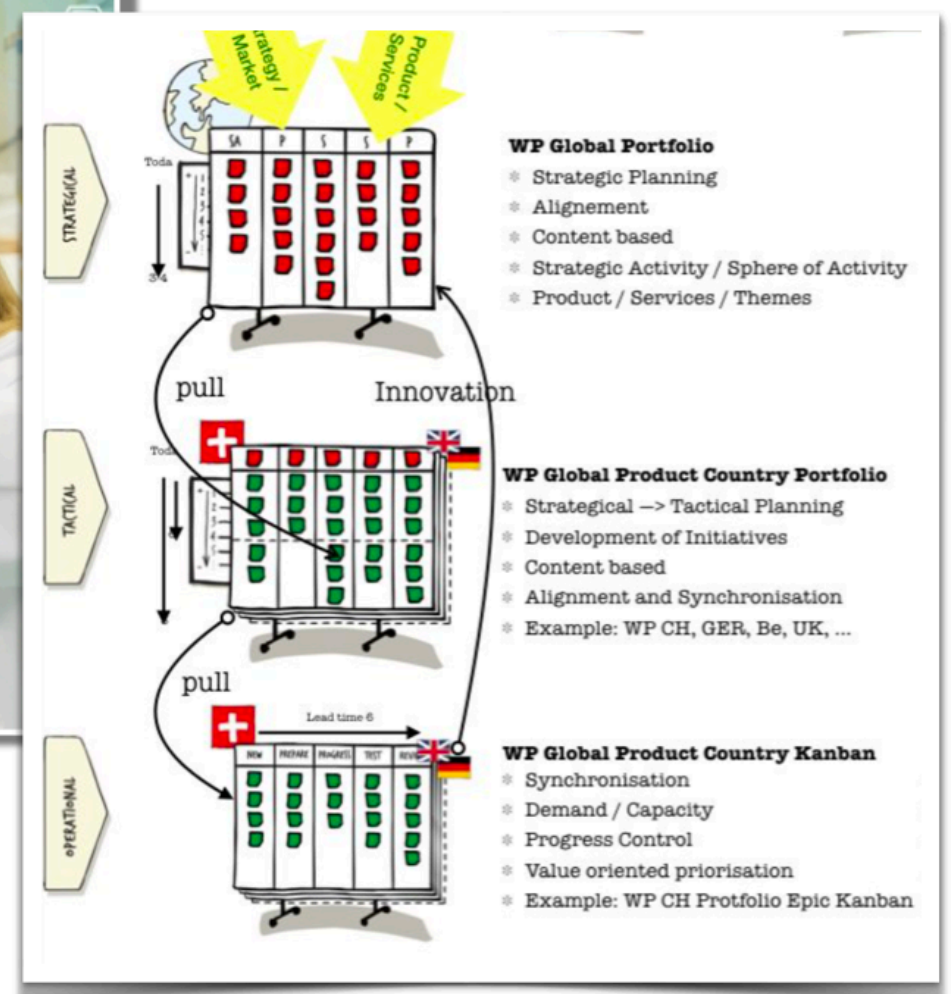
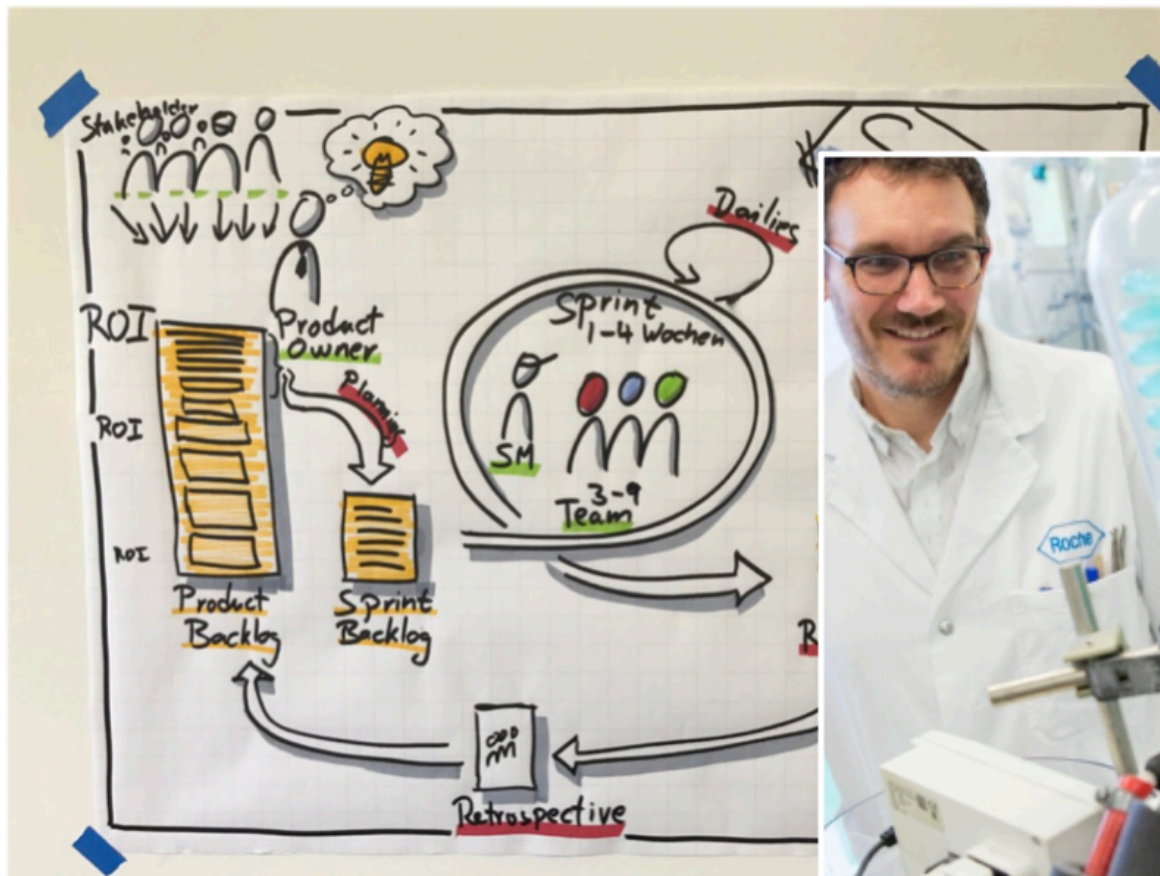
An example of a Maturity Level 2 is the procurement function of the Insel Group AG, a healthcare organization from Switzerland with over 11,000 employees and multiple hospitals focused on medicine, nursing, operations, infrastructure, administration, teaching and research. Their procurement organization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

The leadership team of Hannes Schrittester, Chief Procurement Officer Insel Group learned the main Agile practices of *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!

INSELGRUPPE



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Together with the Head of Supply Chain and the leadership team in procurement a new *Agile Portfolio Board* was developed, where for the first time an aligned priority across sourcing cases, organizational- and technical changes, projects, etc. was jointly approved. Further rituals / meetings have been adopted, decision competencies delegated, etc. so that the priorities are now always up-to-date and broken down even to 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; an adaptable portfolio in case of changing priorities; significant improvement in customer- and employee satisfaction.



# SwissCasinos AG

## Sourcing a new ERP System in just 4 Weeks

The Future of Procurement

**From Function  
to Capability**

A Survival Guide for Leaders

Another example of a Maturity Level 2 is 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 of sourcing an ERP System -what usually takes 12 months- in just 4 Weeks, so that they could stick to their ambitious schedule.

By applying *Lean-Agile Procurement (LAP)* he has achieved much more than that, with the team also being announced as 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. For example it fosters collaboration with the shortlisted vendors as early as possible and so Daniel and his team 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 day workshop as well and because the RIGHT people from all parties were there, a WIN-WIN could be agreed on, with significant savings too.

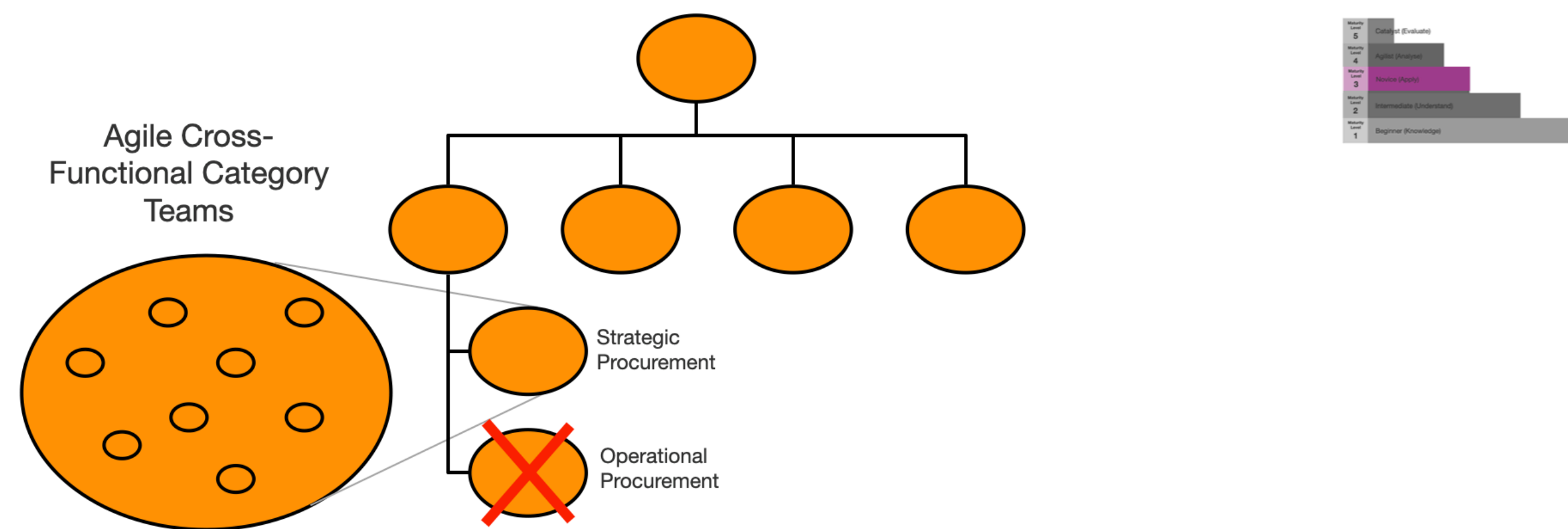
After this, the case SwissCasinos started to adopt their organization accordingly based on the learnings of this pilot accordingly. E.g. applied the finance teams (Accounting, Payrole, etc) *Kanban* and *Scrum*.



# Maturity Level 3: Novice (Apply)

In Maturity Level 3 the developments begun 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 longer needed and are 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- ... data extend their mission to serve the whole company and become a single source of truth.

Strategic procurement has pulled down the traditional silos 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 teams „category tribes“. 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 have become 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 at that stage, except the change of the internal setup. To the leadership it's clear now that the focus has changed to a value-added way of working (OUTCOME) over the linear organization. Furthermore leaders now have 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 has become 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

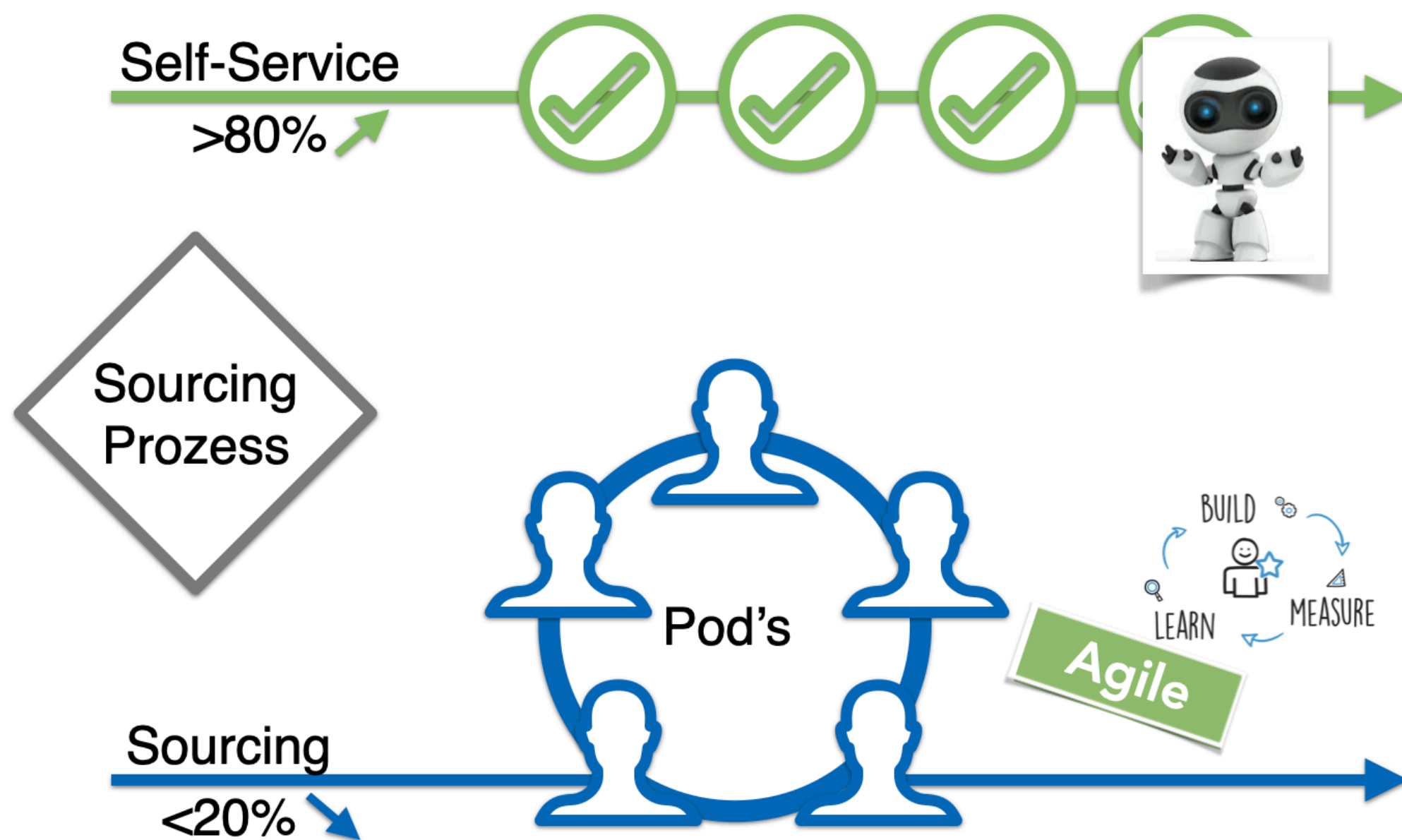
The Future of Procurement

**From Function  
to Capability**

A Survival Guide for Leaders

An example of Maturity Level 3 is the Procurement of 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 for the first time their new set-up 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 sourcing cases in the future, because it was still unsure if all cases possible had 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", then it would 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 radically improved. However, it soon became obvious that 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

The Future of Procurement

## From Function to Capability

A Survival Guide for Leaders

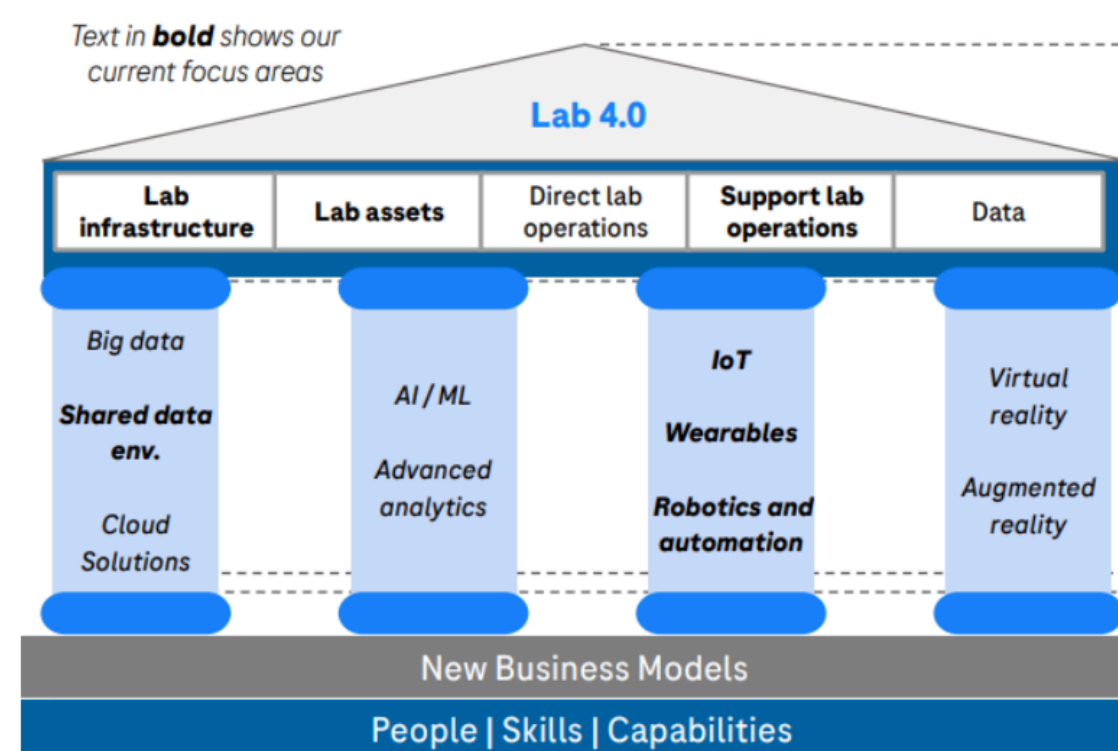
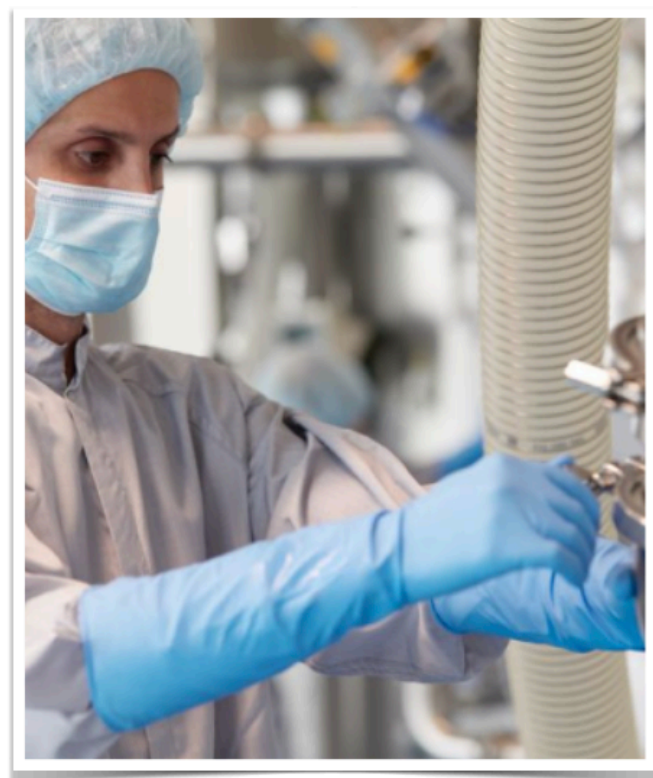
Colm Diamond, Productivity Lead Global Procurement at Roche and his team took the concept of cross-functional to the next level. They turned a traditional reactive / service oriented behavior into a proactive problem solving attitude. If he's talking about Roche he says: "with Roche the Patient is at 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 should be happening.

Instead the team have built Solutions Teams which combine on different specific business problems flexibly. They then collaborate 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 up 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 on the market.



# Maturity Level 4: Agilist (Analyse)

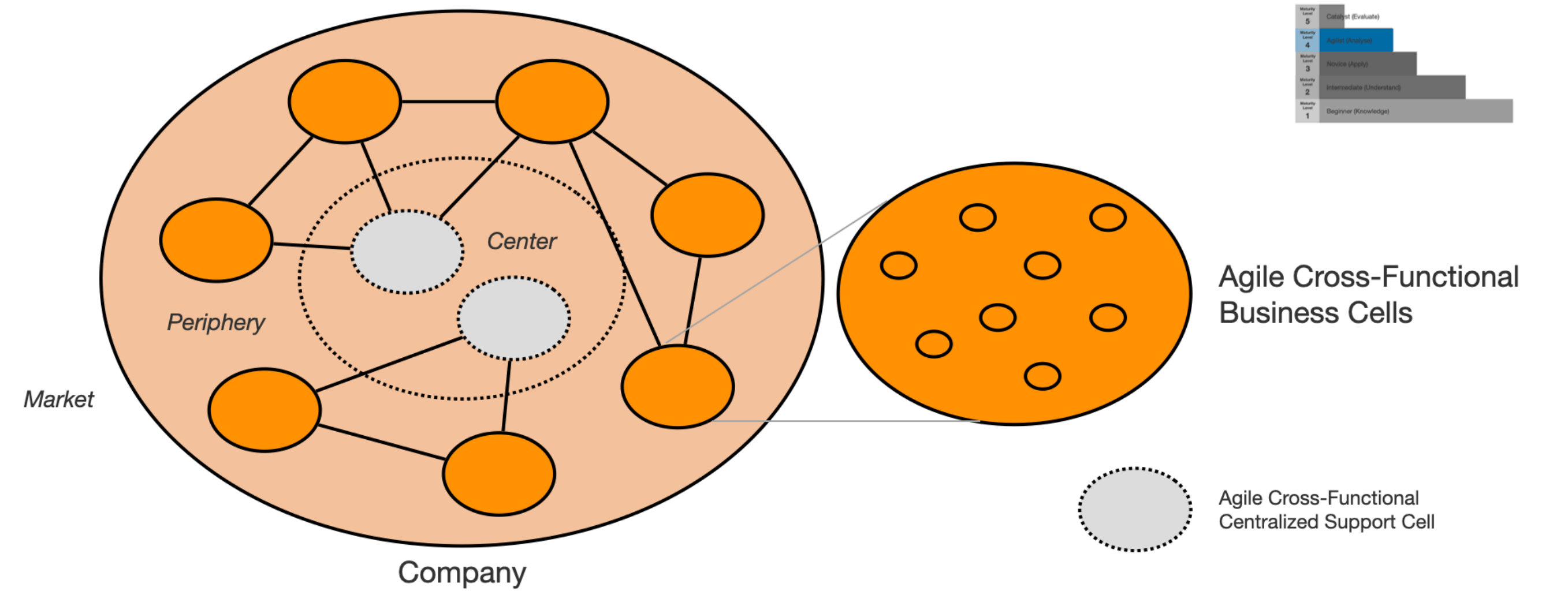
The Future of Procurement

**From Function to Capability**

A Survival Guide for Leaders

In Maturity Level 4 the Agile Transition has become an organization wide journey, which results 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 these act as independent Business Units or even Legal Entities.

With *LAP* it became obvious that each of these *Business Cells* needs all the capabilities earlier served by procurement and that the business always should own the strategic partnership. The *Business Cells* in the *Periphery* set-up and fund a centralized "*Cell for Procurement*" if needed to provide knowledge, guidance, create transparency via shared Platforms, etc. Basically the *Center* just delivers services the *Business Cell* don'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 / Linear 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 longer reflect the current set of values and that a traditional supply chain isn't enough (IMPACT). Frontrunners might already start to experiment with the 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 Bureaucracy, 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 whose goal is to be “a catalyst for end to end change”. The experts have 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

GlobalProcurement

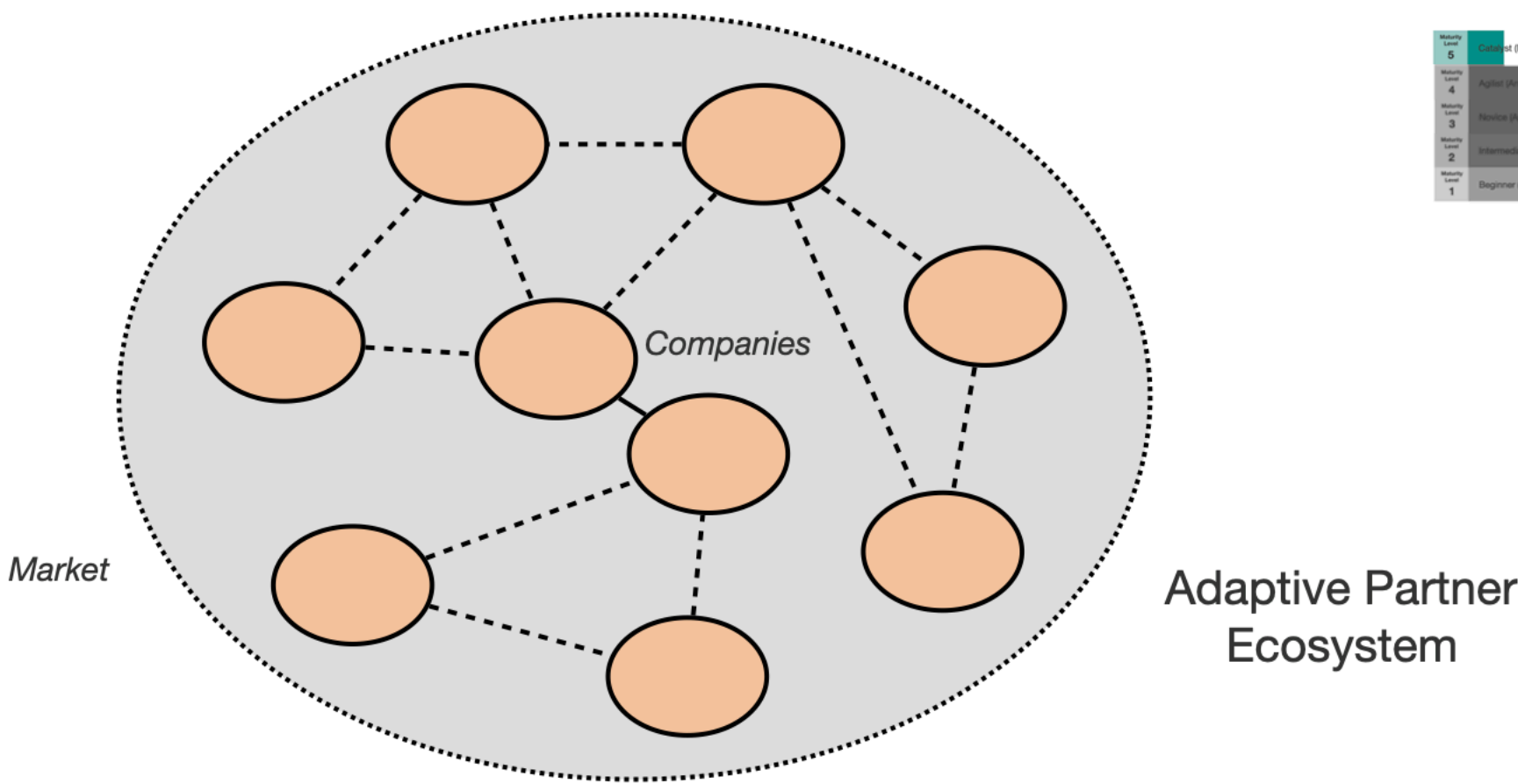
Capabilities in communities NOT in teams

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 have started to organize around business value together, openly sharing their vision, data, etc. and collaborate on new topics together. Important topics such as sustainability, inclusion / diversity, circular economy, etc. are addressed together to create a positive impact not just for the business, but for the environment, society and humanity.



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From a structural point of view the borders between companies have 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 them. Long contract negotiations become a thing of the past and the *Business Cells* have learned to find, select and integrate new Partners in hours/days instead of months/years. Trust has become a key driver in forming new Partnerships, while contracts still have its place where needed. If applied contracts support Agile collaboration between company / partners. Knowledge, data and experiences are also shared openly to serve a collective purpose.

## SUMMARY

Focus	Scaling new mindset & ways of working throughout 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 better 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	Greater impact on the environment / society / etc, Sustainability & Security in a partner ecosystem, fast access to data / services / products to create joint outcomes for the customer



# Buurzorg Ecosystem of Healthcare Services

The Future of Procurement  
**From Function  
to Capability**  
A Survival Guide for Leaders

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 other countries. Jos De Blok, Founder & CEO BUURTZORG, says "We shall spend our time on the patient and not on 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 also do a cell-split including employment of new team members if there's a bigger market demand, sourcing of all their utilities, office space, etc. BUURTZORG supports its 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 organizational 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 Hierarchie



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Client satisfaction rates are the highest of any healthcare 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 have both been achieved. Ernst & Young predicted savings of around 40% for the Dutch health care system if all care was provided this way. More important than that is the impact Buurtzorg is creating on the society. Elderly people get better sooner, are able to stay in their own homes and are connected with other people in their neighborhood, ensuring they remain a part of society.



# Haier Radical Transformation of Procurement

The Future of Procurement

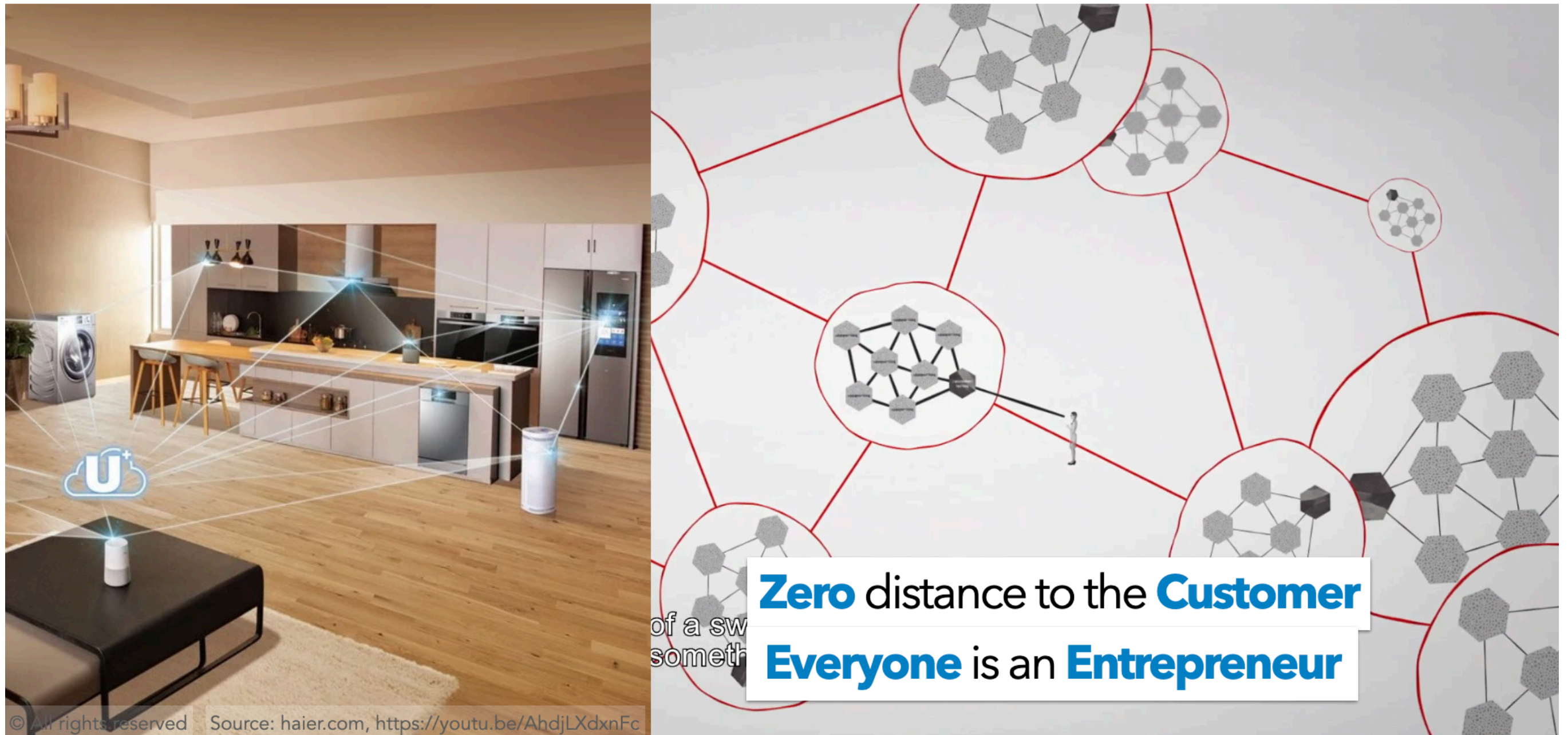
**From Function  
to Capability**

A Survival Guide for Leaders

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

**Haier**



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" (learn more about other principles RenDanHeYi<sup>13</sup>). By pulling down the hierarchy, they've achieved a \$2bn 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 micro businesses that operate cross-companies with 3rd party as well. The Micro-Enterprises from fluidly Micro-Communities or small Business Ecosystems that agree on a Ecosystem Contract focused on leading goals, the way they collaborate while co-creation and how they'll share potential profits. Haier reports that they have more than 4,000 EMC Contracts updated / agreed every month.<sup>14</sup> Procurement and any commercial role has become a strategic capability of every Micro-Enterprise. Waiting for a centralized service would simply slow them down!

Currently other Haier Brands such as GE Appliances in the United States or Fujitsu in Europe are undertaking a similar transformation with similar business impacts. „For Haier the importance of Ecosystems, the relationships that from them will become their most valuable asset in the future”.<sup>14</sup>



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

It's important to know that it's not just procurement that undergoes a transformation - it's the whole organization, actually the whole supply chain!-Some companies might call it new ways of working, others Agile Transformation. Whatever it's called at your place, it's time to improve and reduce bureaucracy to become more reactive to market changes. Start small and include the people nearest to the problem. Introduce for example a joint priority first in procurement 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 at first. The purpose of these network organization is always to be as responsive as possible with a Minimum Viable Bureaucracy (MVB). In other words, it depends on your context what MVB means to you and how far you need to go to reach the necessary Business Agility. Examples such as Roche show procurement in a new light, as an enabler of the *Business Cells*. For the maturity of procurement organizations this means to create the foundation - making data available to everybody - in a first place. In parallel it's recommended to transform the ways of working in procurement. Only in this way can procurement become the enabler and stay relevant to the business. This means improving structures, policies, government, while educating procurement professionals simultaneously.

Since the pandemic and its supply chain disruptions it has become obvious that every business needs to think their business case cross-company. Examples such as Pfizer Biontech and the cross-company development of the vaccines showed that complex problems could only solve together. There's a need to rethink the concept of a 'static' supply chain driven by cost-optimization and introducing adaptive partner ecosystems where we even collaborate with competitors. Having new ways of working and especially an Agile Mindset in place will support us to overcome the mental barriers that hinder us today.

### Mirko Kleiner

Thought Leader in Lean-Agile Procurement , Winner World Procurement Award 2020 by Procurement Leaders, CIPS Award Winner 2018, President of Lean-Agile Procurement Alliance, co-founder flowdays, Agile Enterprise Coach, Certified Scrum@Scale Trainer





# Thank you & what others say about

The Future of Procurement

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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

„Managing the uncertainties and rapid shifts in today’s markets requires a move away from functional and system siloes, from the contention and knowledge hoarding these create“

**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

Business agility requires the whole company to be innovative. Time for procurement to get into the game. Make Effect driven innovation and playful collaboration with your partner ecosystem the new norm.

**Mattias Skarin**, Lean & Kanban Coach Author "Real world Kanban" & co-author "Kanban and Scrum, making the most of both" [agilakontrakt.se](http://agilakontrakt.se)

## More

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



[agilakontrakt.se](http://agilakontrakt.se)



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p r o c u r e m e n t

[www.lean-agile-procurement.com](http://www.lean-agile-procurement.com)

### Literature

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- (4) Lean-Agile Procurement by Lean-Agile Procurement Alliance
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- (12) Picture & Stories „Agile Solutions Team and Enabling Teams“ & „ Agile Solutions Team and Enabling Teams“ by Roche
- (13) Picture & Story „Ecosystem of Healthcare Services“ by Buurzorg
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### Picture credits

(Title Page) [galileo.tv](https://www.galileo.tv)

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