

global annual report

2023

STATE OF AGILITY

IN PROCUREMENT & SUPPLY



with the focus topic

ADAPTIVE PARTNER ECOSYSTEM



World Commerce
& Contracting



lean-agile
procurement

As Ugur Sahin, CEO of BioNtech, said recently: "When the need is urgent, like when the world needs a new vaccine, there's no time for contracts." The alliance between BioNtech, Pfizer and Fosun Pharma is based on 'trust-based cooperation' - a strong focus on shared leadership and open, honest communication. One of the most advanced example at present is Haier. They have moved to an 'adaptive partner ecosystem' as a company (80,000 entrepreneurs), including all their partners. As a result, Haier has increased its revenues and profits by 20% over the last 10 years! - In general, Adaptive Partner Ecosystems are much more flexible and resilient than current supply chains. As the report shows, its principles are increasingly being applied not only to co-creation/innovation, but to the entire joint delivery of value to the customer. As such, Haier and these Adaptive Partner Ecosystems provide an inspiration for future ways of working beyond the supply chain, as well as how to improve smaller current challenges in in how we form and manage our trading relationships.



When the need is urgent, there's no time for contracts. The alliance between BioNtech, Pfizer and Fosun Pharma to develop the COVID19 Vaccine was founded on 'trust-based collaboration'.

Ugur Sahin
 CEO BioNtech

#AdaptivePartnerEcosystem

This 2023 report provides insight to the state of agile in procurement and supply and is an update on our previous study, released in 2022.

INSIDE THE NUMBERS

Results have high levels of interdependency between groups or networks of organizations to solve today's complex problems. 83% are recognizing the need to rethink how relationships are formed and managed involving more than 1 partner. Most are still struggling with an appropriate contracting strategy for multiple partners. In addition, most respondents report that they are not establishing trading relationships quickly enough. Success stories in commercial functions have demonstrated the potential for huge business impact, with improvements in lead times of between 200 and 800%. No wonder 88% of executives agree that 'agility' is of strategic importance to their business.



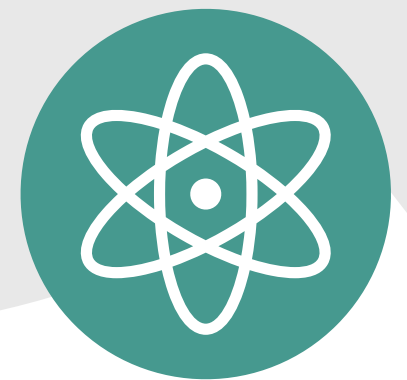
STRATEGIC IMPORTANCE

88% of respondents in executive management agreed that adopting agile is of strategic importance to their business



AGILE TRANSFORMATION

For a growing number (82% of respondents) this is at company level, but still only a few include their customers or vendors.



ADAPTIVE PARTNER ECOSYSTEM

83% of respondents need to include more than 1 partner for solving complex problems, while most of them don't have an appropriate contracting strategy and can't establish the partnerships fast enough

Since the last report, there has been a 19% increase in the number of respondents who have started an agile transformation in their function or even at an enterprise level. However, the approach taken to transformation remains similar, indicating that the majority of respondents are not receiving sufficient executive support to become agile in a structured way, nor are they engaging their external partners in the journey. This lack of executive engagement to driving change is a risk to its speed and effectiveness. Furthermore, the failure to involve key partners in the transformation will limit the benefits that can be achieved from implementing agile across the value ecosystem.

FOREWORD



global annual report

2023

STATE OF AGILITY
IN PROCUREMENT & SUPPLY

Agile operations. Agile relationships. This report confirms growing appreciation of the importance of agility in managing today's business conditions. Yet it also reveals the limits to progress.

This should come as no surprise. As major consultants such as McKinsey and Boston Consulting Group have indicated, enterprise agility is important, but it is also disruptive. It requires a flatter, networked organization with flexible teams that operate outside traditional management structures. Such a fundamental restructuring demands executive sponsorship – but many executives view the shift to agile as a team-level activity.

These observations are reflected in the findings of the survey that underpins this report. They tell us that a majority of agile initiatives are functional in their nature and make use of traditional techniques, requiring low levels of funding. As a result, they often focus on internal operations which inevitably constrains the impact and visibility of improvements – although improvements are being achieved and perhaps this lays a foundation for progress.

The area where progress is perhaps most needed is in the formation and management of agile relationships, more capable of dealing with today's volatile market conditions. Only around one in ten initiatives is currently engaging external partners. But this suggests that a new breed of market leaders is emerging – lean, agile, adaptive and ready to embrace new contracting and commercial models.

Tim Cummins (founder of World Commerce & Contracting formerly IACCM) & **Mirko Kleiner** (President Lean-Agile Procurement Alliance) have designed and published this study.



Tim Cummins

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



Mirko Kleiner

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

COOPERATION PARTNERS

This survey 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.

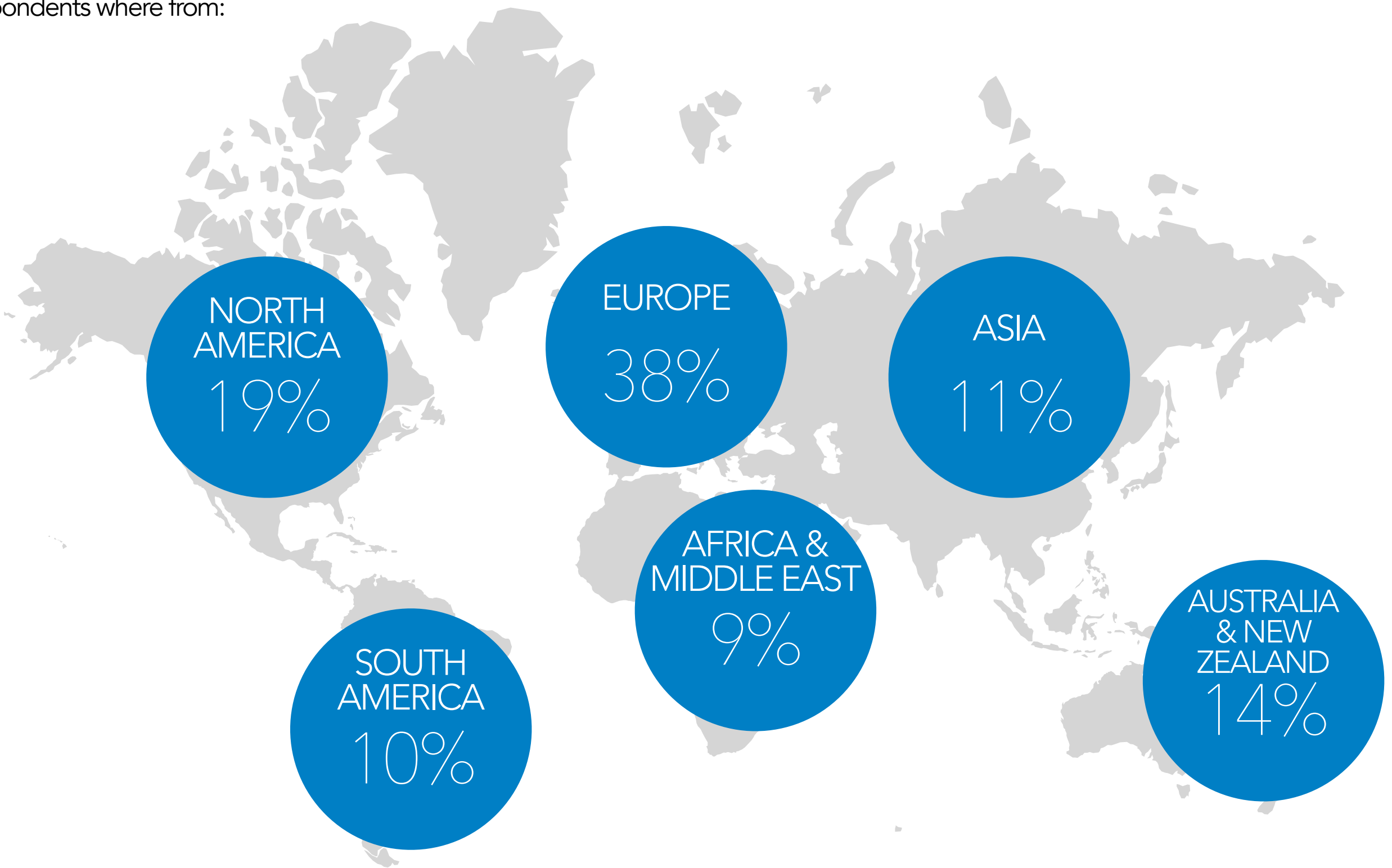


RESPONDENT DEMOGRAPHICS

Participants responded from all around the world, from corporates to SME's, from multiple industries and roles. This has enabled us to present results from both the buyer's and supplier's point of view covering both public and private sector. Compared to the 2023 results, we were able to diversify the location and industry of respondents, while the size of organizations remained similar.

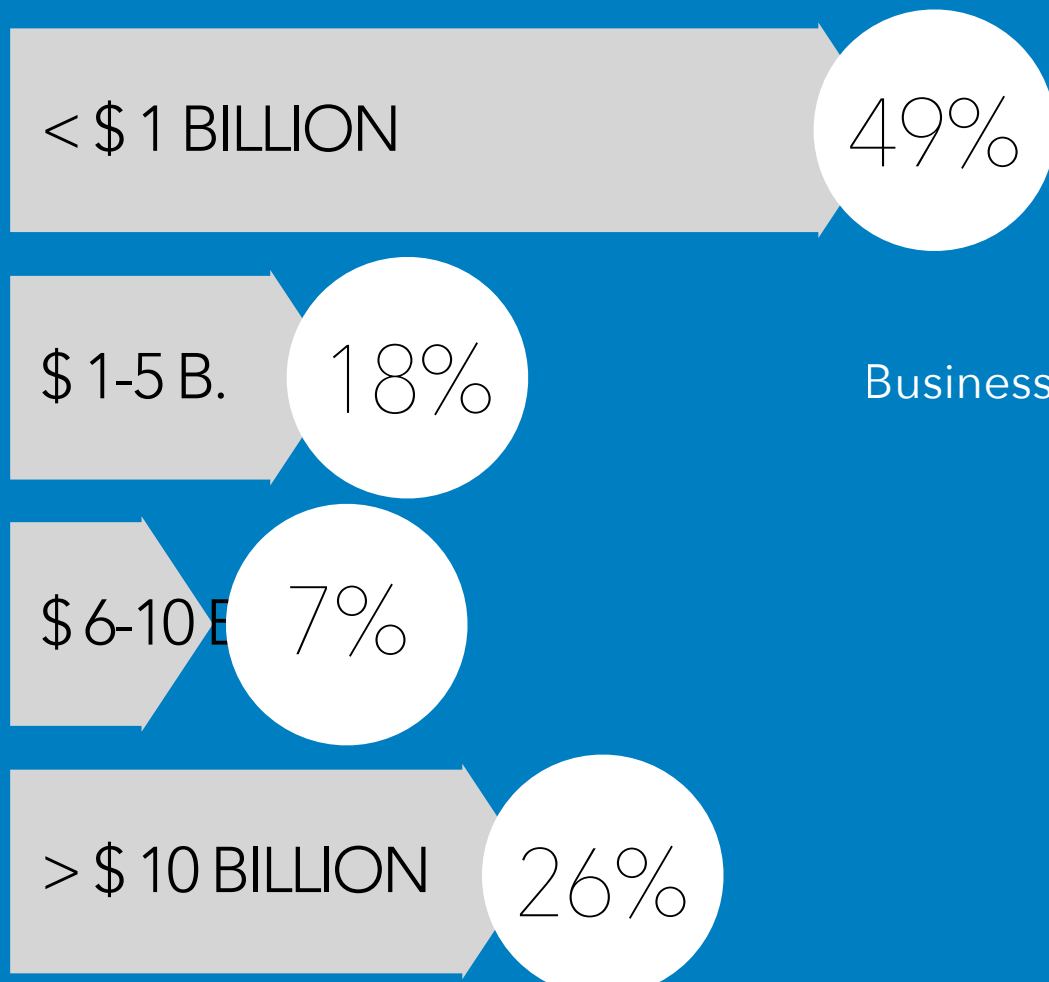
LOCATION OF ORGANIZATION

Respondents where from:



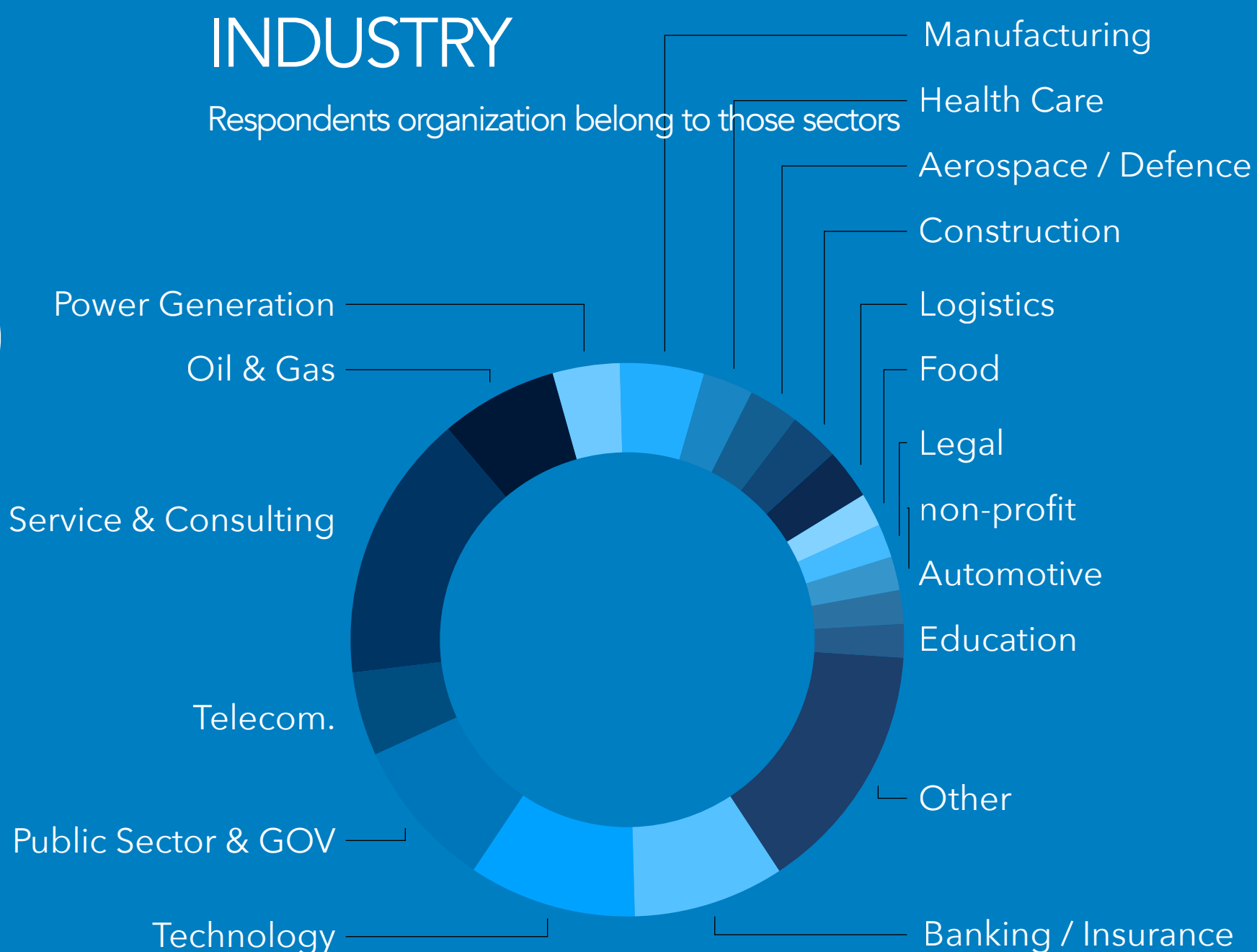
SIZE OF ORGANIZATION

Respondents organization have an annual revenue in USD)



INDUSTRY

Respondents organization belong to those sectors

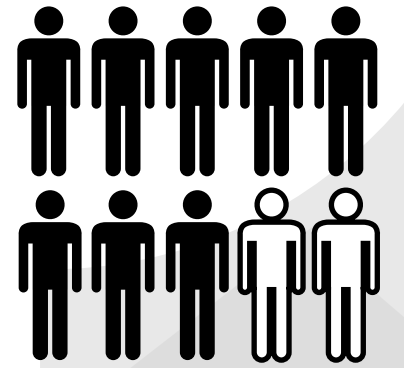
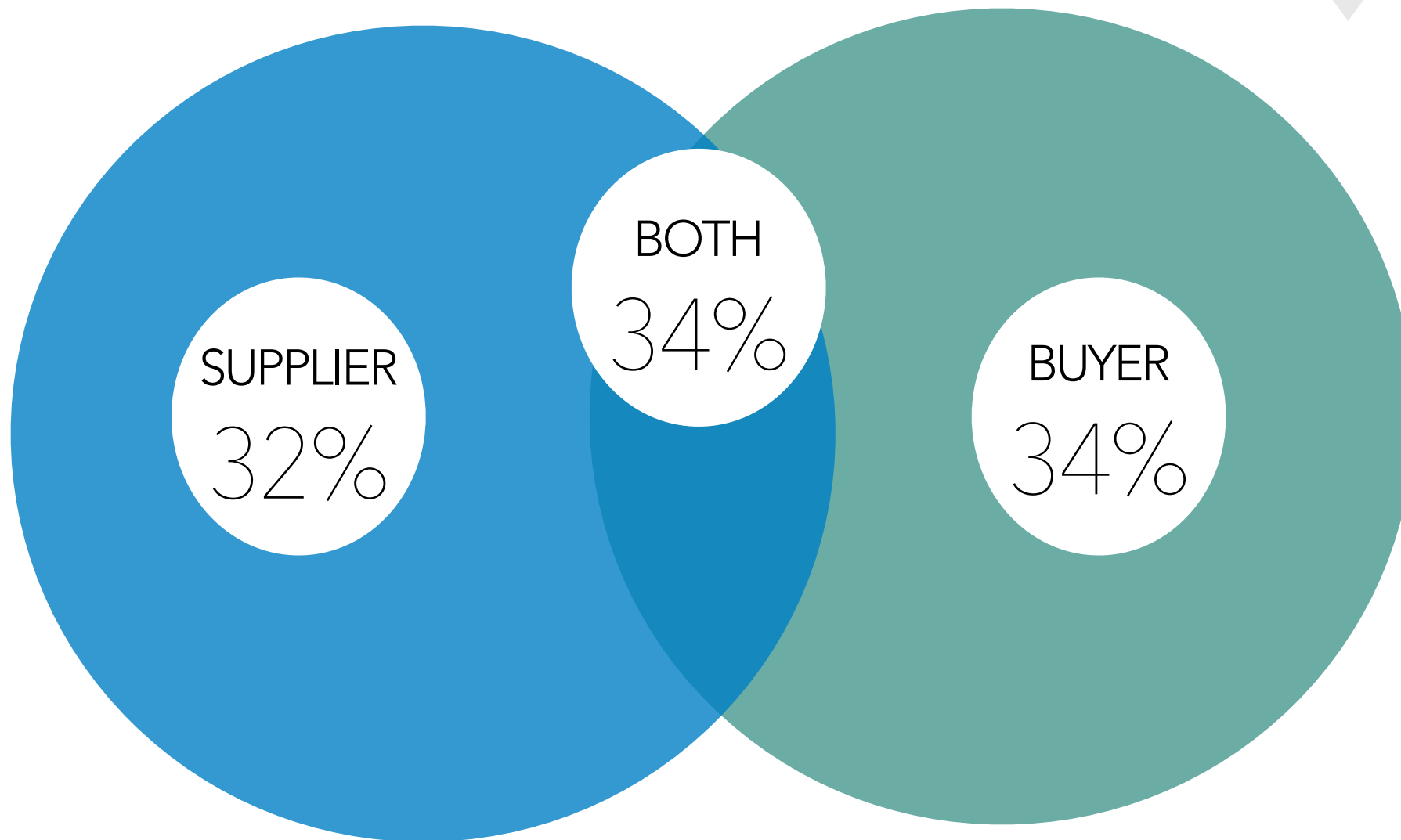


RESPONDENT DEMOGRAPHICS

The respondents are very balanced from the buyer- and supplier side. Respondents cover most of the commercial functions.

BUYER & SUPPLIER ROLE

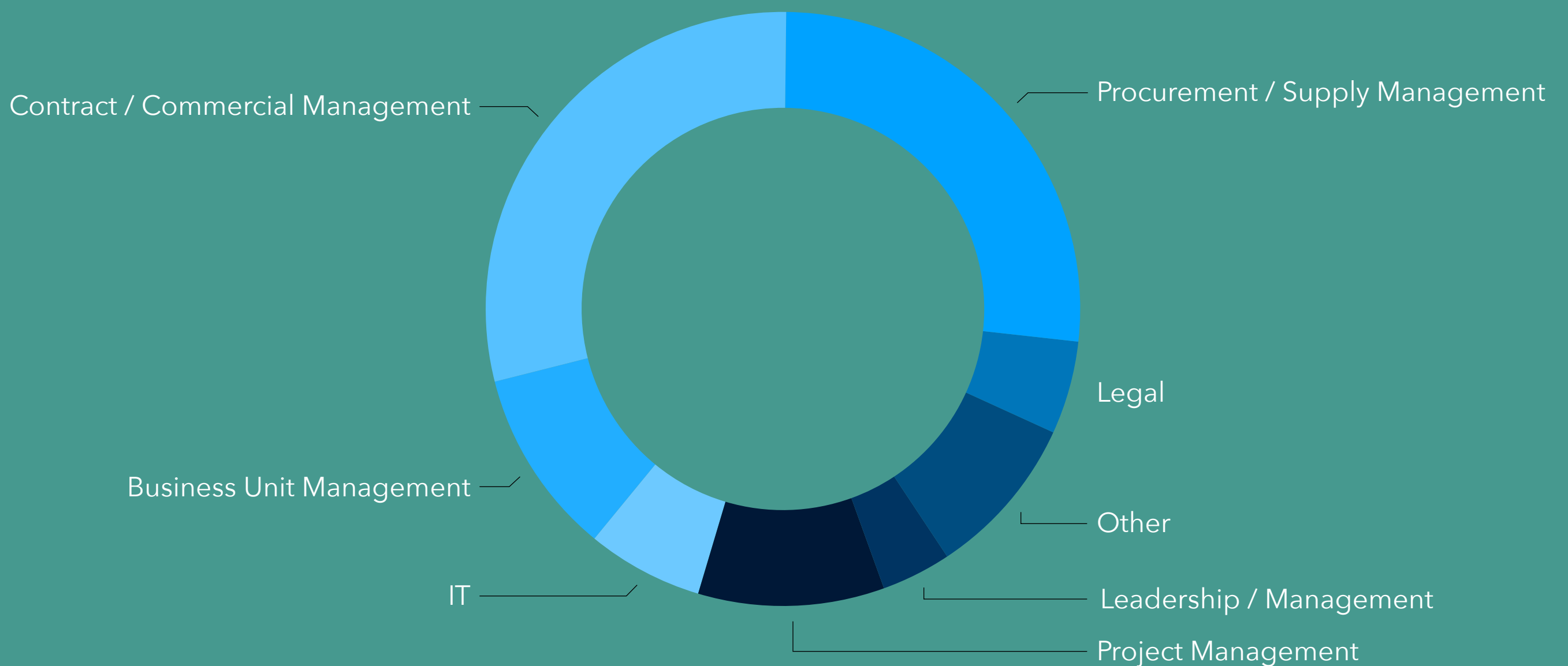
The respondents came from the supplier- as well from the buyer side



79% of respondents do most of their business in private sector, which leaves 21% doing their business with public sector / government

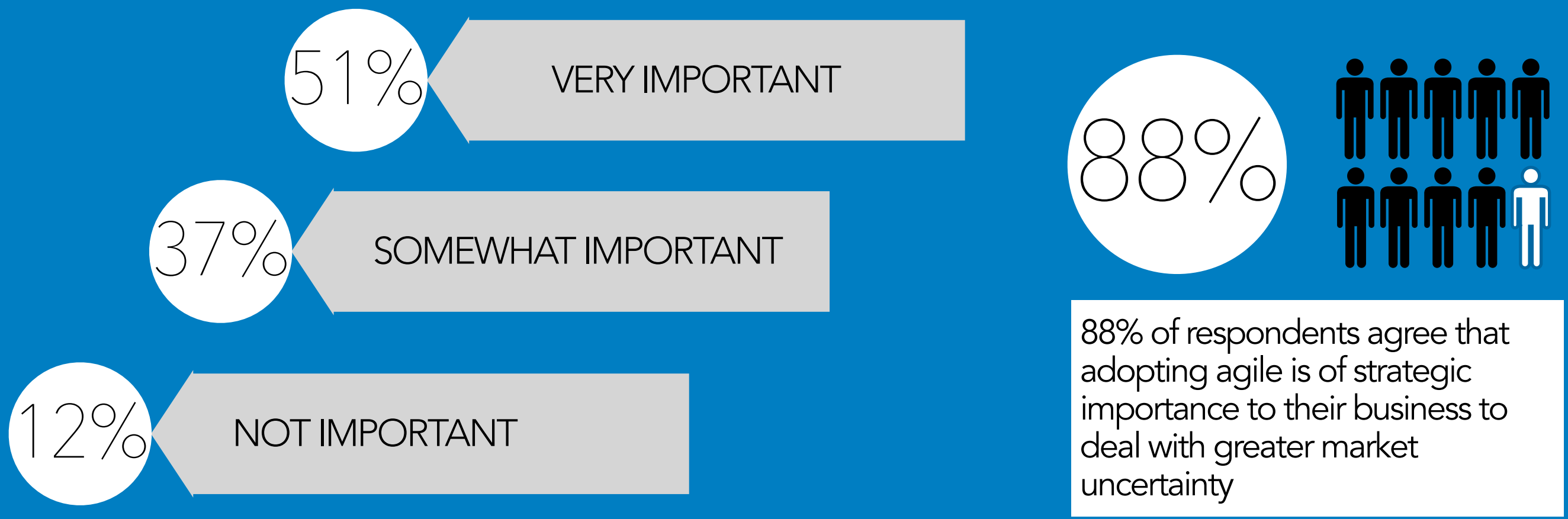
FUNCTION

The respondents came from the following roles & functions



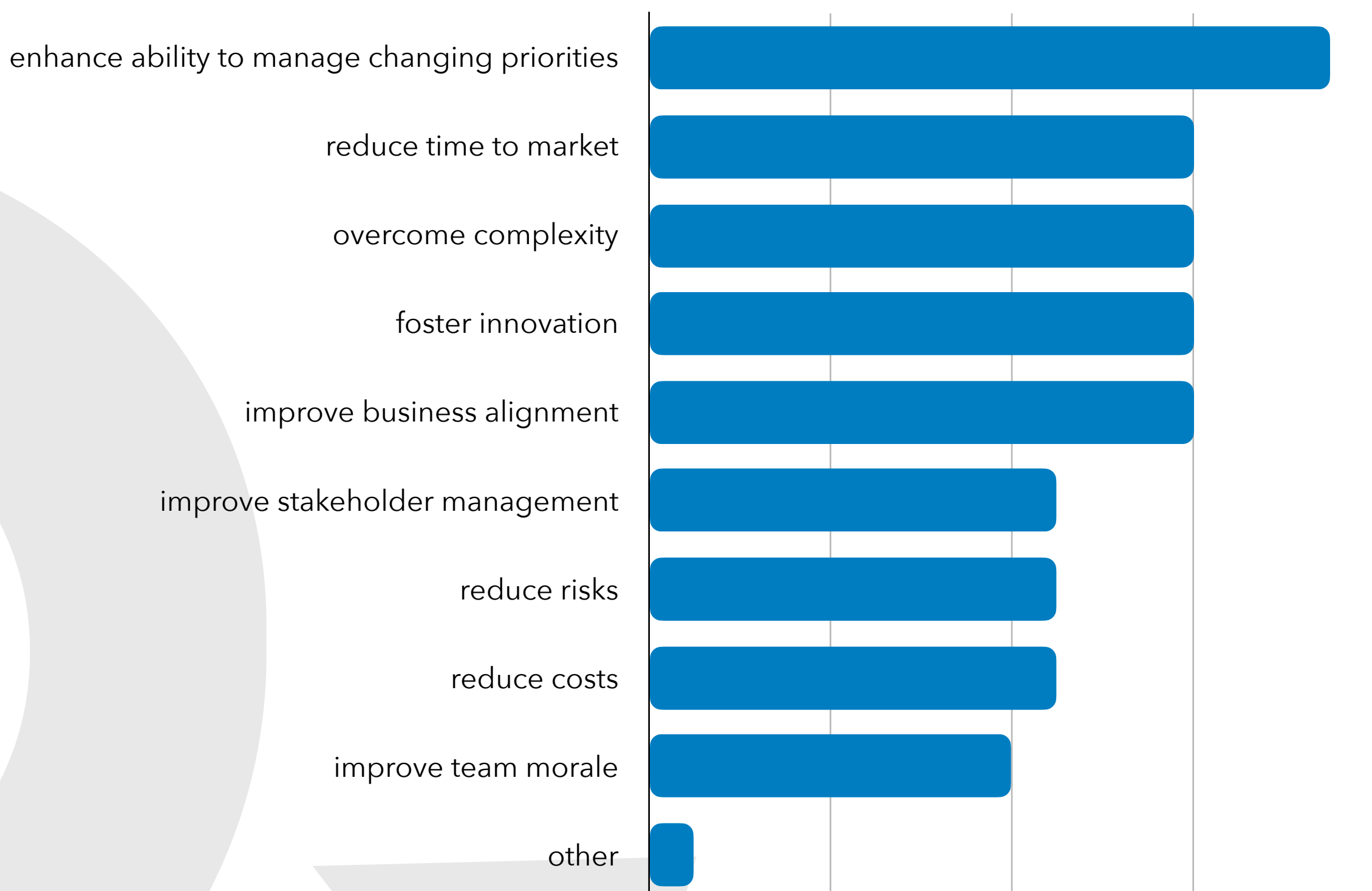
Both procurement and supply-side respondents agree that adopting Agile is a top priority for executives as they deal with increased market uncertainty. There is a heightened sense of urgency driven by the pressing need to protect growth and margins through more adaptive capabilities. For both buyers and suppliers, this drives a need for greater focus on outcomes and value - both of which may alter during the life of their relationship. This also means a reduced focus on the traditional aspects of procurement, such as cost, and an increased focus on value.

STRATEGIC IMPORTANCE OF BUSINESS AGILITY



REASONS FOR ADOPTING AGILE

The top 3 reasons for adopting agile are to enhance ability to manage changing priorities or the need to rapidly adjust to altered market conditions, to reduce time to market and to overcome complexity haven't changed since last report. Interestingly, respondents report a greater need to improve their alignment with the business and stakeholders.



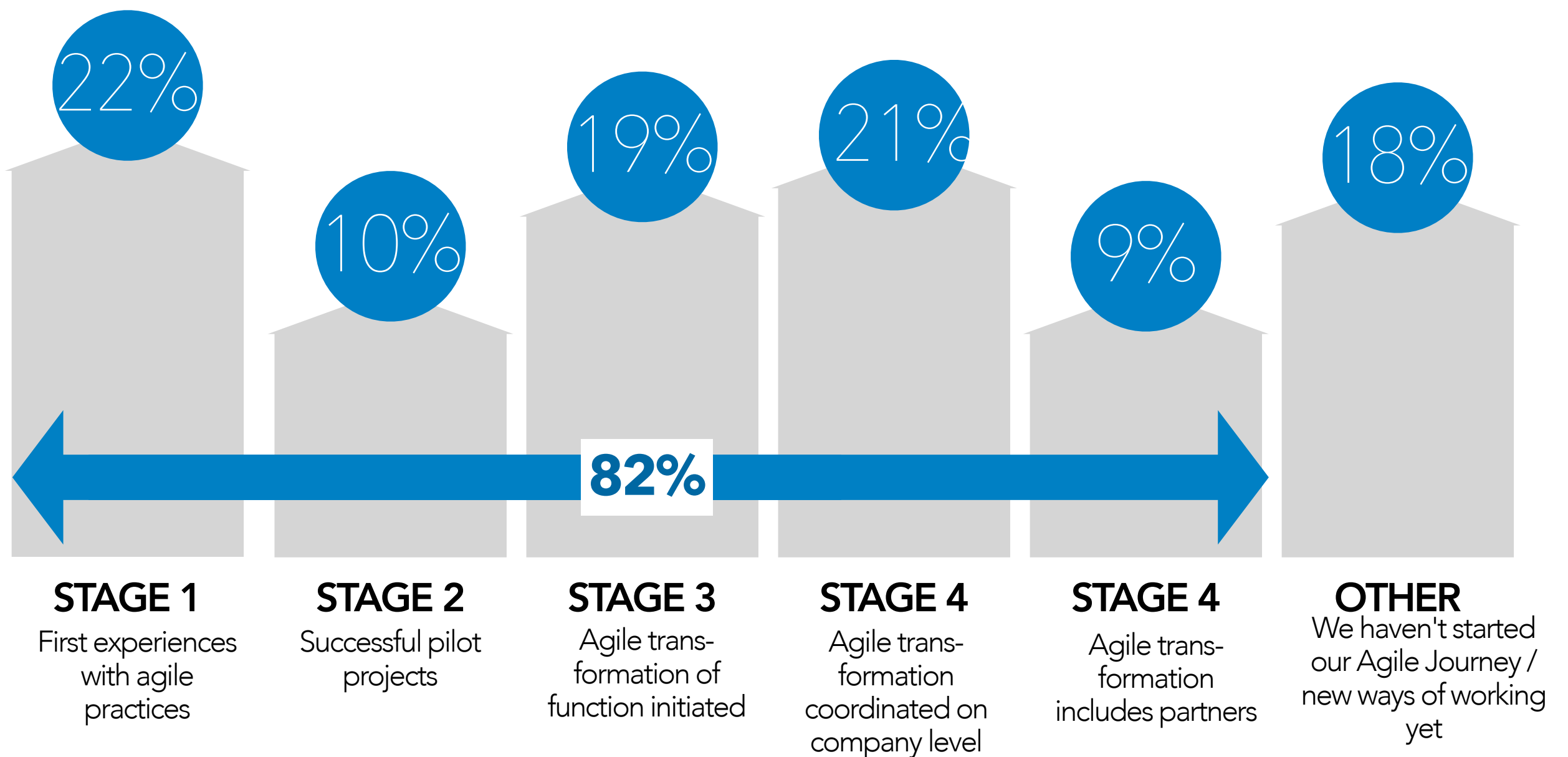
PROGRESS IN ADOPTING AGILE

Since the last report, there has been a 19% increase in the number of respondents who have started an agile transformation in their function or even at an enterprise level. However, the approach taken to transformation remains similar, indicating that the majority of respondents are not receiving sufficient executive support to become agile in a structured way, nor are they engaging their external trading partners in the journey. This lack of executive commitment to driving change is a risk to its speed and effectiveness. Furthermore, the failure to involve key partners in the transformation will limit the benefits that can be achieved from implementing agile across the value chain.

MATURITY LEVEL OF YOUR TRANSFORMATION

82% of respondents are at some stage of an agile transformation within their overall organization, a growing minority has coordination at a company level, but just 9% include their external trading partners.

82%



TRANSFORMATION APPROACH

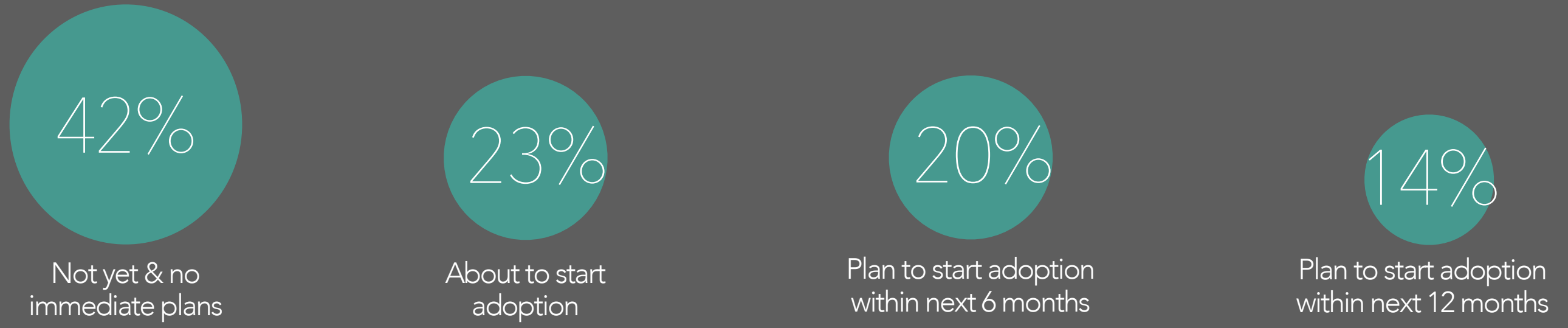
In spite of the strategic importance of becoming agile, just 14% have established an executive action team to lead the transformation top down. Over half are operating a 'do it yourself' approach.



57% Of those who have not yet begun an agile adoption have plans to get started. In comparison to the results 2023 less agile techniques have been reported to be applied.

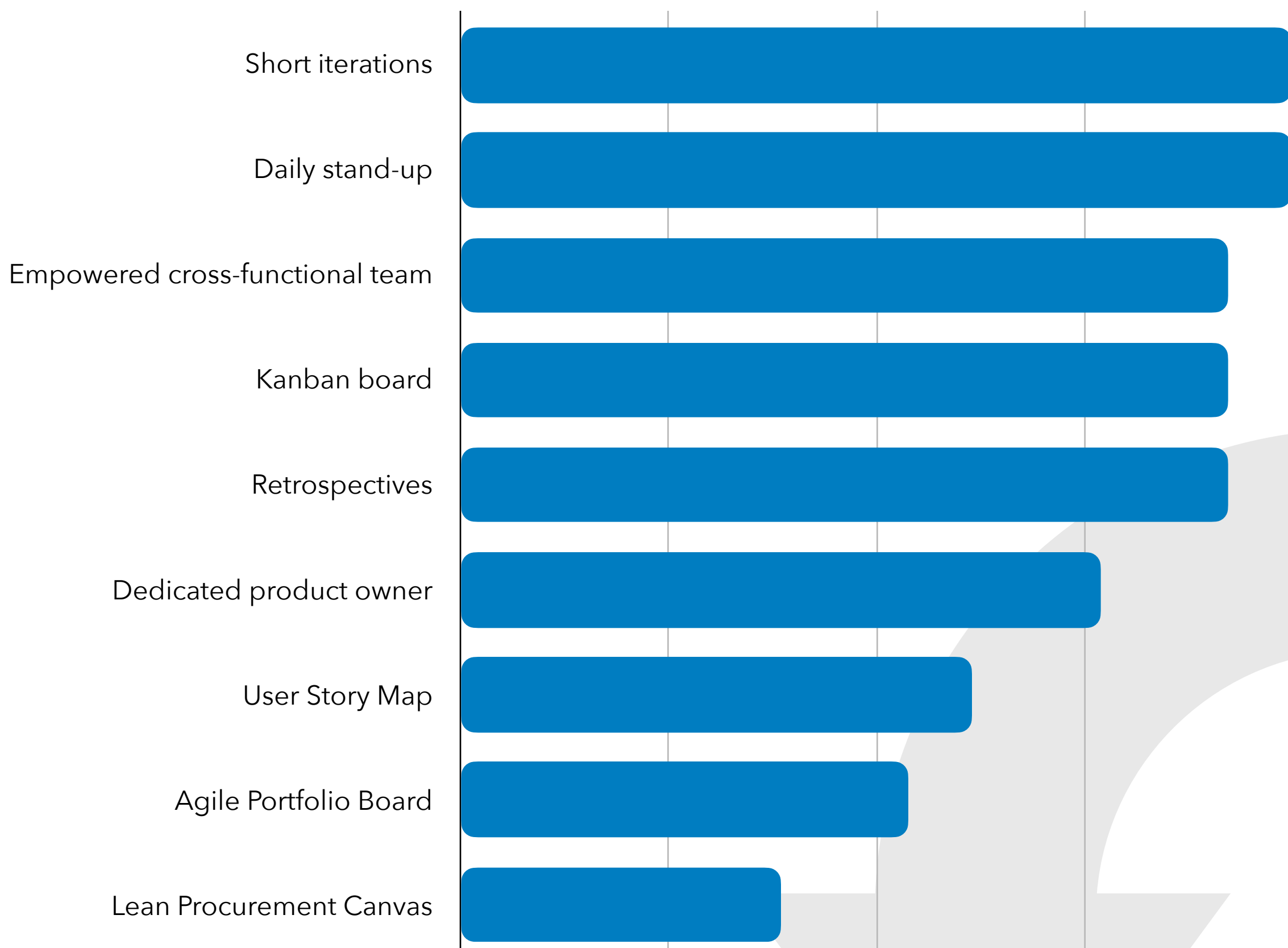
ADOPTION PLANS OF THOSE WHO HAVEN'T STARTED YET

58% of respondents are starting or plan to start adoption within next 12 months



AGILE TECHNIQUES

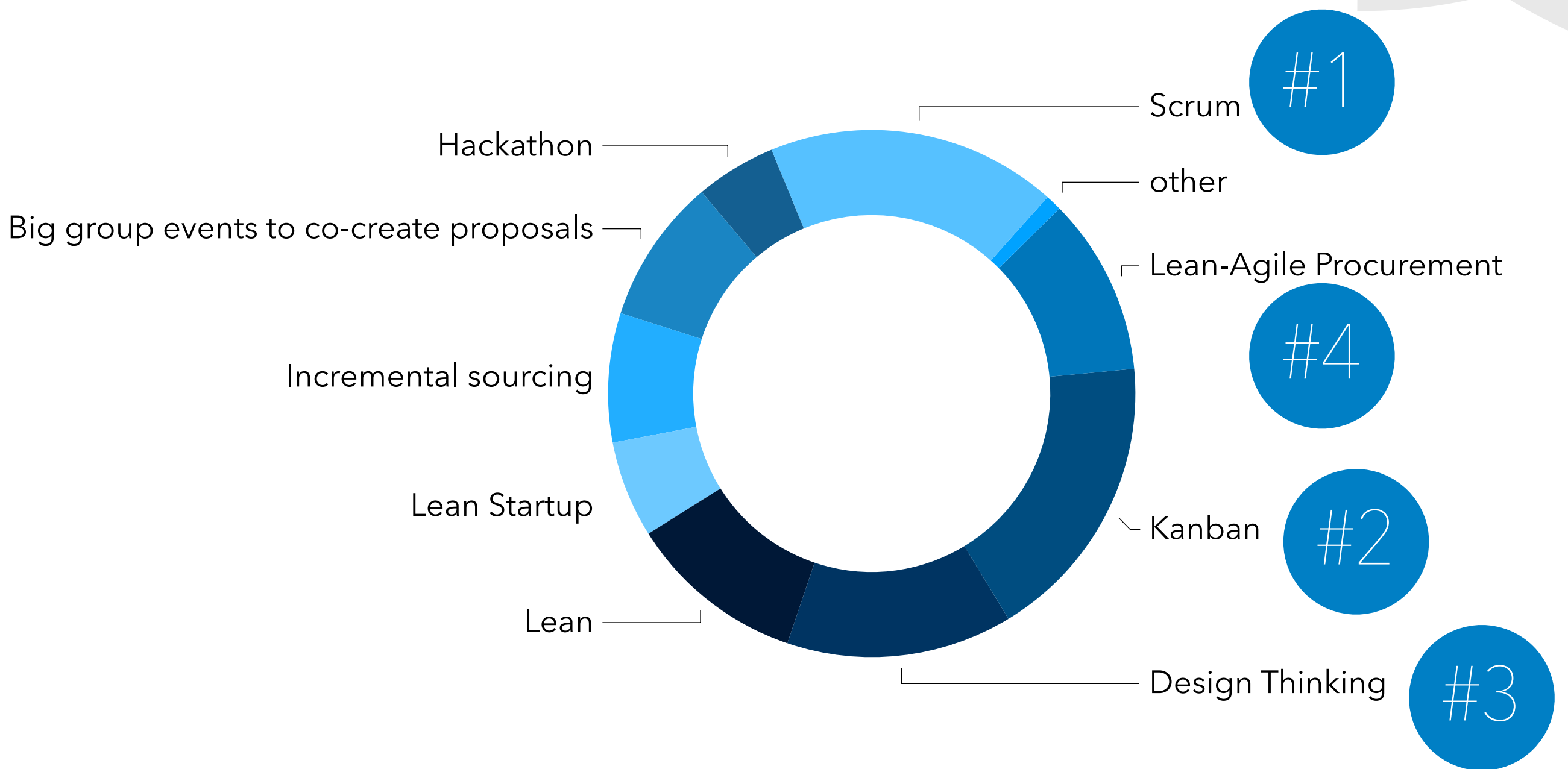
The top 3 agile techniques are short iterations, the daily stand-up and empowered cross-functional team.



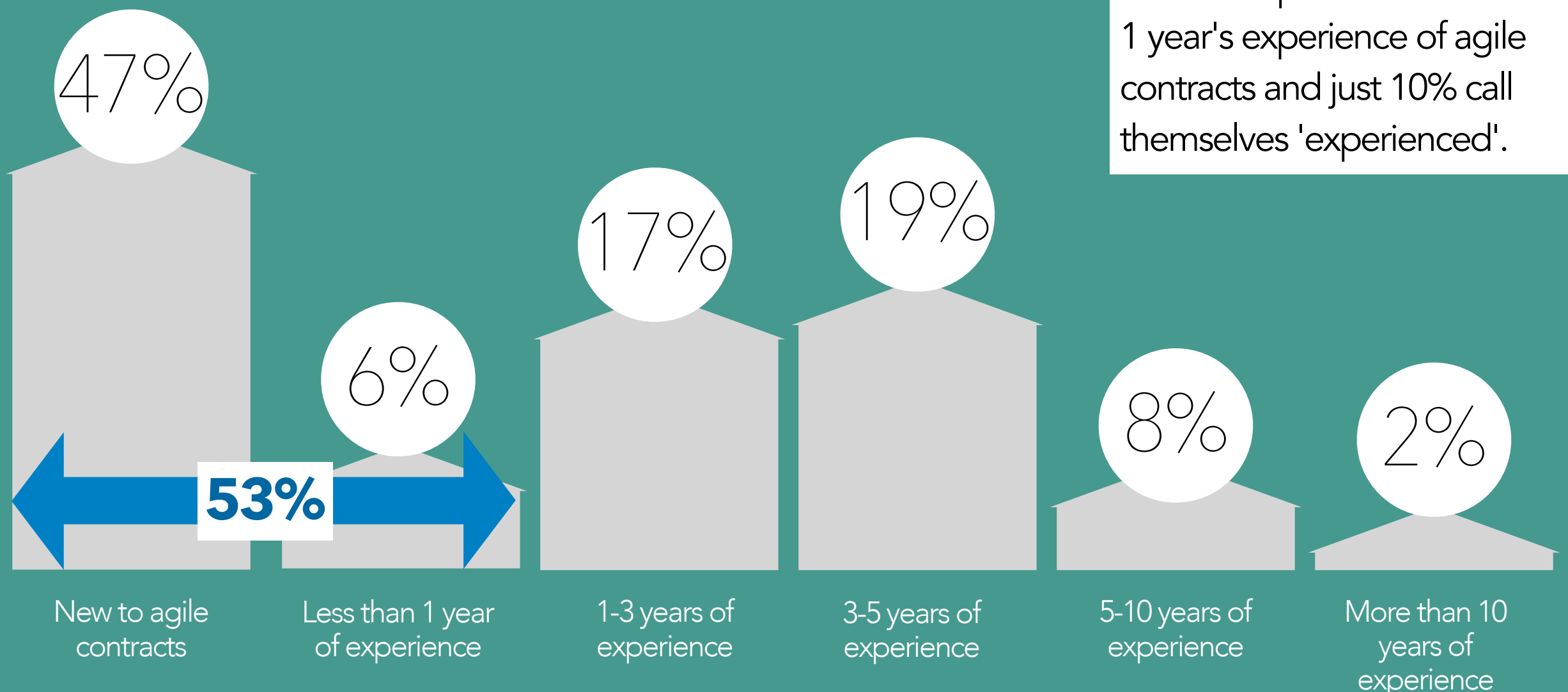
In general, this year's results show that most agile initiatives continue to use long-established methods such as Scrum and Kanban. Relatively few are drawing on function-specific methodologies, such as Lean-Agile Procurement. Some have begun to experiment with design thinking. Many - particularly in procurement - have limited familiarity with Agile contracts, which are a key enabler for more agile collaboration and dealing with uncertainty. In fact, 53% have less than 1 year's experience of agile contracts and the frequency of use is relatively low.

AGILE PRACTICES IN PROCUREMENT OR SALES

The respondents used or plan to use the following agile methodologies to improve their sourcing or sales.



EXPERIENCE IN AGILE CONTRACTS

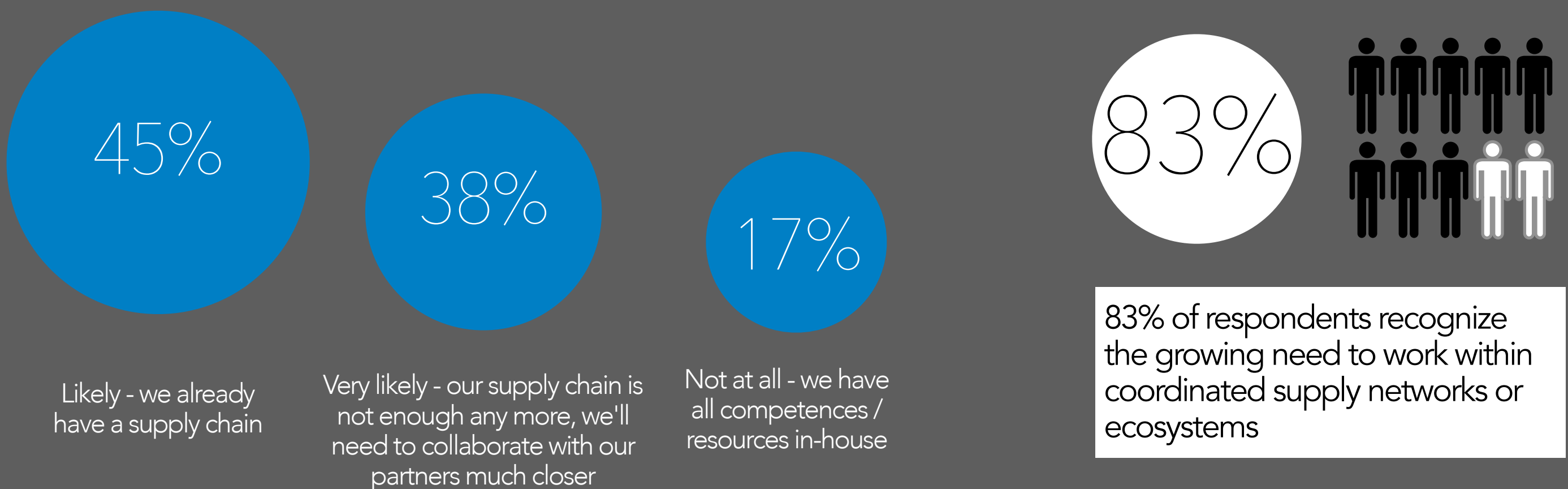


53% of respondents have less than 1 year's experience of agile contracts and just 10% call themselves 'experienced'.

As Ugur Sahin, CEO BioNtech recently said: "When the need is urgent like when the world needs a new vaccine, there's no time for contracts." The alliance between BioNtech, Pfizer and Fosun Pharma was founded on 'trust-based collaboration' – a strong focus on shared governance and open, honest communication. In an environment of extreme uncertainty, establishing a formal contract may either take too long or even be impossible to achieve. Therefore, establishing an adaptive governance framework that draws on agile principles is an intelligent way to ensure control, manage risk and create certainty. These 'trust-based collaborations', or 'Adaptive Partner Ecosystems' are much more flexible and resilient as current supply chains and are being increasingly applied along the entire value stream.

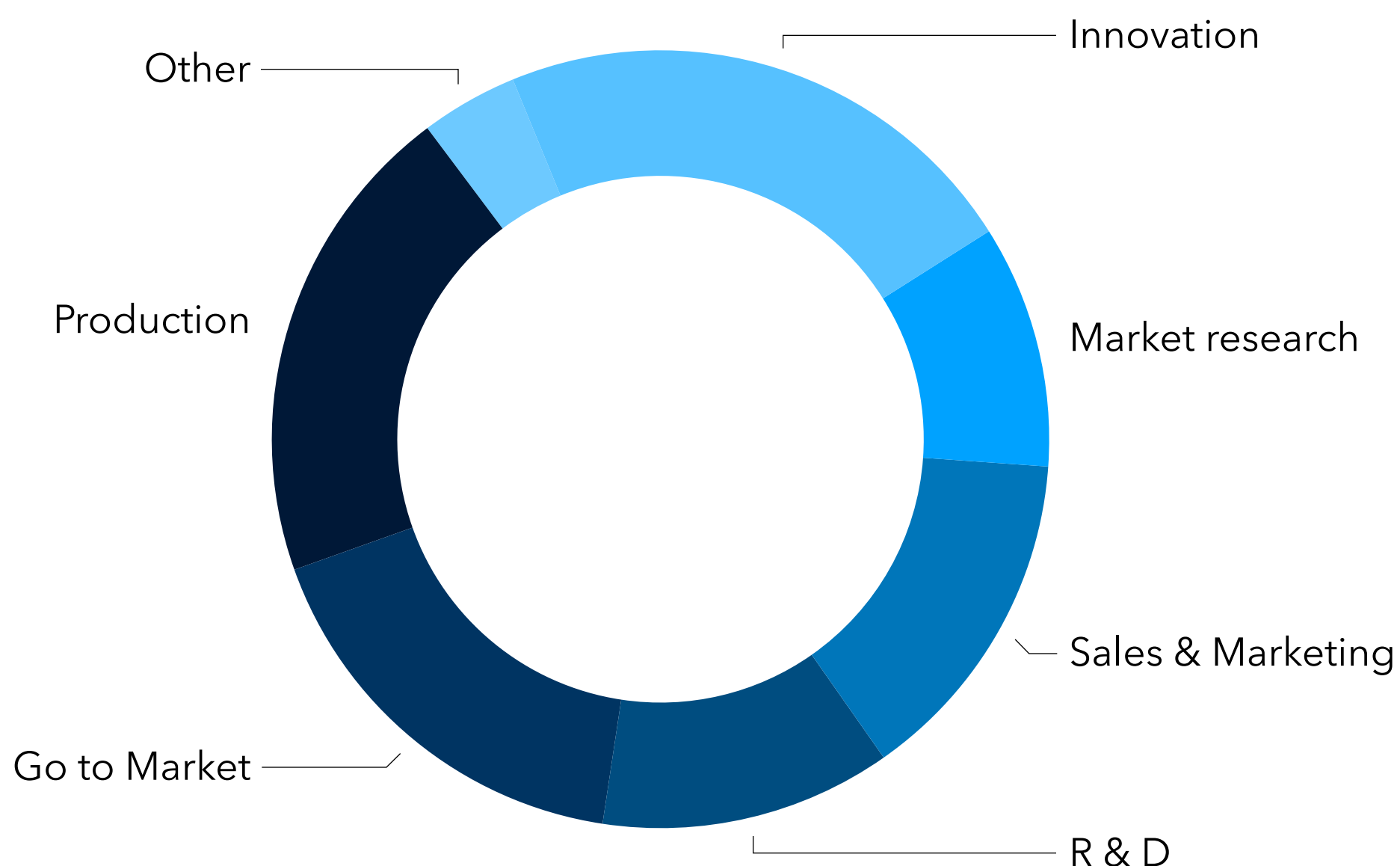
NEED OF INCLUDING MULTIPLE PARTNERS

Respondents recognize the need for more adaptive relationships to fill competency gaps



SCENARIO'S FOR COLLABORATION WITH MULTIPLE PARTNERS

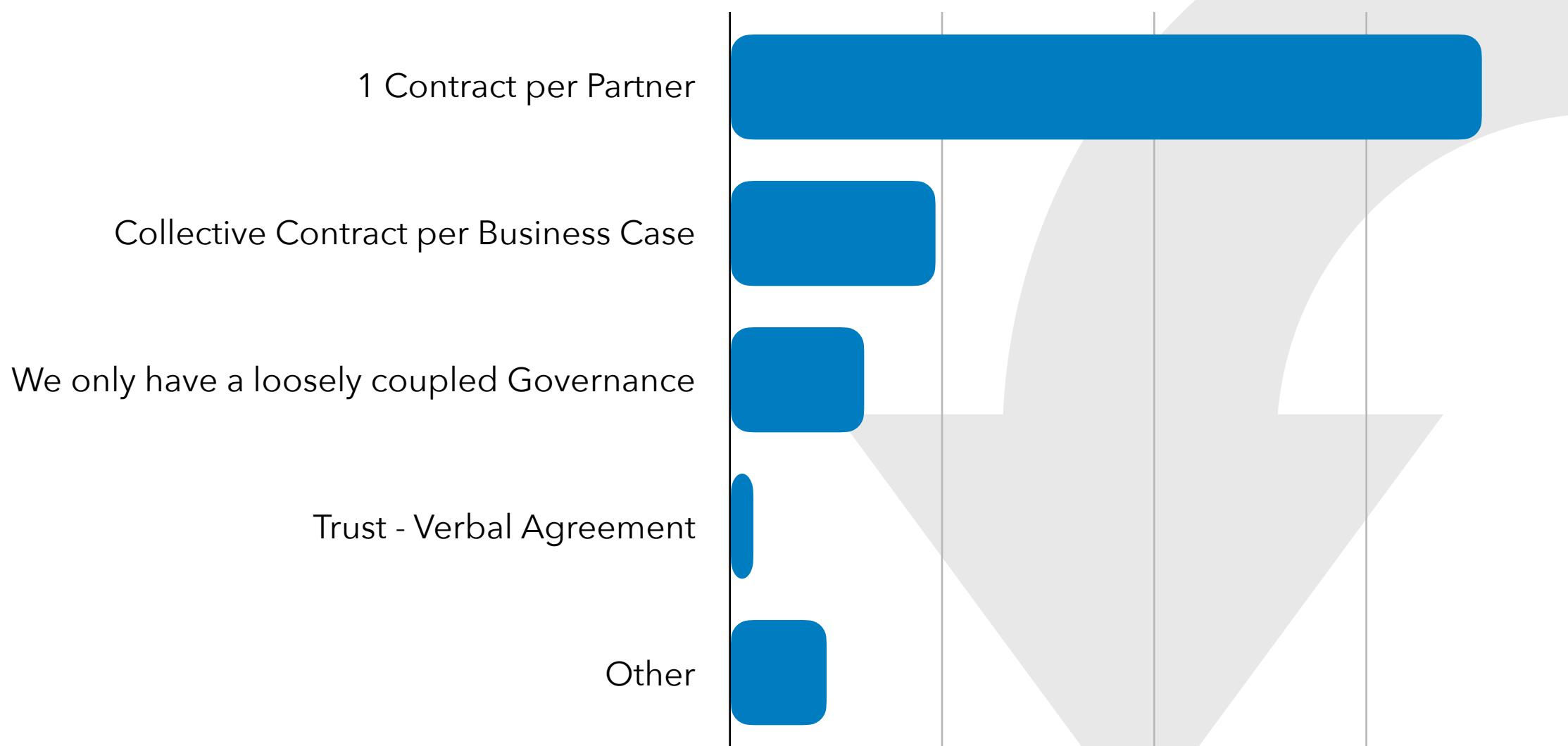
The top 3 scenarios where the respondents reported they have to collaborate with multiple partners to solve their problems are in innovation, production and go to market. In general, there are scenarios along the entire product lifecycle.



In spite of a clear need for adaptive partner networks or ecosystems, the approach to contracting has not undergone any major change. However, almost a third are utilizing more adaptive techniques.

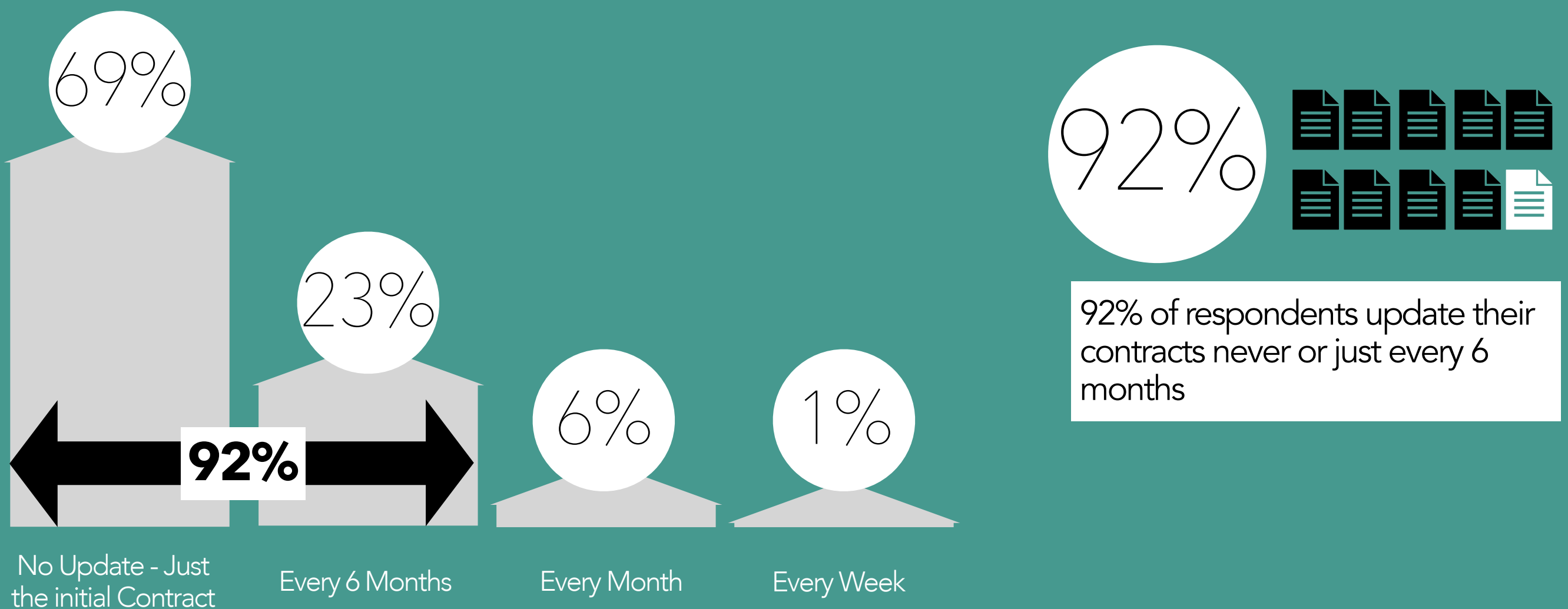
CONTRACT STRATEGY

The most common multi-partner contracting strategy is still 1 contract per partner. A clear minority of respondents said they had a collective contract with multiple partners (17%) and one in eight are operating some relationships either without any formal agreement (2%) or through a governance framework only (11%).



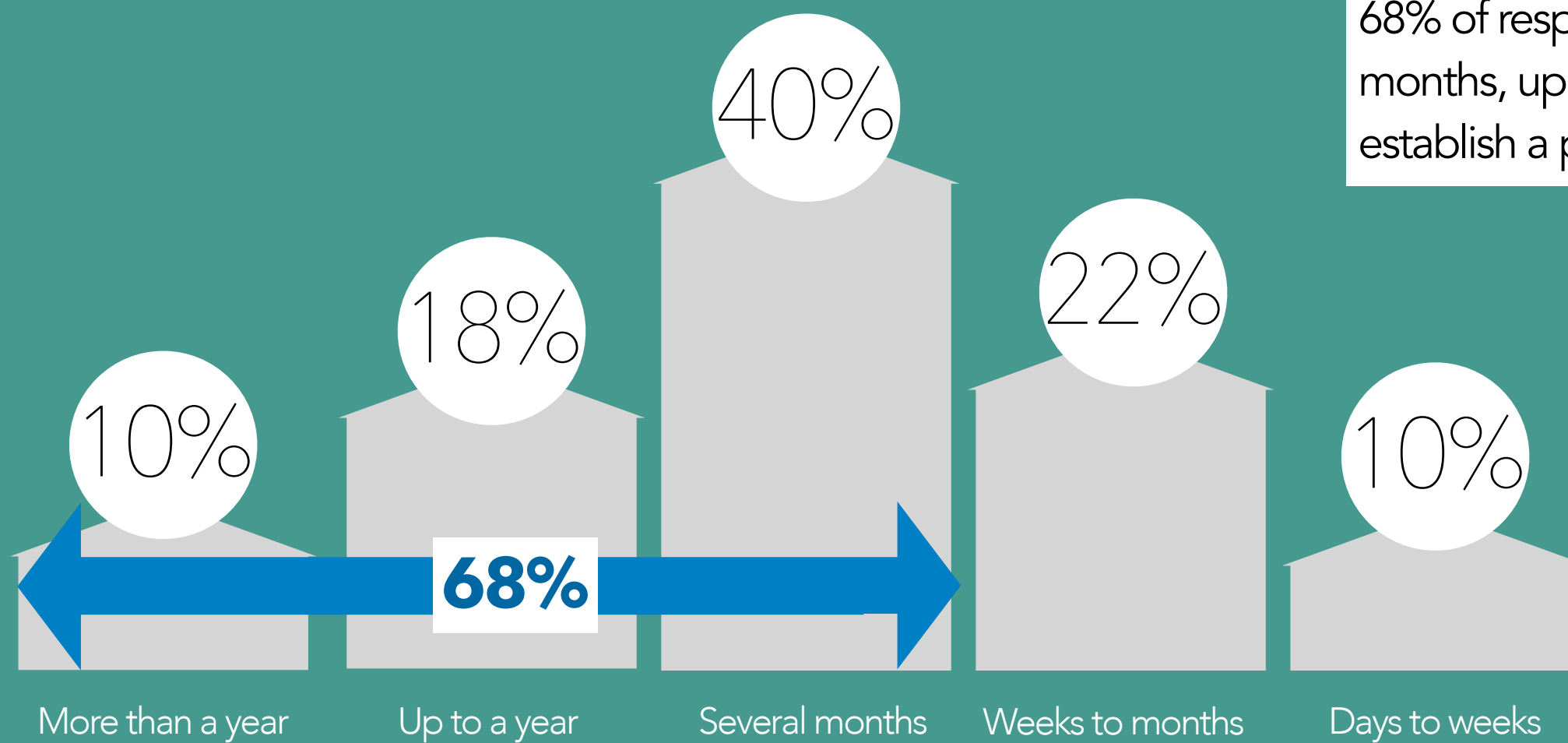
CADENCE OF CONTRACT UPDATES

Very few companies (7%) have the agility to update their contracts that is required in an adaptive multi-partner ecosystem.



Although the majority of respondents indicated that they would be quite slow to mobilise a new multi-partner ecosystem, there appear to be faster examples already in place. It's likely that, similar to the co-development of the COVID-19 vaccine, this is driven by a sense of urgency supported by top management. This needs to be explored in the future.

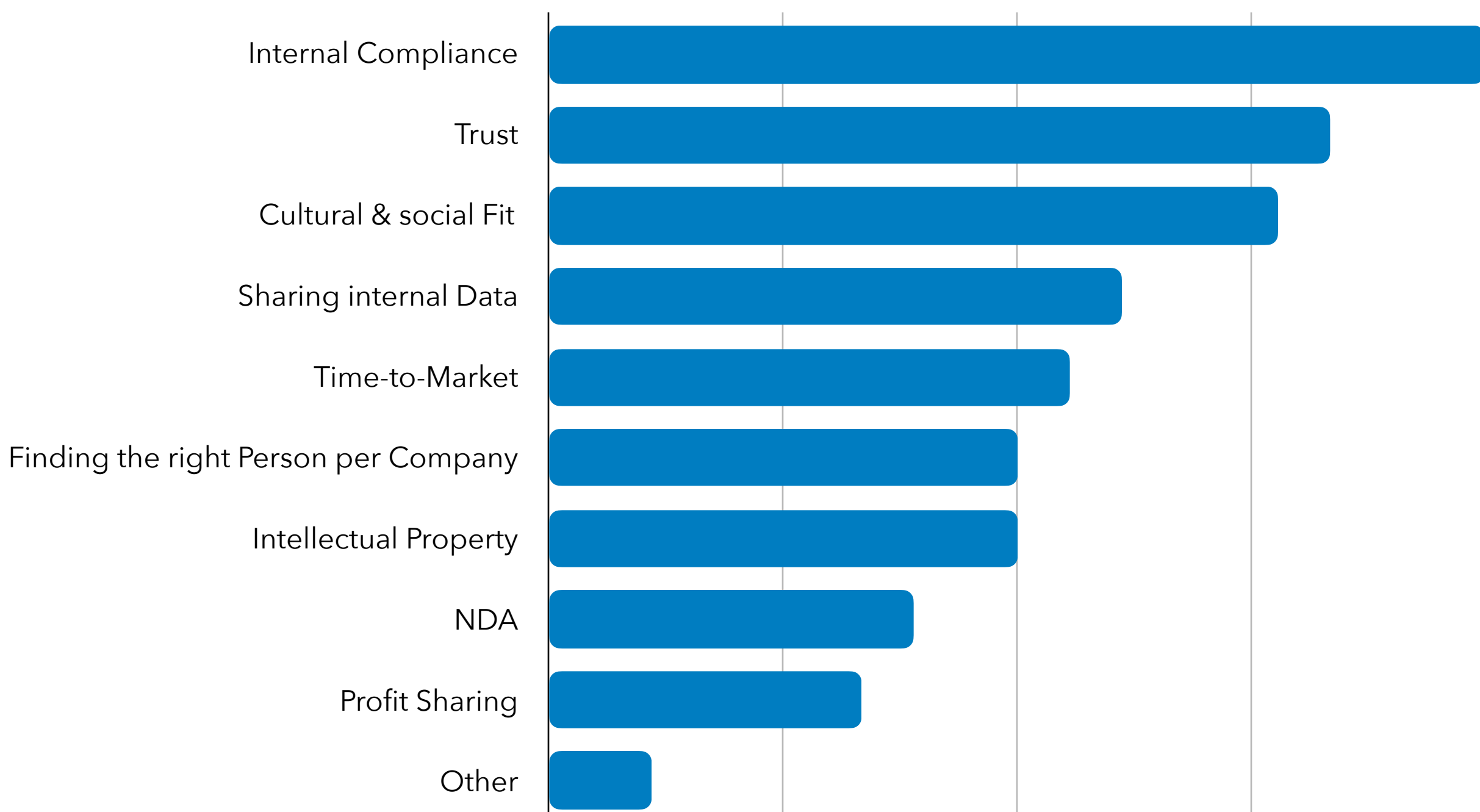
MOBILIZATION OF A NEW PARTNER ECOSYSTEM



68% of respondents need several months, up to a year and more to establish a partner ecosystem.

CHALLENGES TO ESTABLISH A NEW PARTNER ECOSYSTEM

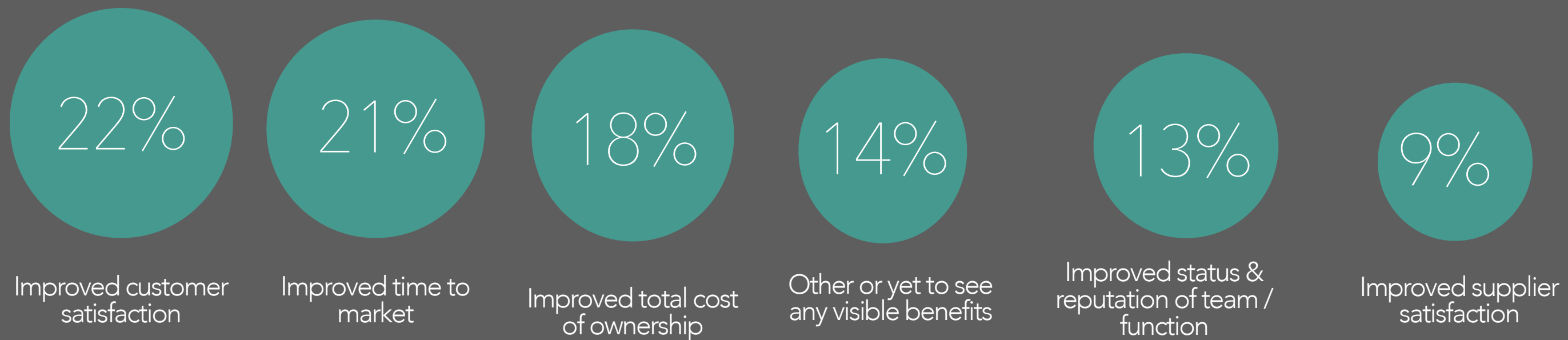
In addition to internal compliance, the biggest challenges to building a new multi-partner ecosystem are reported to be more on the soft side, such as trust and cultural and social fit between the people involved in the partnership.



Respondents confirm that the adoption of agile has a significant positive impact on all "players" along the entire value chain. Compared to the previous report, "improving total cost of ownership" made it into the top 3 benefits of adopting agile. Apart from a lack of knowledge of agile, the main barriers to adoption are the usual suspects that affect change programs and point to the need for executive support and a structured approach to transformation.

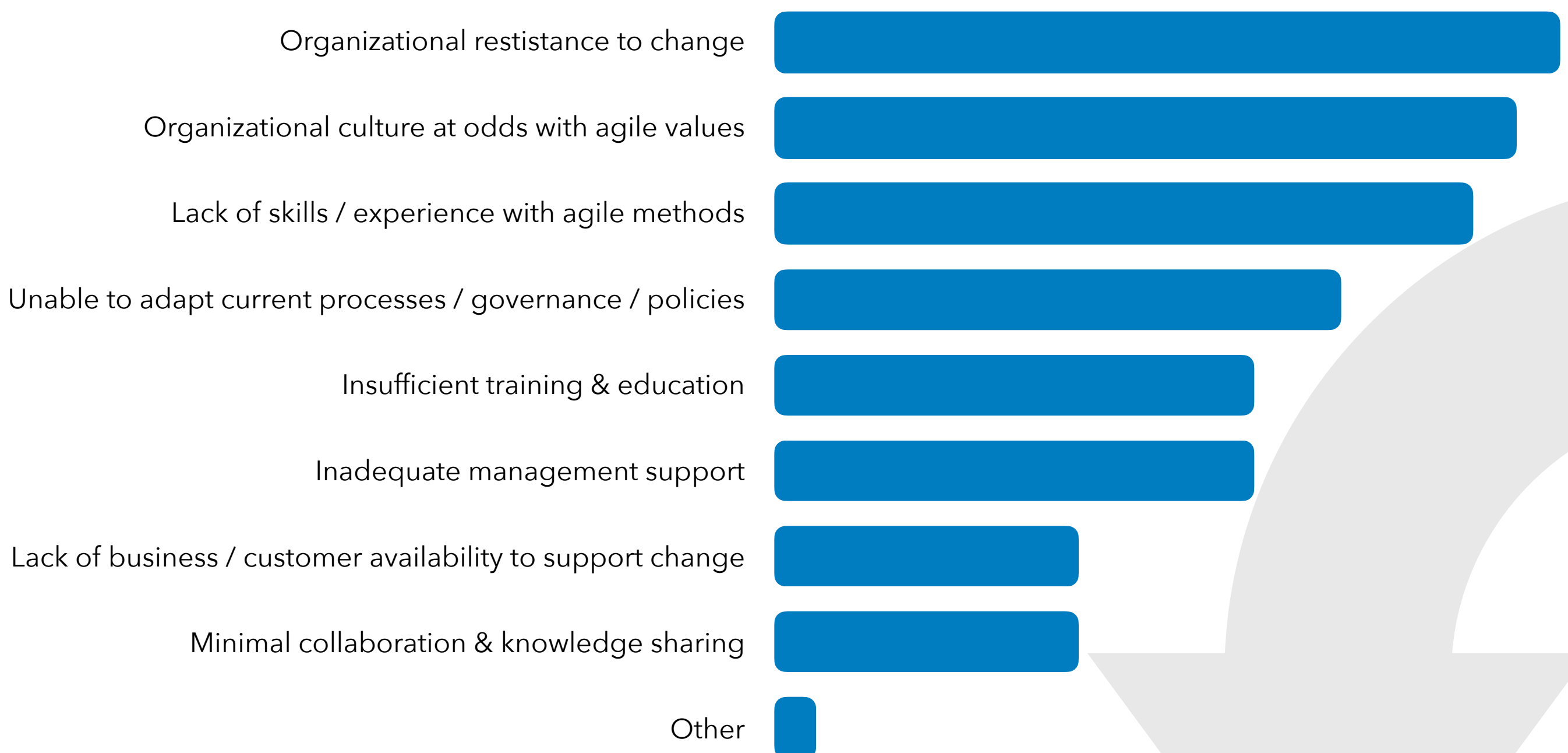
BENEFITS FROM ADOPTING AGILE

Respondents reported significant improvements that have resulted from their adoption of agile working practices in procurement/sales.



CHALLENGES ADOPTING AGILE

The top 3 barriers to agile adoption are lack of knowledge, organizational resistance to change and the challenge of changing mindsets.



Priorities are identical in Procurement and Supply, with 'digitalization' taking top place for both. It is clear that most groups are still on the journey to improve underlying capabilities and establish the systems and behaviors needed for more agile or adaptive operations. Interestingly focus of current priorities is set mainly to internal activities so that more outcome-based priorities such as ESG / Sustainability still play a minor role in most of the businesses.

TOP 8 STRATEGIC PRIORITIES IN PROCUREMENT

TOP 8 STRATEGIC PRIORITIES IN SUPPLY

The respondents ranked the following in terms of their priority in their commercial processes

- #1 Digitalization of procurement
- #2 Training employees to be ready for the next challenges
- #3 Agile transformation of procurement function
- #4 Finding highly skilled employees / vendors
- #5 Improving operational procurement
- #6 Improving strategic procurement
- #7 Adjusting post pandemic
- #8 ESG / Sustainability
- #9 Development of a more resilient partner ecosystem / supply chain
- #10 Other

- #1 Digitalization of sales
- #2 Training employees to be ready for the next challenges
- #3 Agile transformation of sales function
- #4 Finding highly skilled employees / customers
- #5 Improving operational sales
- #6 Improving strategic sales
- #7 Adjusting post pandemic
- #8 ESG / Sustainability
- #9 Development of a more resilient partner ecosystem / supply chain
- #10 Other

CONCLUSION

The annual reports show that the gap between the required executive support and agile adoption by commercial functions is narrowing. However, it remains the case that only a minority of organizations are driving agile adoption at the board level. Current grassroots initiatives tend to draw on standard agile practices such as Scrum and Kanban, rather than investing in a more functionally-oriented approach. While this progress should be welcomed, it is a relatively slow process that risks missed opportunities.

Leading examples such as Haier show that a commercial function working based on agile values & principles is not the end of the possible evolution. Commercial functions and roles will continue to evolve from a function to a capability that is widely distributed across business units. The basis for this will be the necessary data transparency and self-service via platforms. On a positive note, more respondents say they are involving their partners/suppliers in their agile adoption. However, at 9%, this is still a very small minority and definitely not enough. It is essential that business agility does not stop at the front door!-This empirical evidence is also what we see in our agile coaching engagements. There is still a long way to go. Commercial functions are responsible or active in supporting 100% of revenue and up to 80% of spend - this shows the extent of their potential economic impact. According to the World Trade Organization, the public sector is one of the largest investors, investing an average of 10-15% of GDP each year.

Global success stories such as Haier, but also global success stories using Lean-Agile Procurement have shown that it's possible to improve time to market by 200-800%, value for money by 80%, risk reduction by 80% and increase customer and partner/supplier satisfaction up to a recommendation rate of 9 out of 10. In this sense, agile has the potential to deliver billions in financial returns, as well as enabling other critical aspects of value delivery!

Post-pandemic, we've heard in our day-to-day work that organizations are seeking new ways of working beyond single source, supply chain, etc. This has been driven by the recent experiences and challenges of supply chain disruption, price volatility, geopolitical uncertainty, etc. But now this need for innovation is not simply reactive to the market: it is increasingly forward looking, as business adjusts to environmental and social values, which are now also being embedded into regulation. In the past 20 years the Agile community has come up with principles cross-functional, empowerment, etc: We strongly believe that the new cross-functional will become cross-company! This has led to the focus of this year's global survey on the 'Adaptive Partner Ecosystem'. We're eagerly awaiting the results from our global respondents. The first big surprise was fact that the need for companies to work with multiple partners isn't just in innovation, but in all aspects of the product lifecycle. Less surprising were the current contracting strategies and the long lead times to mobilize an adaptive multi-partner ecosystem. Leading examples such as Haier and their collective contracts for a partner ecosystem and an update cadence of weeks to 1 month are still more inspiration than reality in most organizations.

To address today's economic, social and environmental challenges, we strongly believe that the more agile mindset shown by BioNtech must become an entrenched capability. The Adaptive Partner Ecosystem is an essential element for a business to survive

More

To find out more about the creators of this annual report visit the websites:



**World Commerce
& Contracting**

www.worldcc.com



lean-agile
p r o c u r e m e n t

www.lean-agile-procurement.com