

global annual report

2020

STATE OF AGILITY

IN PROCUREMENT & SUPPLY



World Commerce
& Contracting



lean-agile
procurement

The COVID-19 crisis has emphasised the importance of commercial functions in procurement & sales. Unpredictable changes in market conditions, such as closed borders and national lock-downs, impact existing supply chains, partnerships with vendors, and the way we collaborate with our partners and customers. Professionals in procurement, sales and contract management have made possible things that used to be unthinkable, improving lead times, amending terms and securing alternative sources of supply. However, this was achieved at an unsustainable pace and via exceptional actions. Commercial functions need new -more agile- approaches if they don't want to burn-out their employees & vendors.

Learn about the current developments in commercial functions in our 1st global annual report STATE OF AGILITY IN PROCUREMENT & SUPPLY!



There's no way back for procurement. The new normal has become the benchmark!

Josip T. Tomasevic - Senior Vice President & CPO AGCO Corporation

INSIDE THE NUMBERS

Agile is more than 20 years old now and the values & good practices that began in IT have evolved to other functions, in particular those that need to deal with uncertainty. Success stories in commercial functions have demonstrated the potential for huge business impacts, improving lead times between 200 and 800%. No wonder 92% of executives agree that 'agility' is of strategic importance to their business.



STRATEGIC IMPORTANCE

92% of respondents in executive management agreed that adopting agile is of strategic importance to their business



AGILE TRANSFORMATION

64% of respondents have started their agile journey - but for most not enterprise wide, nor including commercial functions and external partners



AGILE CONTRACT

78% of respondents have less than 3 years experience in agile contracts and half of those in Procurement are completely new to the topic.

The numbers tell it all: there's a mismatch between strategic importance and action. Without coordination at a company level and the inclusion of partners / vendors, the effects of agile transformation will be limited. In addition, the fact that Procurement in particular has almost no experience in agile contracts -a key enabler for agile collaboration - puts these initiatives at risk.

It is therefore no wonder that survey respondents identify **educating their employees in agile methods** and **agile transformation of their function** as two of the **top 3 commercial priorities** (on both buyer and supplier side).

FOREWORD

In the past, 'becoming agile' has not been a priority for many commercial functions, which often see their role more in terms of standards and compliance. As market conditions become increasingly volatile and unpredictable, the ability to move fast and rapidly implement change and innovation has taken on a new urgency. Effective controls must be matched by greater speed – bringing agility to the forefront of functional capability.

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

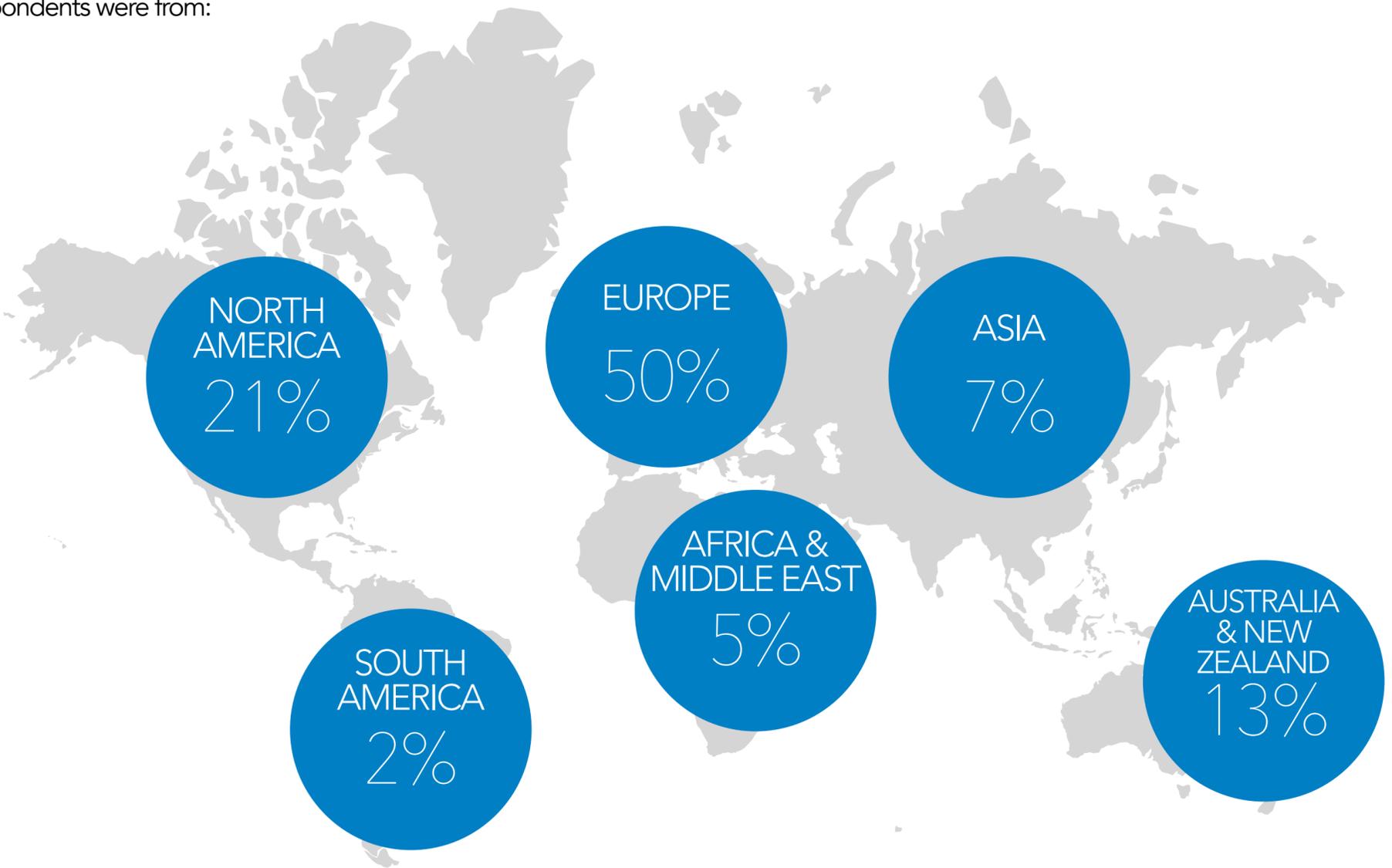
This survey would not have been possible without the support of our global cooperation partners. We're proud to see the collaboration even between competitive alliances to achieve something bigger than us.



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.

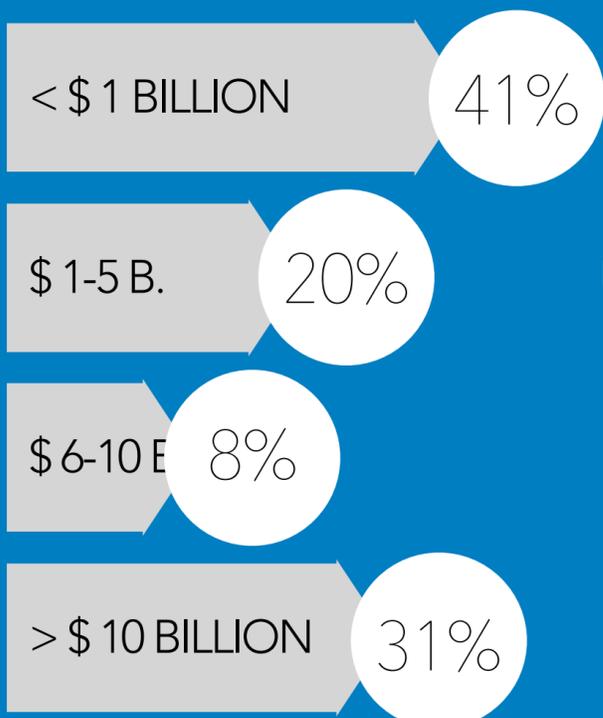
LOCATION OF ORGANIZATION

Respondents were from:



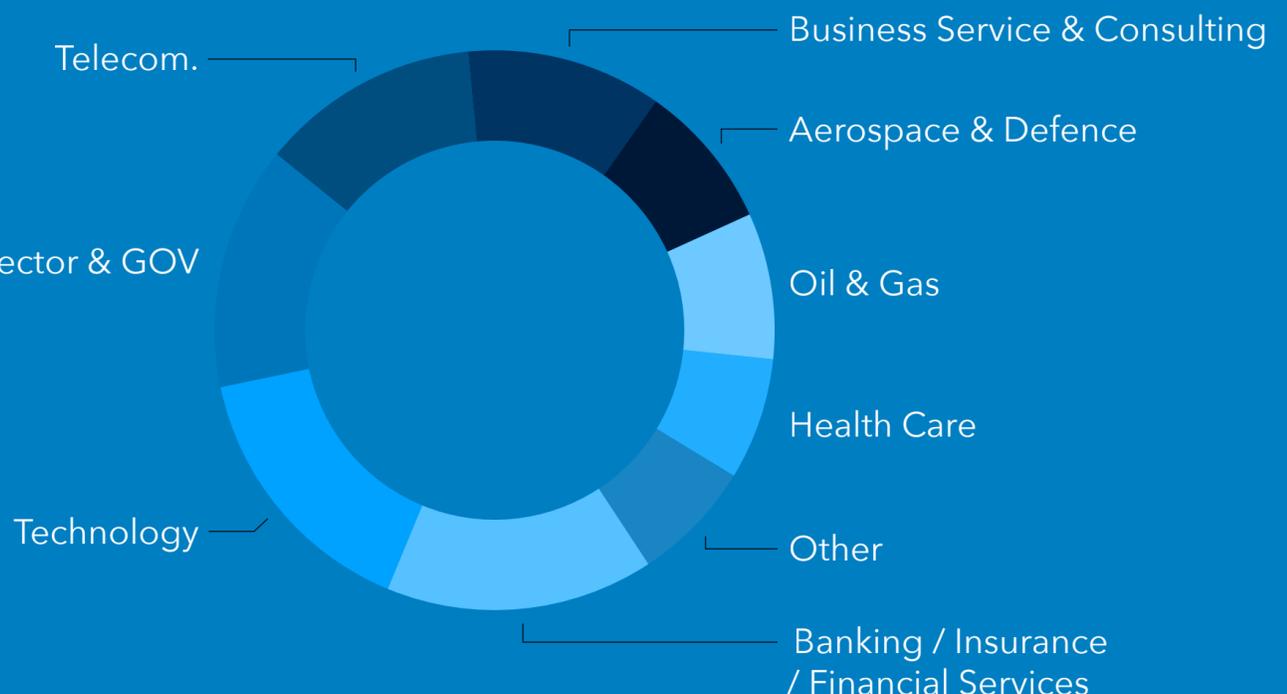
SIZE OF ORGANIZATION

Respondent organization have an annual revenue in USD)



INDUSTRY

Respondents organization belong to those sectors

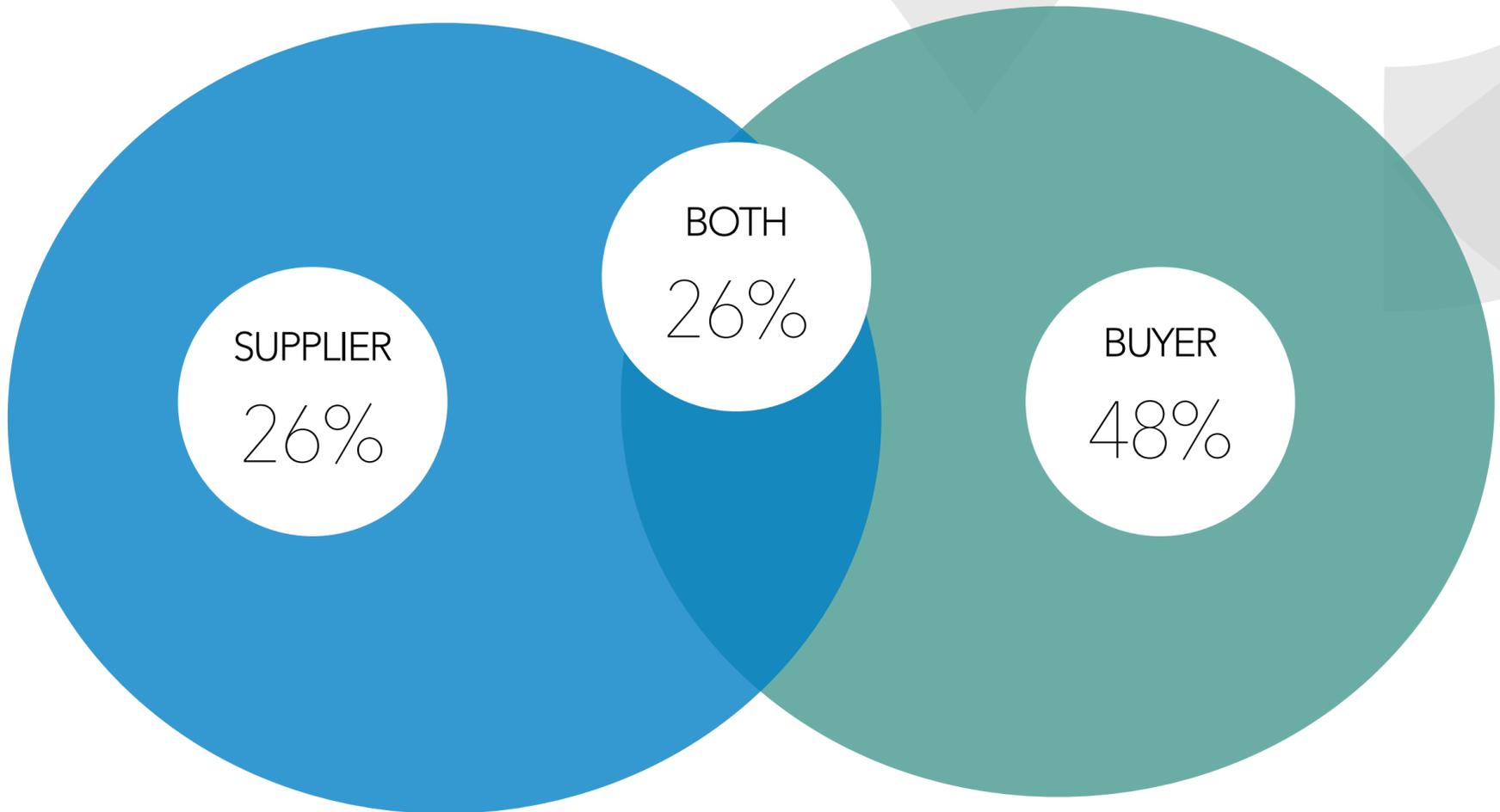


RESPONDENT DEMOGRAPHICS

Nearly half of the respondents are from the buy-side and approximately a quarter have shared responsibility for both sell-side and buy-side contracting. Respondents cover most of the commercial functions.

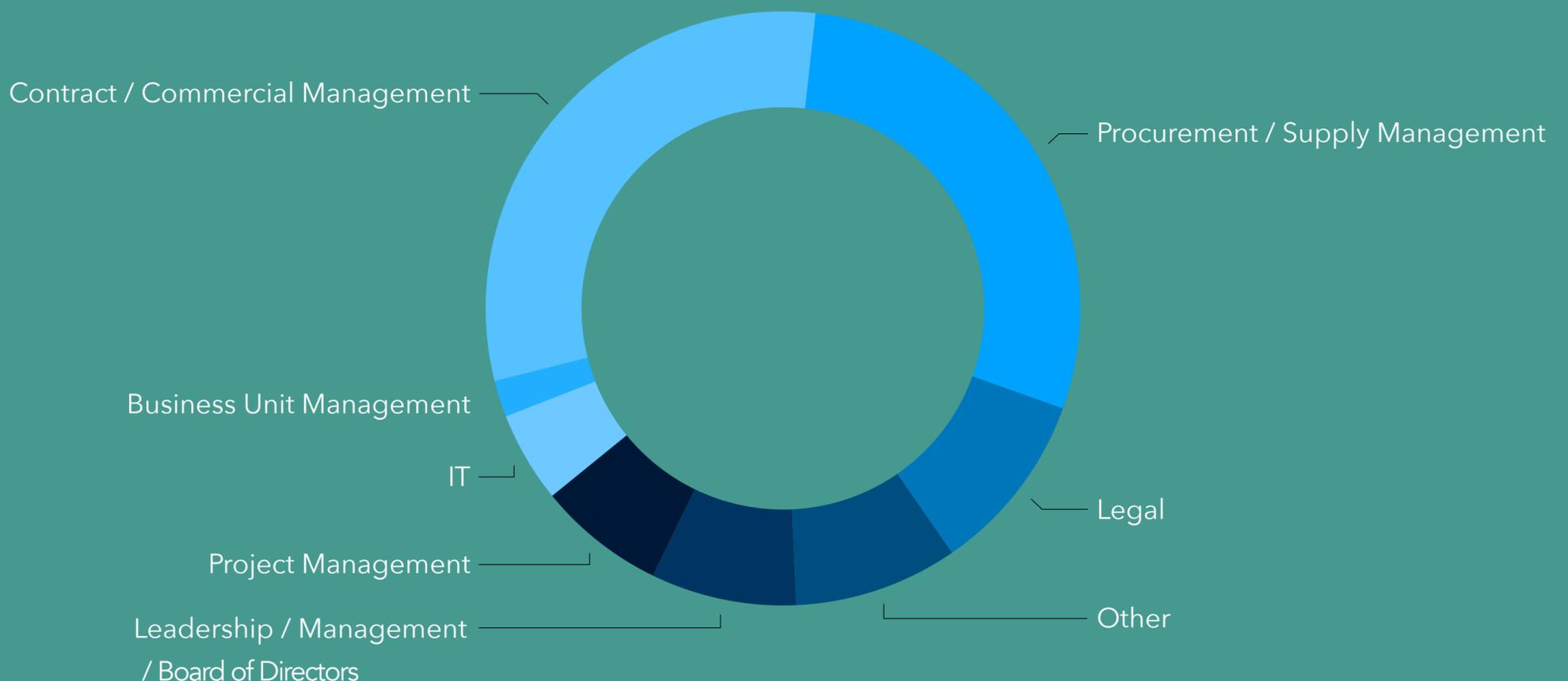
BUYER & SUPPLIER ROLE

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



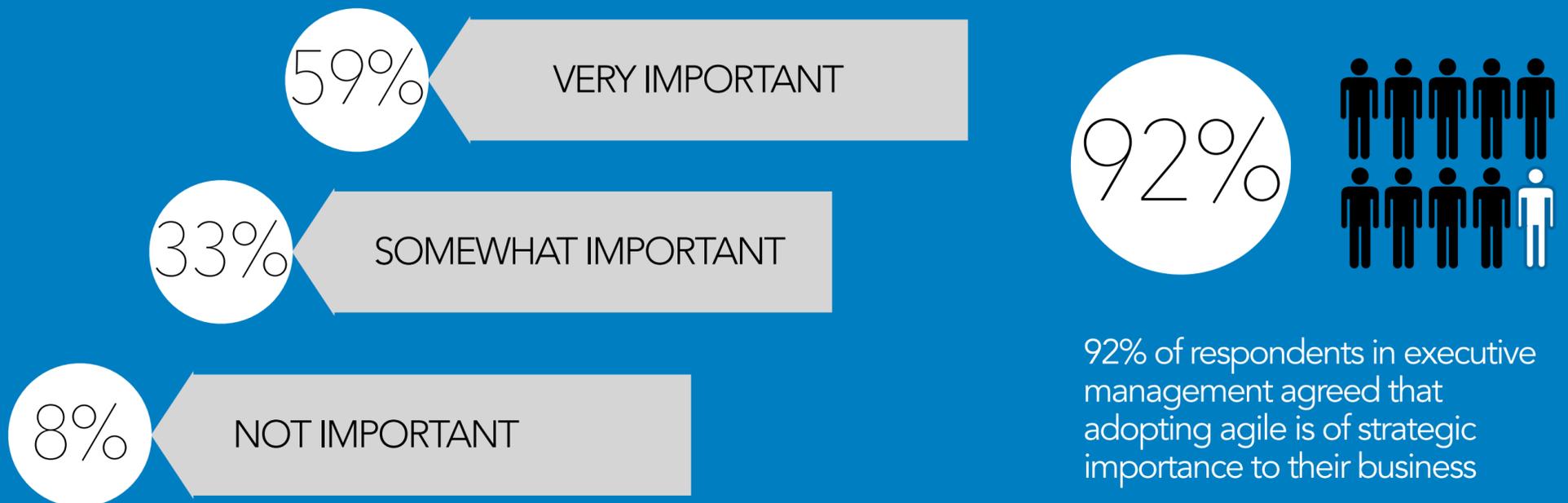
FUNCTION

The respondents came from the following roles & functions



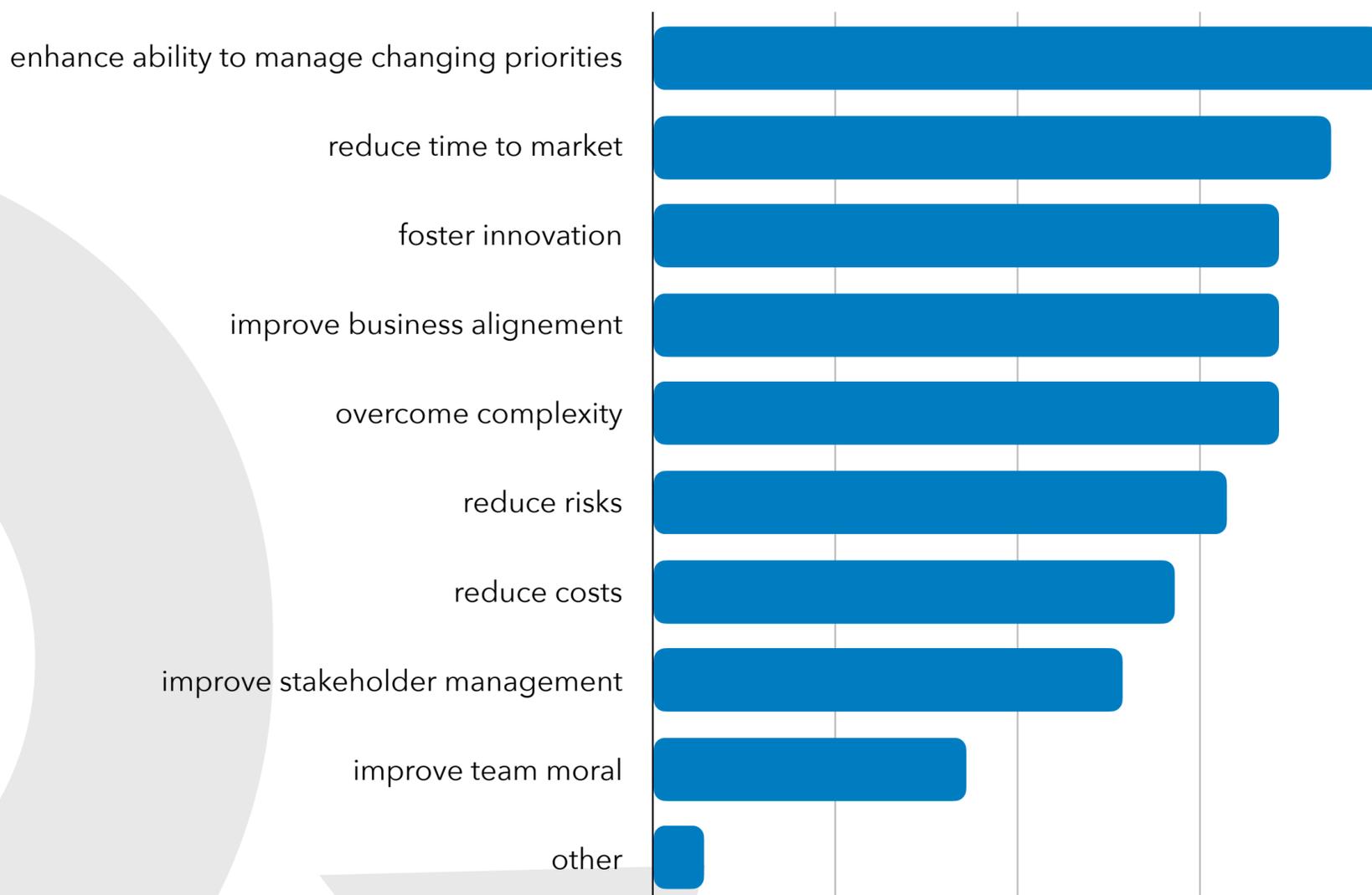
Those from Procurement and those from Supply are agreed that adopting agile is a top priority for executives as they deal with increased market uncertainties. There is understandably a heightened sense of urgency for those on the supply-side as they face the need to boost or recover revenues through greater internal- and external collaboration, changing priorities and keeping up with increasing market demand for innovation. This also means a reduced focus on the traditional aspects of procurement like cost / risk.

STRATEGIC IMPORTANCE OF BUSINESS AGILITY TO EXECUTIVES



REASONS FOR ADOPTING AGILE

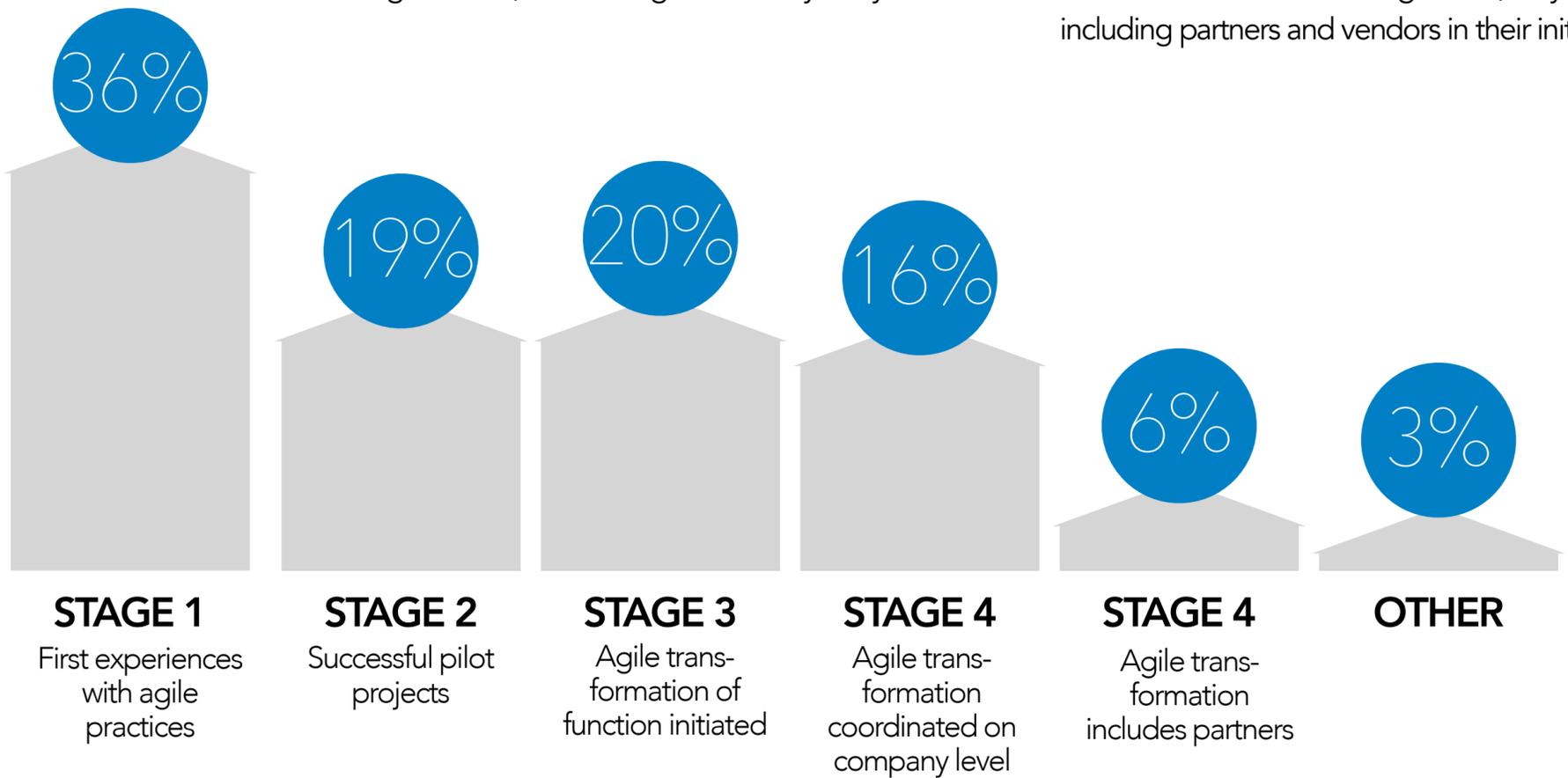
Top 3 reasons for adopting agile are to enhance ability to manage changing priorities, to reduce time to market and foster innovation.



While all respondents say that there are agile initiatives somewhere within their organization, the picture is more varied in the commercial functions, where many either have not begun, or are only just starting. This is especially true in Procurement, which has a 20% shortfall of those at Stage 1, relative to those supporting sales. This reflects the earlier finding that executive management is currently applying greater priority to supply-side transformation to boost revenue and margin.

MATURITY LEVEL OF YOUR TRANSFORMATION

Almost every respondent indicates that there are agile initiatives in plan or under consideration in their overall organization, even though these may not yet have reached the commercial teams. Right now, only 6% are including partners and vendors in their initiatives.



TRANSFORMATION APPROACH

Just 9% have established on executive action team to lead the transformation. Over half are operating a 'do it yourself' approach.



It seems that the strategic importance on the executive level hasn't reached all the functions yet. Commercial teams in particular are lagging behind many others, meaning that the absolute numbers in procurement and supporting sales who have significant experience in applying agile techniques remains low.

ADOPTION OF AGILE IN YOUR DEPARTEMENT / FUNCTION

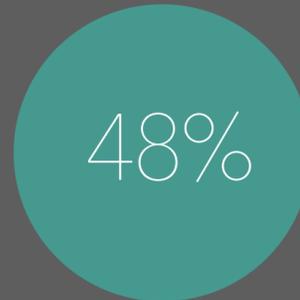
35% of respondents do not yet have agile experience in their department / function., while 17% are far ahead with 'significant experience' already established.



Not yet & no immediate plans



Not yet, but planning to start



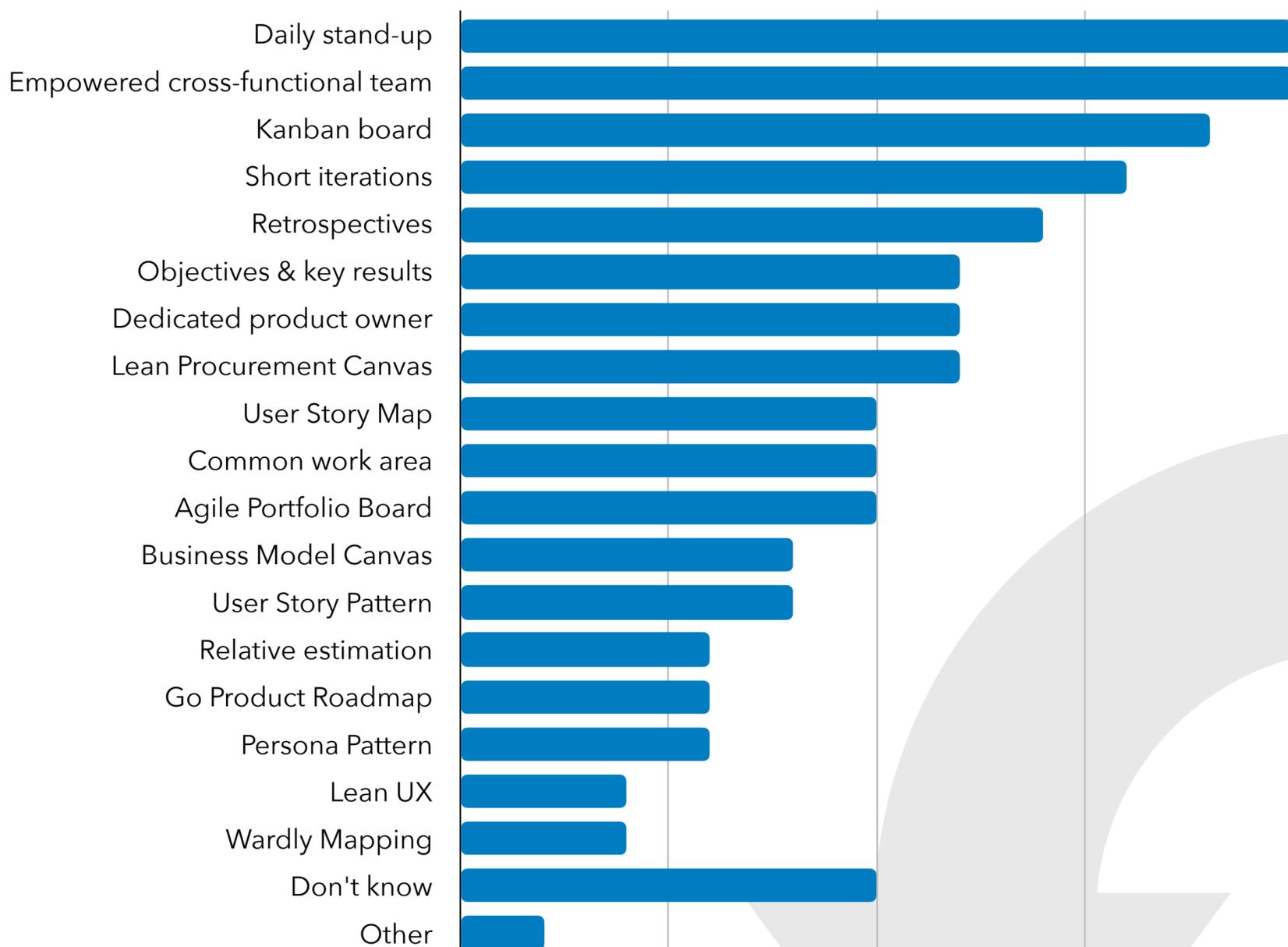
Some experience



Significant experience

AGILE TECHNIQUES

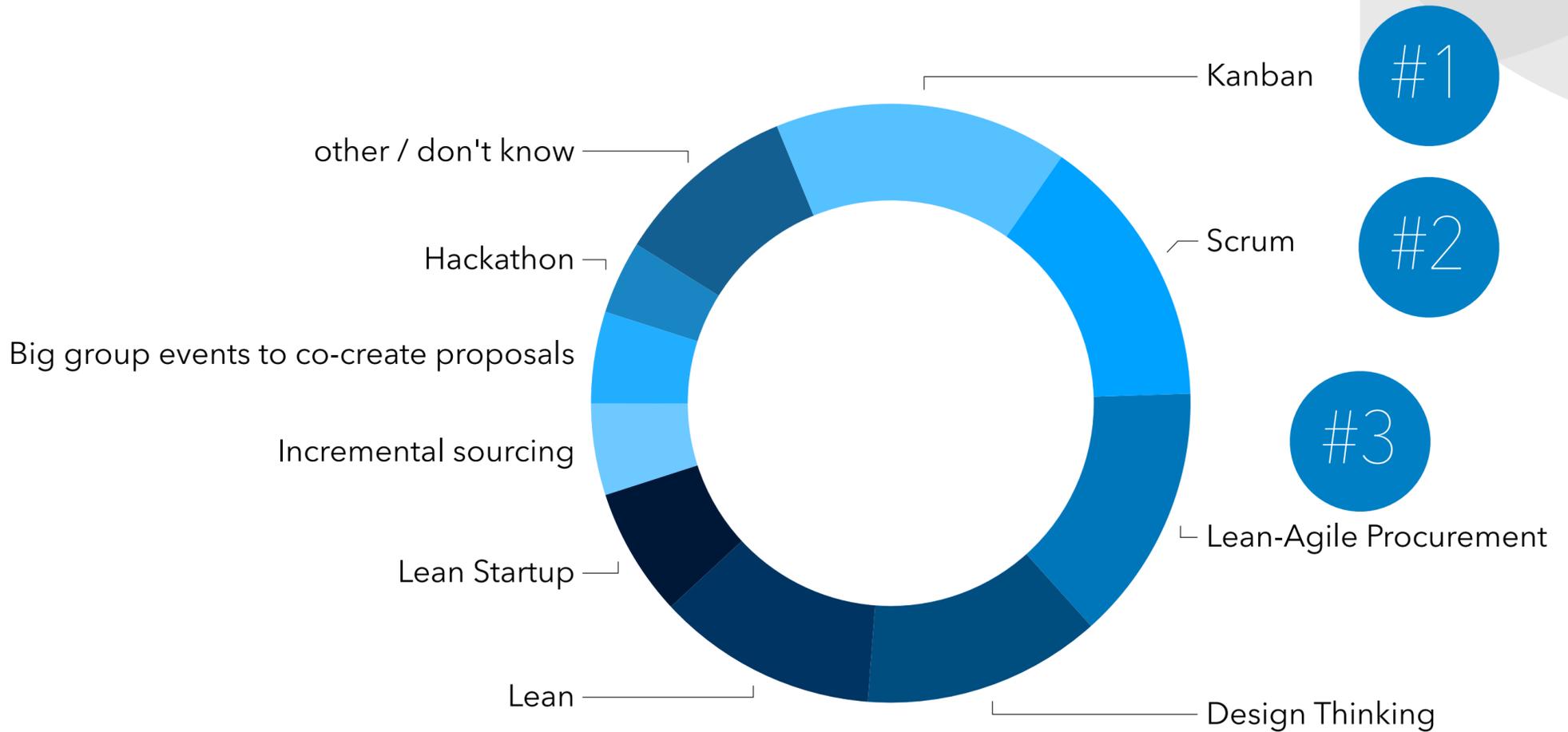
The top 3 agile techniques are the daily stand-up, empowered cross-functional team and the Kanban board. Comparing to the absolute numbers, procurement / sales contracting organisations are still some way behind in their application.



The survey indicates that Procurement and Sales Contracting teams have not extensively deployed functionally-specific methods such as Lean-Agile Procurement. Most still use standard good practices like Kanban or Scrum and 10% have no idea what agile practice to apply. Many – especially in Procurement – have limited familiarity with Agile contracts, which are an important enabler of more agile collaborations (19% more are new to agile contracts in comparison to Supply).

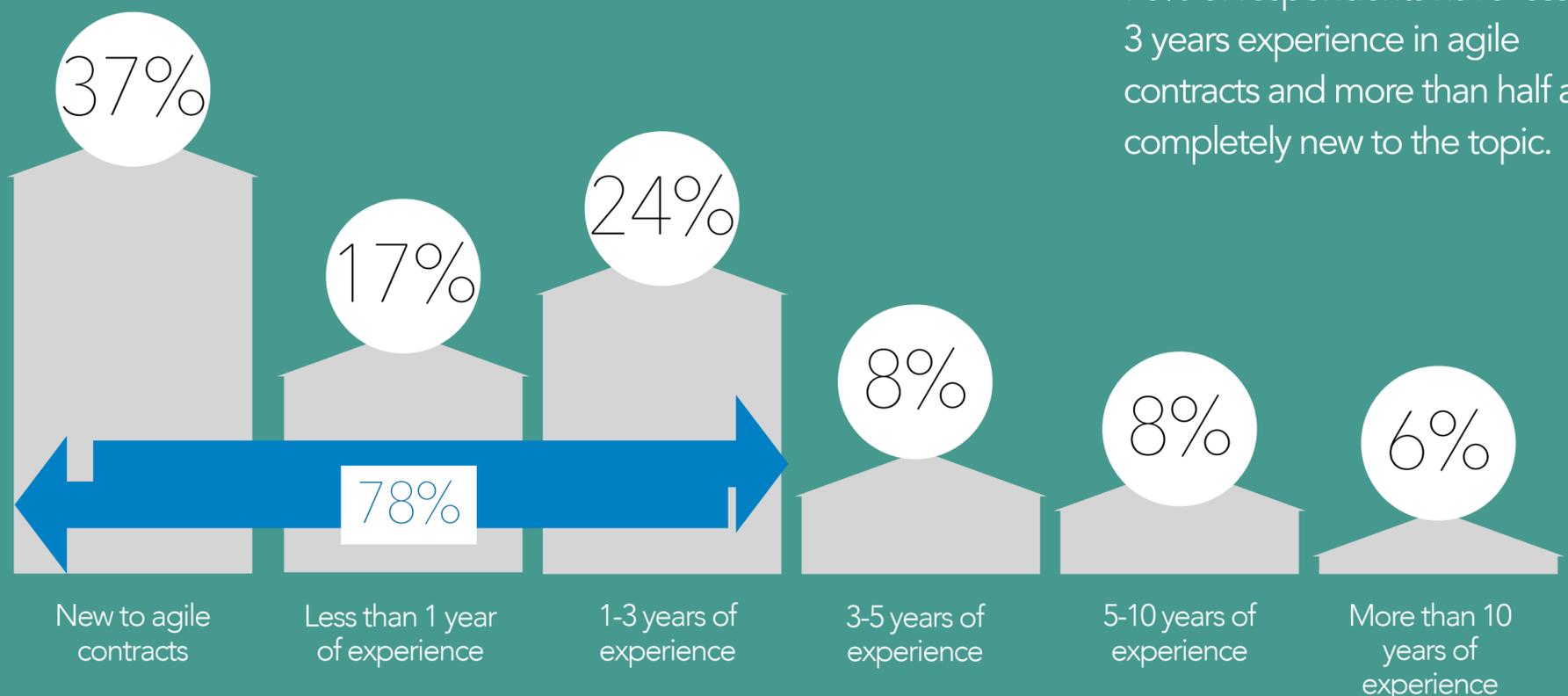
AGILE PRACTICES IN PROCUREMENT OR SALES

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



KNOWLEDGE IN AGILE CONTRACTS

78% of respondents have less than 3 years experience in agile contracts and more than half are completely new to the topic.



The respondents feedback confirms that adopting agile has a positive impact to all the „players“ along the whole value chain. Beside lack of knowledge in agile methods, the main road blocks are the usual suspects that delay or inhibit change programs.

BENEFITS ADOPTING AGILE

Respondents reported a significant improvement for their procurement/sales, their partners, the business and their end-customers if adopting agile.



CHALLENGES ADOPTING AGILE

The top 3 road blocks to adopting agile are the lack of knowledge, organizational resistance to change and the challenge of a mind shift to new values.



Respondents in Procurement & Supply have identified educating their employees in agile methods, agile transformation of their function and digitalization of commodity work as their top 3 priorities.

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 Training employees to be ready for the next challenges
- #2 Agile transformation of procurement function
- #3 Digitalization of procurement
- #4 Improving strategic procurement
- #5 Finding highly skilled employees / vendors
- #6 Improving operational procurement
- #7 Adjusting post pandemic
- #8 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 Other

For several years, organizations have recognized that market change has increased the need for speed and adaptability. As this report shows, about one in six took action. But this left more than 80% of organizations seriously exposed when facing the mass disruption of a global pandemic. It is therefore no surprise that 'agility' has risen high on the agenda, especially for the commercial teams which have such a critical role in establishing external relationships and winning and performing on contracts. For them, 'becoming agile' is not only essential to their business, but also to their own relevance and status as a function.



More

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



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www.iaccm.com



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www.lean-agile-procurement.com