



Complex sourcing with faster and better outcomes

Lean Agile Procurement (LAP) is a rapid and highly collaborative sourcing methodology. Practitioners are benefiting from enhanced outcomes.



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Introduction

*Lean agile procurement (LAP)*¹ is a new mindset that enables sourcing organisations to rapidly generate successful purchasing outcomes. *LAP* achieves that through a comprehensive, accelerated and highly collaborative methodology. Project timescales of days, instead of months have been repeated with both public and private enterprises. *LAP* future-proofs the relevance of procurement by adding rapid enterprise value within ever increasing complex eco-systems.

When correctly applied, *LAP* results in time-to-value > 400% faster, 80% savings and radical risk reduction and considerable improvements in client satisfaction while constantly focusing on the most valuable things first².

Background

For several decades purchasing organisations have successfully applied variations of either a linear *strategic sourcing process*³ or *contract management cycles*⁴ to support organisational objectives. They provide a rational, reproducible and scalable approach to follow a sequential multistep methodology. They have been universally adopted by procurement individuals and teams around the world.

Much has been written around the subject of *Lean*⁵, be it lean thinking as a business methodology, *Lean Manufacturing*⁶, *Lean Six Sigma*⁵, etc. Further information is already available at www.cips.org. In a similar fashion, *agile*⁷ although generically used to imply swift flexibility has a strictly disciplined meaning within the IT industry. In particular software developers understand *agile* to be rapid iterations of collaborative efforts of self-organising and cross-functional teams, often in a co-located format. Within the communities and practices of the most start-ups is the application of the *Business Model Canvas*⁸ and *Lean Startup*⁹. It concisely captures the essential of a value proposition, infrastructure, customers, and finances that must be managed prior to launch - where time to market is mission critical. The essentials of *Lean*, *agile* and the *Business Model Canvas* have been married to create *LAP*.

LAP Differentiation and essentials

How is *LAP* different from a classic RFX, and are there situations when it's not appropriate? Conventional commodity sourcing and simple tendering are situations where *LAP* won't deliver value added differentiation. *LAP*'s sweet spot is complex sourcing, often where the optimal result is poorly defined or is simply unknown¹⁰.

Product development is a team effort

To implement complex¹⁰ sourcing cases in days you need everyone with expertise relevant to the product at one table. Sourcing with *lean-agile procurement* is always a team effort. And, the team is empowered, which minimises handovers, waiting times and decision latency¹¹.

The agile product development team is set up from the beginning and remains in existence throughout the entire lifecycle of the product: from the initial idea through to cooperation with the partner. Procurement and all other contributing parties are involved from the *beginning*, not just from the time a technical specification is available.

Incremental and value-added funding

Smaller batches allow an incremental and value-added funding of new ideas for improved business outcomes. *Lean-agile procurement* takes the pull-principle of *Lean* (11) to the next level. Think of a company with a stack of business ideas that have been prioritised on a portfolio level. By always taking next the idea with the highest priority *LAP* ensures that the whole company is working on the most valuable things first. Each idea is itself sliced into smaller batches, so the business value is delivered incrementally⁷. With every shipped product increment the team gets customer feedback, which enables a decision to be made whether to stop or continue with this idea.

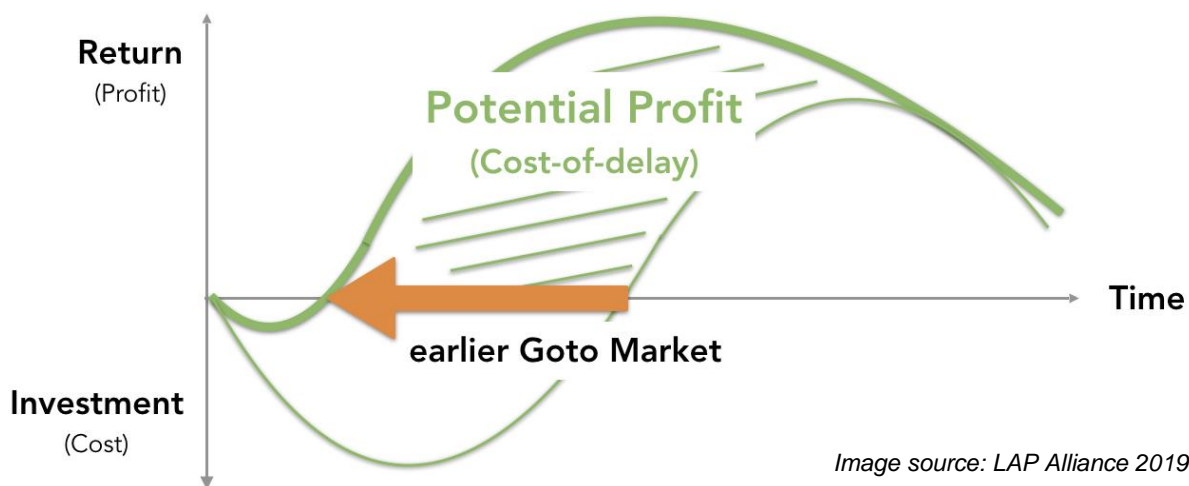


Image source: LAP Alliance 2019

Earlier return is more important than costs

With innovative ideas, it is more important to be ahead of the competition than to optimise the last few percent of costs. Because of sourcing in small batches only, the risk of a bad investment remains small⁹.

LEAN PROCUREMENT CANVAS

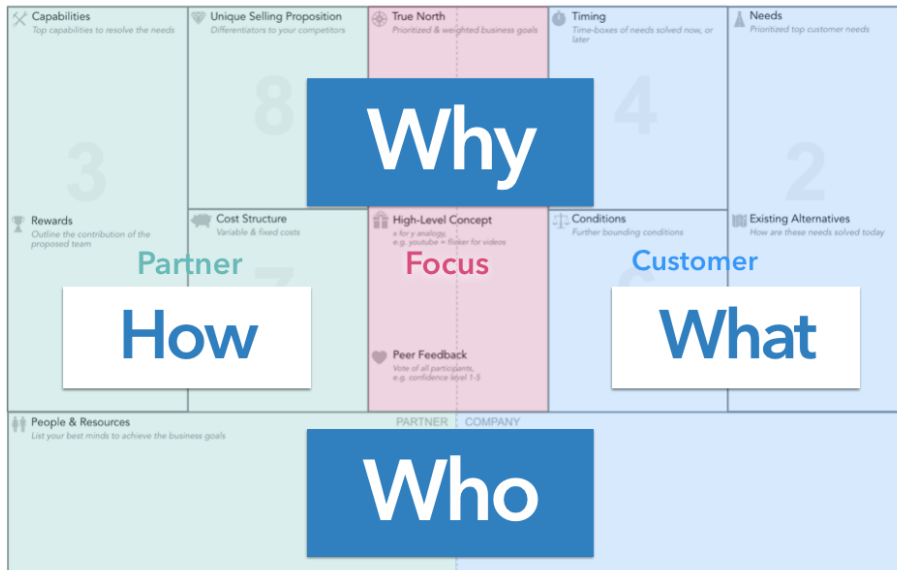


Image source: LAP Alliance 2019.

Effectiveness vs efficiency

LAP doesn't make the existing sourcing process more efficient. Instead the focus lies always on being *effective* – doing the RIGHT things. In an uncertain environment¹⁰ this also means saying goodbye to detailed specifications, and accepting that anything can change at any time. In today's smart business development scene the *Business Model Canvas* is a living document and 100-page business cases are a thing of the past. *Lean-agile procurement* demands the same, and the *Lean Procurement Canvas* provides it.

LAP approach and responsibilities

Kick-off

The first step is to set up an agile cross-functional product team around the product vision and strategic goals. Team members are the people who will be doing the job in cooperation with the new partner. Additionally, it is of fundamental importance that the team is empowered to make decisions within its boundaries.

Lean Agile Procurement

An end-to-end Approach to build & manage adaptive Partner Ecosystems

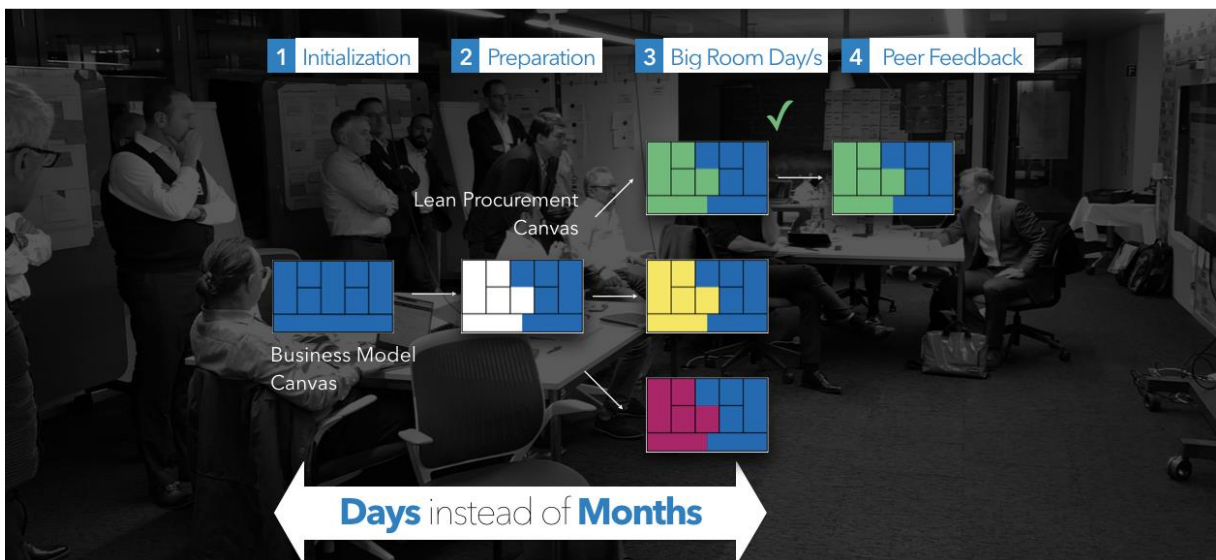


Image source: LAP Alliance 2019.

Preparation

Based on the business case, the high-level needs are defined by the team together with all stakeholders (real users or customers). Section by section the *Lean Procurement Canvas* is *Day* are issued to all potential partners that could do the job. The invitees are not provided with any of the information gathered so far, and they are asked to bring with them all the people who would be doing the job, plus decision makers.

Big Room Evaluation Day / peer feedback / decision

At the *Big Room Evaluation Day* all potential partners are gathered in one room at the same time, or brought in one by one. The *Lean Procurement Canvas* is *getting co-created* together with each of the vendors. This too is done using an *agile* approach, with several iterations of (e.g.) planning, break-out sessions, hackathons, reviews, demos, etc. When necessary appropriate appendices – for example an *Agile Roadmap*¹², or new customer needs (e.g. in *user stories* format¹³) – are developed together. Just as important as co-creating the hard facts are the co-creation of the soft facts. How do the potential partner's people behave? – Would we enjoy working with them? – Do they have all the necessary skills? – And, so on. For this, the team continually seeks peer feedback from the potential partner(s) and themselves. Everything will be gathered needed to make a decision.

Start agile delivery and manage partnership

In step 3 the *Collaboration- and Pricing Model* gets co-created and so agreed on an *Agile Contract*¹⁴. Another outcome of the *Big Room Evaluation Day* is that the full team is now assembled and ready for action as an agile product team. Often the *Big Room Evaluation Days* are used to run a *Proof-of-Concept* evaluation. If there is still uncertainty, it can be an option to choose (e.g.) the best two potential partners and start agile delivery with both. This will be cheaper than switching partner in a later state. The *Lean Procurement Canvas* is continually updated to reflect any new state and becomes the key instrument for *agile partner Management* in an *Adaptive Partner Ecosystem*¹⁵.

Assessment of LAP – award winning case study²

The CKW Group is an energy provider in central Switzerland. They have a turnover of 850 million CHF (> £600 Million) and employ approximately 1,700 people. They wanted to source a vendor to develop and implement an internal collaboration and communication platform.

Goals

- Shorten go-to market from 6-12 months to 1-2 months
- Find a new product / partnership / approach to solve current and acute customer needs in an interactive and incremental way
- Test collaborations and products / services with the potential partners before signing the contract
- Employees should become more self-organised and empowered to make decisions.

Approach and timing

The core format for the implementation of lean-agile procurement was based on a two-day workshop, where CKW co-created an agile contract with three vendors. The workshop actually created working product increments at the end of each day that was presented publicly to customers. At the end of the second day a partner/solution was chosen by the agile cross-functional product team, the co-created contract got signed so that the extended team was able to continue collaboration on the next day.

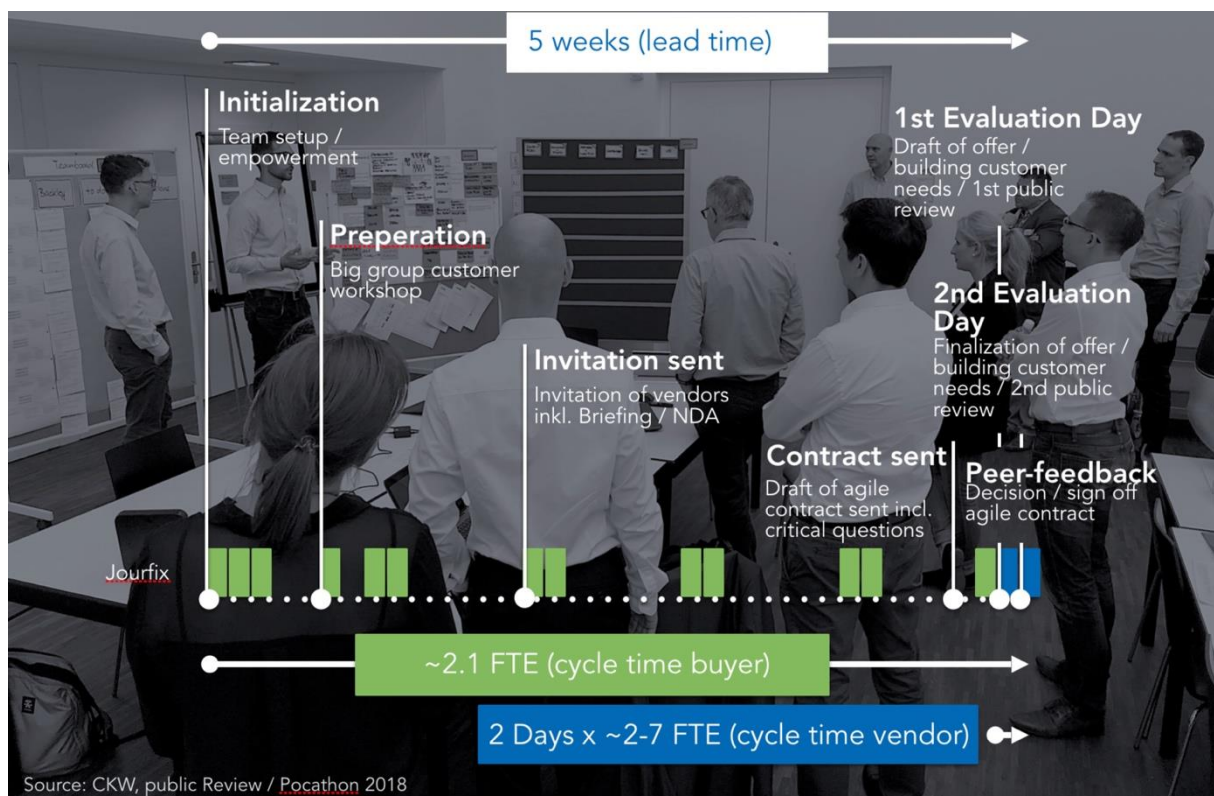


Image source: CKW Group & flowdays 2019.

Business Outcome



Time to Market

400% Faster

6 Weeks instead of 6 Months



Customer Alignment

2800% Faster

3 Days Instead of 3 Months



Decision to Contract

1000% Faster

Same Day instead of 1-2 Months



Effort

50% Less

2.1 FTE instead of 4-5 FTE



Happiness

9 of 10 Recommendation Rate

Buyer & Supplier liked lean-agile Procurement as a new sourcing approach

- Business value increased as the customers were involved constantly, e.g. during the big group workshop and public reviews.
- Staffing and empowerment of the x-functional team that resulted in significantly reduced lead time to do the job. The team had end-to-end competencies for the whole product lifecycle that enabled them to make the sourcing decision as well.
- The workshop also provided an opportunity to greatly reduce for social and technical risks, in that it provided an opportunity to validate product, service, cooperation, and the competencies of the vendors people to complete their respective tasks during the two-day period.
- Time to market was substantially faster as the new agile team - consisting of the buyer and vendor - could just continue working on the third day.
- Contractual risks were substantially reduced as all critical co-created aspects of the agile contract were made transparent and updated immediately. In addition, the agile contract ensured the needed flexibility on all the details.

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This case was success submitted to the 2018 CIPS-Europe award¹⁶ and CKW together with flowdays won the award at the Budapest ProcureCon event.

Further assessment of LAP – additional case studies¹⁷

The table below gives an overview of the industries that have employed LAP for sourcing and the wide range of products and services that have been successfully sourced. LAP has been successfully adopted by both the Private and Public sectors. In all cases significant breakthroughs in considerably reduced sourcing cycles and improved outcomes have been enjoyed by the related organisations.

Industry type	Private Sector	Public Sector
Automotive & Assembly	Strategic Partner Fleet Management	
Capital Projects & Infrastructure	Renovation of a Hospital, Facility Services	Rebuilding & Renovations of Christchurch
Electric Power & Natural Gas	Digitalisation Services & Tools	Digitalisation Services & Tools
Financial Services	Digitalisation Services & Tools	Digitalisation Services & Tools
Gaming	ERP & HRM Software	
High Tech	Innovation Partners	
Healthcare Systems & Services	Digitalisation Services & Tools, Marketing Partner/Campaign	
Media & Entertainment	Digitalisation Services & Tools, Marketing Partner/Campaign	
Pharmaceuticals & Medical Products		Emergency Inventory
Public Sector		Payroll System, HRM System
Social Sector	Digitalisation Services & Tools	
Telecommunications	Strategic Partner/Product in Communication	
Travel Transport & Logistics	Tracking System	
Oil & Gas	Digitalisation Services & Tools	

Source: LAP Alliance 2019.

Testimonial Quotations

For this section a number of respected industry professionals who have seen LAP in action insights on their views of LAP:

“It’s a matter of delivering fast added value as procurement”, **Stephan Chassaing de Bourdeille** former Vice head of group procurement, Axel Springer SE

“This is a game changer”, **Phil Thomas** MD of Global Sourcing at Barclays.

“Instead of eliminating the less promising offers we ended up **improving each proposal** and **choosing the best one!**”, **Eric Chaumette** Managed Delivery Centers Program Management Air France.

“LAP – Innovation through true partnership and start-up methods for Corporates”, **Astrid Borgmann** former CPO of Swarovski.

“Lean-agile procurement is a great method if the target is clear but the solution depends on the supplier you chose. Instead of defining all details yourself and expect the supplier will deliver, you ask the supplier to develop the concept of the solution in front of you. Hence you also see how they work, which adds confidence to the right selection”, **Daniel Wahler** CFO at CKW Group.

“Lean-agile procurement reduces and distributes risk through incremental and value-added funding for improved business outcomes.” **Pete Behrens** Board Member of Scrum Alliance.

“Great new methodology for fast paced procurement lean agile procurement certainly the future of our profession great course great experience”, **Mike Blanchard** FCIPS chartered MSCM MAICD, Country Manager at CIPS Australasia.

“Instead of eliminating the less promising offers, we ended up improving each proposal and choosing the best one”, **Eric Chaumette** Managed Delivery Centers Program Management at Air France.

“On the way to digital competence in procurement, we are specifically looking for target-oriented procurement models. In this context, we came across lean agile procurement. The model convinces with its easy to understand and easy to implement structure. This simplicity allows significant improvements to be achieved in the areas of resources, time and money relevant to procurement and projects. As far as the competence and organisational development of the SBB SCM community is concerned, we are convinced that with LAP we have found a target-oriented procurement model that will efficiently support us in future complex procurement projects”, **Stefan Menzinger** Head of Academy at SBB CFF FFS.

“Lean-agile procurement is easy to understand but hard to master”, **Reeve Randriamanananjara** IT Buyer - Hardware and Software at BNP Paribas Asset Management

Conclusion

Application of LAP is particularly suited to today's working environment – namely organisations needing to provide differentiated solutions and products in ever decreasing cycle times. LAP provides a framework and methodology that is centered on both deep stakeholder collaboration and supplier integration. Results from enterprises that have applied *LAP* have been a paradigm shift compared to classical sourcing methodologies – impressive outcomes with highly accelerated timelines.

- LAP is a **proven** approach for **indirect and direct sourcing in all categories** where the sourcing case has a **certain complexity**. Applied in commodity sourcing cases it creates unnecessary overhead.
- It is a practical approach that **improves time-to-market** significantly and **radically decreases risk** through **incremental and value-added funding** for **improved business outcomes**.
- LAP has a **sustainable impact** on the way functions work together, both internally and with their partners – because the **soft facts** are evaluated by the very people who are going to be working together
- With LAP it is once again possible to **deliver added value** to the business **faster** and thus **remain relevant** as procurement.

References

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- (3) Strategic sourcing process outlined via https://en.wikipedia.org/wiki/Strategic_sourcing
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- (17) Excerpt of Case Studies/Industries with LAP by LAP Alliance 2019
- (18) Excerpt of Quotes about LAP by LAP Alliance 2019

More

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