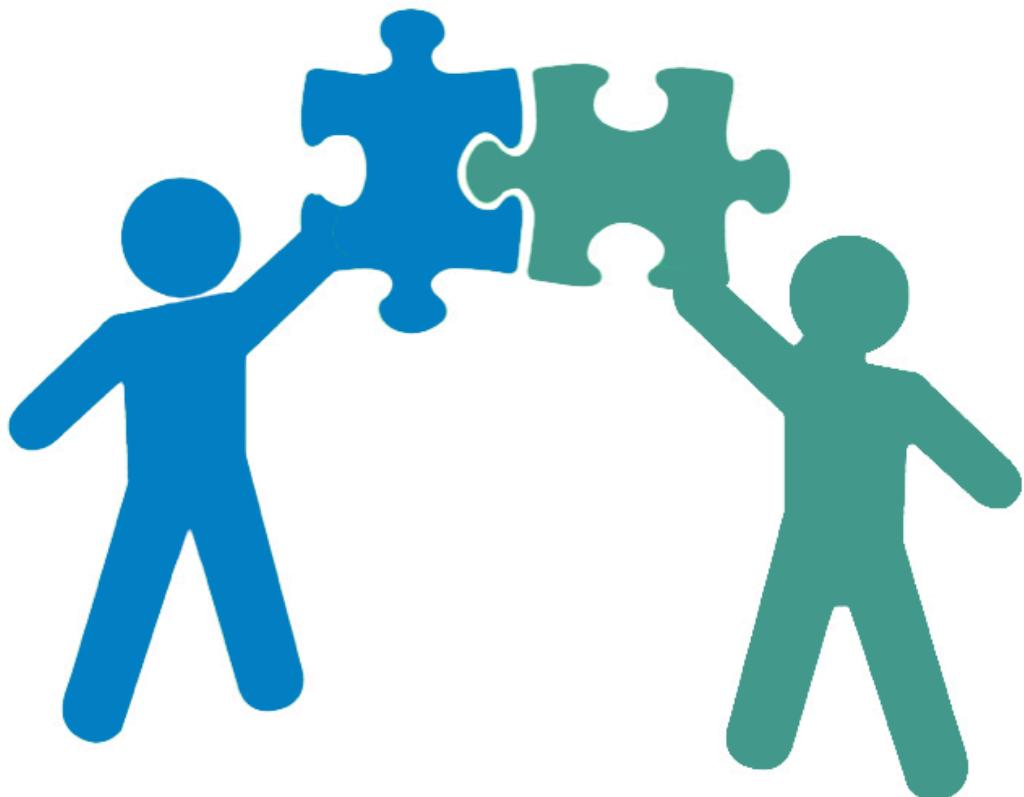




For Executives, Procurement Leaders &
Vendors in the public & private Sector

AWARD
WINNING
APPROACH

LEAN-AGILE PROCUREMENT



How to get Twice the Value in Half the Time

Mirko Kleiner

Foreword

„Adaptability is a critical competence for survival in today's volatile and unpredictable markets. Given their historical focus on control and compliance, it is also a characteristic that most procurement teams lack.

That is why adopting Lean-Agile Procurement is such an essential step. We do not have time for incremental change. So my recommendation is to read, to learn - and most important, to implement!“

*– **Tim Cummins** President World Commerce & Contracting*

“Why agile procurement is key to Procurement’s future - Procurement & Supply Asia / Pacific (PASA) has been committed to the idea of lean agile procurement (LAP), through Mirko and his colleagues of the LAP Alliance particularly, since the first LAP workshop held in Australia back in 2018.

The reason is simple - we believe it is part of the answer. The answer to procurement’s long-standing complaints of low stakeholder buy-in to their procurement process and methodology. And, simultaneously, the answer to stakeholders’ pointed question about procurement that drives their low buy-in levels, “But why does it take so long?” Procurement teams performed miracles during the height of the pandemic crisis, and stakeholders liked what they saw - a more responsive procurement process in tune with urgent business needs. Therefore, post-crisis stakeholder demands for a procurement service that is better, faster, cheaper and more responsive may now be overwhelming. Can procurement now leverage this new goodwill and use agile procurement as a tool to make such responsiveness permanent?

This is the key question we have been asking at PASA Agile in Australia and New Zealand. At PASA AGILE, we have now completed numerous LAP workshops both online and offline with Mirko and his extended team.

We have also fulfilled several agile procurement coaching assignments supporting procurement team undertaking agile procurement projects and running their first BIG ROOM supplier engagement workshops at the fulfillment of their agile procurement projects.

Agile procurement works well in theory and in practice, for the right procurement projects, and we at PASA are keen to continue the journey."

–Jonathan Dutton FCIPS I Chief Executive PASA

"John Donne once wrote "no man is an island entire of itself".

As the world becomes more complex and interconnected, those words become even more important than they were in 1624. True value can only be created when individuals and organizations come together in a common purpose. And yet, despite this fact, most organizations struggle to build truly collaborative partnerships. Instead, they build fragile relationships on the underlying premise of distrust. But where many see challenge, within this book you will see opportunity. This is your moment to create truly agile partnerships and bring your procurement teams into the 21st century (and perhaps via the 17th for a moment). What agility brings into procurement are the abilities to trust (but check) and inspect (& adapt). Capabilities necessary for organizations to be able to balance governance and risk in order to thrive, together, in the modern economy."

– Evan Leyborn Head of Thought-Leadership and Advocacy (co-founder)
Business Agility Institute

“I was impressed with Lean-Agile Procurement from the very first time that I saw it. So impressed, in fact, that we wove ideas and strategies from LAP into the Vendor Management portion of Project Management Institute (PMI)’s Disciplined Agile toolkit. If you’re involved in procuring anything of material importance for your organization then you need to read this book.”

– **Scott Ambler** Consulting Methodologist, Ambysoft Inc.

“Procurement is the gateway, absolutely the gating factor, to business response. No company can on-board a better supplier or improve a part design in production faster than they can procure. The collaborative, responsible and accelerated procurement methods “Lean-Agile Procurement” described in the book are business tested globally, government accepted, and your accelerator to increase the speed of innovation in your company.”

– **Joe Justice** Authored Scrum Master (book), created eXtreme Manufacturing, founded WIKISPEED, lectures on #JoeDX. Tesla alum.

„Culture has been a key impediment to increased agility for over two decades, and yet it continues to elude and frustrate organizational leaders. Corporate governance and finance policies, formed by prior generations, act as protectors of that legacy culture in the name of risk management. The problem is that risks have changed, but the policies and resulting culture haven’t. Enter Lean-Agile Procurement, a significant step to bridging this gap and bringing forward one slice of corporate policy and governance into the agile generation. The next generation of corporate winners will be those whose senior financial and governance leaders took this step.”

– **Pete Behrens** Founder & CEO, Agile Leadership Journey

"One of the most difficult tasks when it comes to working with a development partner is getting them to build the contract in an Agile way. The way to get to desired results should not be fixed. As the work is done, we will learn along the way and adjust both what will be done and how it will be accomplished. Procurement departments need to start building contracts that allow more flexibility for what is being delivered and how that is accomplished. This enables the people doing the work to act with greater agility. This book provides great direction to help organizations move from a traditional vendor or supplier management approach to a true partner relationship, working together toward a common goal."

– **Eric Naiburg** Chief Operating Officer at Scrum.org

"Procurement can either accelerate an organization or hold it back. Agile procurement practices enable an enterprise to react quickly to changing needs, supply chain challenges, and rapid change. In my experience, procurement is the key enabler of Agile across the entire business."

– **JJ Sutherland** CEO Scrum inc.

"Many people talk about agility; fewer people really understand it; even fewer have internalized it to the point where it guides their thinking and behavior. Mirko Kleiner is one of those people. Agility is about responding to change, managing risk, and activating collective intelligence to get better results, sooner. It's about skipping bureaucracy and focusing on the essentials. It started in software, but today, agility is essential throughout the organization, and indeed, beyond organizational borders. Lean-Agile Procurement introduces a new paradigm to the procurement process. You will likely find yourself rethinking your assumptions as you discover new and better

ways of establishing collaboration across company borders. This book is a must-read for anybody on the client or vendor side of the table in procurement, sourcing, or contracting."

– **Peter B. Stevens** Author, *Ten Agile Contracts: Beyond Fixed-Price, Fixed-Scope & Personal Agility: Unlocking Purpose, Alignment, and Transformation*

Dedication

First and foremost, I'd like to thank my family and especially my partner Andrea for making all of this possible - you are the love of my life!

Many thanks to Dan Murphy, who helped me improve my Swiss-English and is a real partner in „crime“, as well as to all the contributors of case studies, forewords, etc.

I also dedicate this book to all the visionary minds and trailblazers who have tirelessly championed the cause of Lean-Agile Procurement. Your unwavering commitment to redefining traditional paradigms has illuminated a transformative path for the procurement landscape. To the daring souls who dared to challenge the status quo, to the strategists who envisioned a future where collaboration supersedes competition, and to the practitioners who fearlessly embraced change to cultivate more efficient, responsive, and innovative procurement practices.

I look forward to collaborating and challenging the status quo with all my friends, partners, customers and trainers in the global movement of the LAP Alliance.

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1. Introduction

In today's rapidly evolving business landscape, organizations are continuously seeking ways to enhance their agility, responsiveness, and adaptability. Lean-Agile procurement emerges as a transformative approach that revolutionizes the traditional procurement process, enabling businesses to meet the dynamic demands of the market. Combining the principles of Lean and Agile methodologies, lean-agile procurement embodies a customer-centric, iterative, and collaborative approach that redefines strategic procurement and the way vendors are treated.

„This is a Game Changer!“

*– Phil Thomas, Chief Procurement Officer Hargreaves Lansdown
(former CPO of Barclays)*

Lean Agile procurement promotes a fundamental shift from low trust relationships with suppliers to true partnerships where all parties do their best to create a win-win situation. The focus is no longer solely on fixed requirements and long term contracts. Embracing agile values, lean-agile procurement emphasizes the importance of cultural and social fit to solve today's complex problems together. For this reason, people from all parties, especially all experts who may be involved in the delivery, meet as early as possible to share any risks, assumptions, concerns, etc., and thus improve the initial ideas together across companies.

„I've awarded many, many contracts, but I've never been hugged by a supplier at the end of it, when I told him that he won the contract. That tells you something.“

– Serge Kolman, Procurement and Contracts Manager, Dunedin City Council

Through this book, we embark on a journey to explore the core principles, frameworks, and practices that underpin lean-agile procurement. From reimagining vendor selection to optimizing contract negotiations, we delve into the intricacies of implementing lean-agile principles throughout the procurement lifecycle. Through real-life examples and case studies, we illustrate how organizations from diverse industries have successfully harnessed lean-agile procurement to achieve transformative outcomes. Join us in uncovering the power of lean-agile procurement as a catalyst for innovation, collaboration, and competitive advantage in an ever-evolving business landscape.

Awards

Lean-Agile Procurement has been recognized and awarded by the top three procurement alliances and professional bodies. The winning cases come from both the private and public sectors and different industries.

Table: Awards

Award	Awarded by	Winner
Outstanding Cooperation & Collaboration APAC - Innovation & Excellence Awards 2023	World Commerce & Contracting	Dunedine City Council
Procurement Consultancy Project Award - World Procurement Awards 2020	Procurement Leaders	SwissCasinos Group & flowdays.net
Best Procurement Consultancy Project - Supply Management Awards 2018 Europe	Chartered Institute of Procurement & Supply	CKW Group & flowdays.net

Benefits of adopting Lean-Agile Procurement

When contrasting lean-agile procurement with traditional sourcing methods like RFPs, the disparities are striking. RFPs, characterized by their lengthy documentation, fixed requirements, and prolonged decision-making cycles, can inadvertently stifle innovation and limit responsiveness. In stark contrast, lean-agile procurement streamlines the process, enabling organizations to swiftly identify changing needs and pivot accordingly. For instance, while an RFP might take several months to reach a vendor selection stage, lean-agile procurement can expedite this process to mere days or weeks, sometimes hours. This agility not only accelerates time-to-market but also promotes collaboration and creativity throughout the procurement journey.

Table 1: Benefits of adopting LAP

Benefits	Lean-Agile Procurement	Sourcing via RfP
1. Agility	Rapidly adapts to changing requirements and market shifts.	Typically follows a linear and inflexible process.
2. Collaboration	Promotes closer vendor-buyer partnership and creativity.	Often limits collaboration to formalized stages.
3. Incremental Value	Delivers value incrementally, ensuring early benefits.	Often delays value realization until project end.
4. Risk Management	Mitigates risks through continuous monitoring and adjustment.	Relies on upfront risk assessment, which can miss dynamic factors.
5. Time-to-Market	Accelerates time-to-market by 400 to 800% with quicker vendor selection.	Involves longer decision-making cycles and delays.

Beyond speed, the value of lean-agile procurement extends to risk mitigation and cost-effectiveness. Traditional approaches often lock organizations into rigid contracts, leaving little room for adaptation should circumstances change. In lean-agile procurement, the incremental delivery of value enables stakeholders to assess progress continuously and make informed decisions. This iterative nature reduces the risk of costly missteps and ensures that resources are optimally allocated. As a result, Lean Agile procurement has demonstrated an average recommendation rate of 9 out of 10 from both the buyer and the supplier. Including the non-winning suppliers.

The following diagram provides a good overview of the value proposition and benefits from the perspective of the 3 key roles involved.

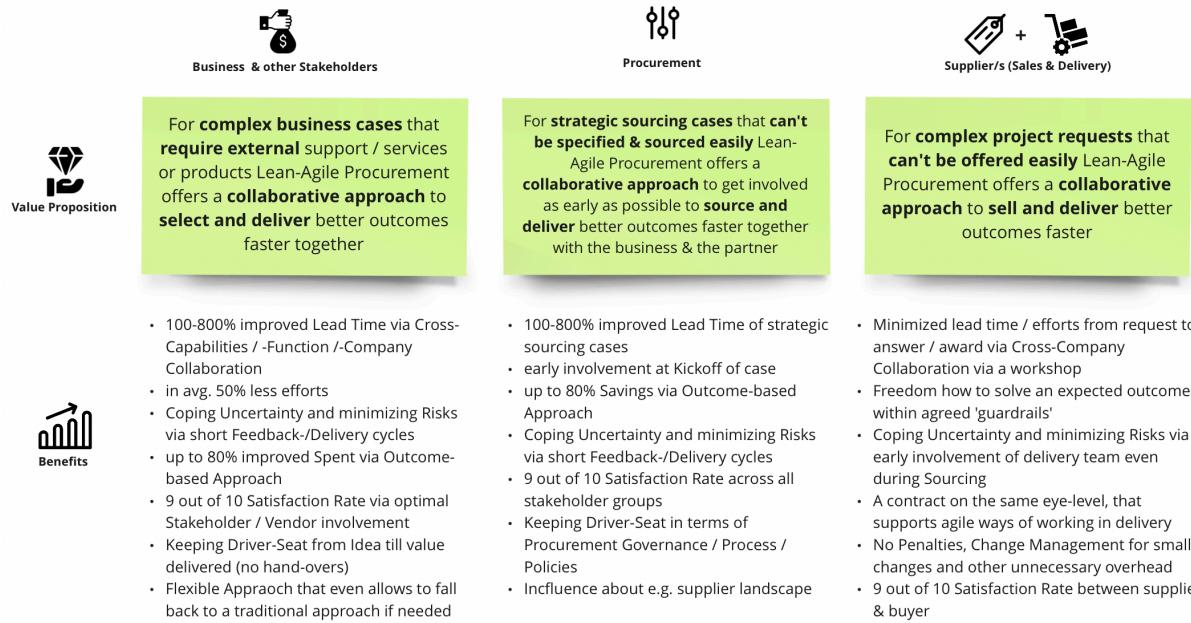


Image Source: LAP Alliance

In a world where speed is the new currency of business, lean-agile procurement stands as a beacon of innovation, offering benefits that eclipse those of traditional sourcing methodologies. By embracing the principles of adaptability, collaboration, and incremental value delivery, organizations can position themselves at the forefront of their industries, ready to navigate the complexities of a rapidly evolving marketplace with confidence and prowess.

Intended audience for this book

This book is essential reading for business leaders from the buyer- and supply-side as well as the private and public sector. If you're a seeker of transformational procurement, a pioneer of change and a champion of agility, this book can inspire you to reimagine the future of procurement and usher in an era of adaptive partner ecosystems and limitless possibilities.

In particular procurement professionals, project managers, supply chain executives, vendor relationship managers, Agile coaches, Lean practitioners, IT leaders,

innovation directors, contract managers, and senior executives across industries. It provides actionable insights and real-world strategies to drive innovation, collaboration, and sustainable competitive advantage.

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About the author

Mirko Kleiner, a seasoned thought leader and practitioner, initiated a global movement in lean-agile procurement seven years ago. He's also a serial entrepreneur who founded the Lean-Agile Procurement Alliance - The Global Certification Body, y-o.blue and co-founded flowdays.net, an agile consultancy in Switzerland and Germany. Through his dynamic leadership, consulting, and speaking engagements, Mirko continues to inspire professionals and organizations worldwide to embrace agility, innovation, and adaptive practices to help them achieve greater impact, faster together.

Disclaimer

While this book offers comprehensive insights into lean-agile procurement practices, it is crucial to recognize that each organizational context is unique. Successful application of these practices demands a nuanced understanding of individual circumstances, industry specifics, and the dynamic interplay of factors. Moreover, the effective implementation of lean-agile procurement hinges on a solid foundation of background knowledge and experience in both Lean and Agile methodologies. Additionally, local laws and regulations play a significant role in shaping the boundaries of procurement strategies, necessitating a careful consideration of legal and compliance aspects. This book aims to provide a guiding framework, but readers are encouraged to exercise discretion and seek professional advice when tailoring these practices to their particular situations.

References and permissions

The contents in this book are extensively referenced to authoritative sources and supported by proper citations. The presented case studies have been included with explicit permission from the organizations, ensuring accurate portrayal and ethical publication.

6. Case Studies

Over the last 7 years, Lean-Agile Procurement has become the global standard in procurement for complex strategic sourcing cases. The LAP Alliance now has a track record in almost every industry and category in both the public and private sectors.

„In 20 years of Solution Selling Business Software, this was the fastest, most efficient and cost effective partner and solution evaluation. There should definitely be more sourcing cases using Lean-Agile Procurement!“

– P. Dragicevic, Territory Channel Manager BA at Microsoft

In the next chapters we've selected several case studies, two from the private sector and four from the public sector, to demonstrate the power of LAP in more detail and especially in highly regulated environments.

We've also put together some observations, recommendations and opportunities for leaders in government procurement. Furthermore, get inspired by a recommended application of LAP to overcome the challenges and risks of a \$1 billion public procurement at the example of sourcing new trains.

Sourcing of a Group ERP in 2 Days!

Swiss Casinos Group, Switzerland, www.swisscasinos.ch



Image Source: Swiss Casinos Group

Swiss Casinos is a Swiss gambling and casino company, #1 in the market with 800,000 visits, 580 employees with annual revenues of CHF 160 million. It recently entered the online gambling market and is still on its digital journey.

„It's the 4th project concerning an ERP Software I am engaged in, but thanks to Lean-Agile Procurement it's the first time I am convinced before even starting that we will create a good and valuable product for the users.“

– Stefan Meyer, CFO Swiss Casinos / CEO Swiss Casinos Services AG

The gaming market is becoming increasingly disrupted, so Swiss Casinos has to adapt its business model and invest heavily in digitalization. At the end of 2018 the Board of Directors approved the "Shakira" project, that introduced a new ERP software as the next step toward a more digital company. Swiss Casinos had a deadline of January 2020 (less than a year in total) to complete the delivery and concluded that this date was not feasible with a traditional procurement approach (RfI/ RfP). So Swiss Casinos decided to try Lean Agile Procurement (LAP) for the first time for their group ERP procurement.

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 potential partners before signing a contract
- Employees should be more self-organized and empowered to make decisions.

Approach & Timing

The core format for implementing Lean-Agile Procurement was based on a two-day workshop where Swiss Casinos co-designed an Agile contract with three suppliers. The workshop actually produced working product increments at the end of each day, which were publicly presented to users from accounting, human resources, procurement, etc.



Image Source: Swiss Casinos Group

In addition we set up an empowered, x-functional product team that had end-to-end competence and responsibility. This meant that the people working with the new partner built this team from the outset. This ensured we had the right expertise in the team, such as communications/business/technology/collaboration/purchasing/contracting. Other experts, such as legal, were made available and brought in as needed.

The team worked in 1-week iterations with feedback loops where they presented their results publicly to the client and all stakeholders. We did not use the traditional steering committee approach. In one of the iterations, the team facilitated a 4-hour large group workshop with 20 participants representing all personas/cus-

tomer segments to capture their real needs and prioritization. Nice-to-haves features and capabilities were identified together with the user representatives and were positioned out of scope immediately.

The team leveraged the Lean Procurement Canvas as their main tool. This guided them through all the procurement topics and kept them at the right level of detail. For example, the team developed their preferred collaboration/pricing model based on Lean/Agile principles. The lawyer and procurement experts drafted an initial agile contract. One of the statements from that experience was that: "This is the fairest contract we've ever done". This proved to be very useful since all the typical critical issues legal considerations such as risk-share, warranty, etc. were addressed early in the process.



Image Source: Swiss Casinos Group

The first three activities, of Initiation and Preparation took three weeks with no involvement of potential partners. Next, we invited the three shortlisted partners for the 4th week for two days. None were given time to prepare in advance. They were expected to show up with the right people to work with our product team, and

with the customer. They also needed to bring their sales / legal people / decision-makers /... The buyer team from Swiss Casinos was looking for a constant team from the vendor/partner with people that would engage not only in procurement but also, the on-going delivery of value over time. As well the Swiss Casinos was looking for a team with a „cultural-fit“. The vendor/partner information package on the meeting was limited to a briefing about the approach, the goal of the 2-day workshop and the draft of the Agile contract. Also, the vendors were paid for this 2-day workshop as we believe we got value out of this, even though there could only be one winner.



Image Source: Swiss Casinos Group

The first goal of the 2-day workshop with the three vendors in one room was to jointly co-create an offer each that they could agree to and authorize, and to be ready to immediately start implementing some of the higher priority customer needs.

Thanks to the Lean Procurement Canvas we had a summary of the collaboratively developed Agile contract. This was critical, as it provided everyone a clear

understanding of the vision / the customer needs / timing / collaboration / pricing model, bounding conditions, etc. Questions and risks were resolved within minutes. For example, it turned out that the License Model is crucial, so we asked the 3 vendors to co-develop the optimal License Model for this case which they accomplished collaboratively in just 15 minutes! Next, they were immediately tasked to negotiate the best license costs with the Partner Manager of Microsoft and in an additional 15 minutes this task was completed as well!



Image Source: Swiss Casinos Group

The second objective of the workshop was to run a proof of concept in parallel to assess the capability and the collaboration of the vendor/partner teams. At the end of each day the vendor/partners presented in a public review, what was developed the day to all stakeholders. Questions were answered, and feedback was given to each vendor/partner. At the beginning of each day, each vendor committed to what they expected to achieve by the end of the day. This allowed the client to gain insight into how each potential partner planned and discussed their work, and to review what was achieved.

Beside creating the offer, the vendor/partner development teams built proof-of-concepts designed to fulfill, the most important customer needs, and current challenges in the legacy ERP system. The results were also presented in the public reviews.

As we constantly gave feedback to all the vendor/partners it was easy to assess at any time the capabilities and feasibility of the vendor/partner solutions and their cultural fit. This led to fierce competition in all aspects of the procurement process. For example, the vendor/partners proposed their own innovative „outside the box“ ideas, in addition to the requested needs in order to make their respective offers more attractive.



Image Source: Swiss Casinos Group

The most important success criteria for LAP is to involve the people doing the work with the outcome/vision. Namely, WHY we need this product, the personas and their needs/WHAT and how their solution/services, the HOW it would be beneficial or provide value. We let them estimate the user stories (agile technique to describe a customer need) including level of effort and schedule estimates in consideration

of the complexity of their product and their approach. This co-creative approach was also the basis for cost ceiling estimations, and timing, and the high level business objectives that were fixed in the Agile contracts. This process offered the buying team to better evaluate vendor/partner performance and to better understand the socio-cultural values of the perspective vendor/partners in real time.

The winning vendor/partner decision was taken by the product team at the end of the 2nd day. We communicated the decision directly to all vendor/partners, answered their questions. Then we signed the contract with the winning vendor/partner. Swiss Casinos was looking for a long term partnership, however the contracts were iterative. The first one was for just the initial 6 months period and could be terminated by either party at any time without penalty. This was to ensure continued engagement and investment by both parties in the partnership. The re-evaluation approach was simple, renewal won't be an issue. In addition, the team invited a person of another vendor to join their team as he was a great performer and a nice person too!

As everything is already set up, the team could just start working on the 3rd day. So no more delays / ramp up phase or anything like that.

Metrics

The following key success metrics were used in the sourcing case with the Swiss Casinos Group:

- **Time to Market** - 4x Faster (4 Weeks instead of 6 Months)
- **Savings** - 80% Less Costs (Focus to the most important modules first)
- **Decision to Contract** - 10x Faster (Same Day instead of 1-2 Months)
- **Efforts** - 50% Less (2.1 FTE instead of 4-5 FTE)

- **Happiness** - 9 of 10 Recommendation Rate From both, the Buyer & Supplier

The results are mind-blowing and achieved a new World Record. This was been recognized by Procurement Leaders with the World Procurement Award 2020!

Business Outcome

Beside the metrics the Swiss Casinos Group reported the following business outcomes applying Lean-Agile Procurement:

- Increased business value by involving users throughout, e.g. during the large group workshop and public reviews.
- Staffing and empowering the x-functional team, resulting in a significant reduction in the lead time to complete the work. The team had end-to-end product lifecycle skills that enabled them to make the sourcing decision.
- The workshop also provided an opportunity to significantly reduce social and technical risks by providing an opportunity to validate the product, the service, the collaboration and the competencies of the vendors' people.
- Based on customer-driven needs, the team worked together to design appropriate solutions that would fit within the business objectives and cost framework. This significantly reduced the financial risk, cost and staff time required to complete the task.
- Time-to-market was significantly accelerated as the new agile team - consisting of buyer & seller - was able to start work on the 3rd day.
- Contractual risks were significantly reduced as all critical co-created aspects of the agile contract were made transparent and updated immedi-

ately. In addition, the agile contract ensured the necessary flexibility in all details.

Awarded success Story with the Dunedin City Council

Dunedin City Council, New Zealand, www.dunedin.govt.nz



Image source: Dundin Council

As LAP and its benefits have spread around the world, so have the success stories in government. The Dunedin City Council is one of many equally successful pub-

lic sector case studies as for example the private sector with the Swiss Casinos and the APA Group case. The success story with the Dunedin City Council has been awarded with the Outstanding Cooperation & Collaboration APAC - Innovation & Excellence Awards 2023 by the World Commerce & Contracting - Congratulations!

The Dunedin City Council (DCC) represents the 114,347 citizens that live in Dunedin, the second-largest city in the South Island of New Zealand and the principal city of the Otago region. The Council is responsible for the governance of, setting the city's strategic direction, and ensuring it works towards meeting the community outcomes it has set for itself. The direction and policies set by the Council are then implemented and managed by the Chief Executive through Council staff.

When procuring Good or Services, DCC is required to use the Government Electronic Tendering Site (GETS) to list all open market tenders. This site enables registered users to electronically review and respond to all current open market tenders being conducted by the Council. Procurement with a cumulative value of over \$100,000 requires an open and competitive process and previously for complex projects to source software systems, which typically takes over three months.

„I've awarded many, many contracts, but I've never been hugged by a supplier at the end of it, when I told him that he won the contract. That tells you something.“

– *Serge Kolman, Procurement and Contracts Manager, Dunedin City Council*

Portt is an intelligent procurement, contracts and supplier management platform, which enables the strategic potential of procurement teams. Portt is the fastest-growing provider of SaaS procurement, contract and supplier management products across Australia and New Zealand. Founded in 2010, the company has a repu-

tation for doing business with some of the region's most complex public and private sector customers.

For a customer and supplier relationship that has delivered substantial value for both organizations.

Designed for the modern enterprise, the Portt platform transforms sourcing activities and supplier contracts into strategic business assets. Its best-of-breed capabilities across the source-to-contract lifecycle are delivered on a foundation of industry best practice.

Approach

DCC and Portt worked very closely together during the procurement of the Council's Contract Lifecycle Management (CLM) system through the DCC Lean Agile Procurement Process. Portt and DCC engaged in the Lean Agile Procurement (LAP) approach, equally pushing into the process by collaborating and making connections between the teams at DCC and Portt.

The DCC team fully embraced the LAP process and focused during the two days on getting to know the Portt team. It was important for DCC to understand how Portt approaches working with its customers and the capabilities of its CLM solution.

Equally, Portt dedicated two days to the LAP process and approached it as an opportunity to start building the relationship with DCC and all its key stakeholders.

Business Outcome

One of the most important outcomes for DCC was that they wanted to select a partner they felt they could work with to achieve their goals. Therefore, both parties engaged in an open and transparent process through the Lean Agile Procurement process and both leaned into the LAP process even before the contract was awarded.

The Council aimed to turn a standard Request for Proposals (RFP) process into a sprint rather than the usual marathon and to ensure that the successful supplier would be the optimum fit for DCC. They wanted a CLM solution that could automate activities, streamline approvals and management flows and capture rich data. DCC was able to condense the procurement process from a sourcing perspective significantly - from more than three months to just two days. Using the LAP approach, the evaluation team agreed that Portt was the perfect choice for DCC as its CLM provider.

9. Current & Future Trends

The current landscape of Lean-Agile Procurement is witnessing a surge in adoption as organizations increasingly recognize its potential to reshape traditional procurement practices. As businesses seek to enhance responsiveness, innovation, and value delivery, Lean-Agile Procurement stands as a guiding light, enabling them to navigate an evolving marketplace with agility and insight. Looking ahead, the future of Lean-Agile Procurement promises further advances, with a trajectory towards contracts that truly support agile collaboration, extending current approaches to the entire partner lifecycle toward Agile Partner Management. Various companies from different industries have not only adopted Agile values and principles for their procurement, but are in the process of transforming their entire organization, including governance, processes, policies, etc. Current real case examples are showing that many companies need to collaborate across their network of ecosystem partner companies in order to solve complex problems driven by today's unprecedented rates of change. The combination of these factors is highlighting the critical role for procurement as we move beyond today's static supply chains toward adaptive partner ecosystems. The journey is just starting and as such it is important to start to build the capabilities to manage procurement in this fast-paced environment.

Scaling LAP

It is important to understand that the cost to scale LAP is proportional to the size of the business case/Project or project budget. Recently a customer said to me that it

seems that there is a significant overhead for a LAP sourcing case with a business case of \$ 100,0000. I responded; „*What is the maximum acceptable overhead costs?* And the customer responded that it should not be more than 10% . So the cross-functional team was tasked to find a sourcing strategy within a budget of \$ 10,000. Which is equal to 2-3 days internal costs!

The reverse is also true. Large investments, such as a whole new factory or supply chain, can be sliced into different 'product' teams. We've done this successfully with Lightyear¹, a Dutch scale-up bringing the first solar-powered electric car to market. The body-in-white system team, the skeleton of the car, took end-to-end responsibility for the system, including the required partner ecosystem for design, manufacturing, etc.

Agile Partner Management

Agile Partner Management represents a paradigm shift in how organizations engage and collaborate with their vendors and suppliers. Departing from traditional transactional relationships, Agile Partner Management embraces Agile principles to foster a dynamic and iterative approach to collaboration.

¹ <https://lightyear.one>

Table: Source Mirko Kleiner 2015 - Comparis traditional- / agile partner management

Agile Partner Management	Traditional Supplier Management
An agile cooperation pursues a partnership at eye level including an adequate learning culture analogous to internal employees	A traditional cooperation seeks a clear demarcation between customer and supplier in order to defuse possible questions of liability and warranty claims.
An agile collaboration is continuously evaluated for validity and follows the agile business goals of the organization	A traditional collaboration is initially created and from then on progress against the initial plan is monitored, without consideration of changing objectives
An agile collaboration can be changed (expanded, reduced) or even stopped by both parties at any time and does not require a notice period	Traditional customer/supplier relationships are rather rigid with notice periods ranging from several months to one year and are automatically extended
Agile collaboration is based on the business benefit/outcome that is generated jointly and shows this measurably	A traditional cooperation is based only on the ability to deliver/output of a supplier
in an agile cooperation both parties want to improve together and therefore accept changing conditions	In a traditional cooperation the supplier should develop further and the customer should benefit from this. Changing framework conditions are perceived as an obstacle

By nurturing closer partnerships, encouraging frequent feedback, and aligning goals, organizations can leverage Agile Partner Management to drive innovation, streamline processes, and create a mutually beneficial ecosystem that thrives on adaptability and shared success.



Image source: PMI Disciplined Agile - Agile Vendor Management

To get a first impression of Agile Partner Management, visit the PMI - Disciplined Agile website. Mirko Kleiner co-created Agile Vendor Management with Scott Ambler, co-creator of Disciplined Agile, which was acquired by PMI recently.

In the process goal diagram you'll see that LAP is an important subset of Agile Partner Management. However, it's not the only good practice and the choice of tool depends on the context of the sourcing case at hand.

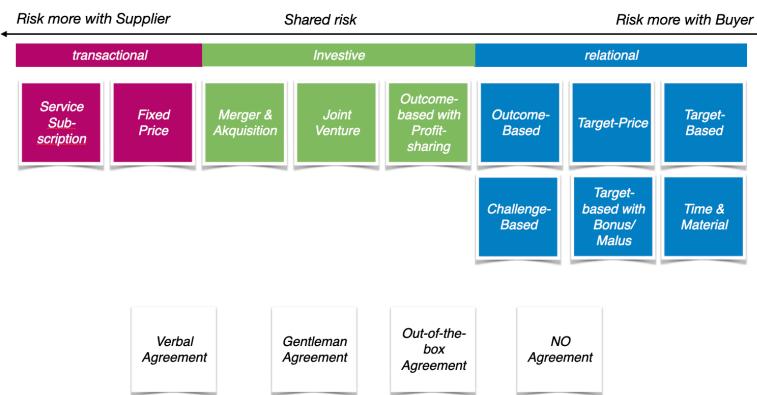
Agile Contracts / Agreements

Agile Agreements or Contracts mark a departure from conventional rigid contracts, reflecting a dynamic and adaptive approach in procurement. These agreements are crafted to embrace the iterative nature of Agile methodologies, enabling organizations and vendors to collaboratively respond to evolving requirements and market changes. By emphasizing flexibility, continuous communication, and shared accountability, Agile Agreements empower both parties to navigate uncertainties while optimizing value delivery and fostering a stronger foundation for successful project outcomes.

The problem today is that many agile cross-enterprise delivery teams lack a legal foundation, based on agile values and principles, to support this kind of agile collaboration. In addition, there hasn't been a "standard" for what an agile contract really is and what it isn't. This made it difficult to get the legal community on board, and worse, created even more confusion in the agile community.

Continuum of traditional & agile Contract types

There's not THE Agile Contract, it needs to be customized based on the current context



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Image source: LAP Alliance - Spectrum of Contract types

The simplest solution to defining a standard would be to create a template, or rather THE template, for an Agile contract. This has served us very well in the past where things were predictable. As Agile collaboration tries to embrace uncertainty, each contract has become very contextual. To take it to one extreme, sometimes all we have is a vision of how Artificial Intelligence (AI) could support our business... so time-n-material is the only way to go... a resounding NO! But there is a whole spectrum of potential agile contract types, e.g. driven by the level of risk sharing.

Agile Contract Manifesto

Agile approaches evolved to manage the risks of solving complex problems with high levels of uncertainty. This requires acceptance that contracts are incomplete and evolve over time.

We are uncovering better ways of aligning contracts with agile collaboration by doing it and helping others to do it. Through our work we have come to value:

- 01** Tangible outcomes more than specified deliverables
- 02** Clarity and simplicity more than complexity and completeness
- 03** Adaptive partnerships more than static relationships
- 04** Joint ownership more than risk-driven accountability

That is, while each element is important, we have found that emphasizing the elements on the left generally leads to better results.

Image source: AgileContractManifesto.org - Values

The only solution for a remaining standard is to take it to the next level of abstraction: Values & Principles. Please welcome the Agile Contract Manifesto (ACM), created by a global group of experts from the agile, business and legal communities. I'd honored to be one of the co-creators.

Principles behind the Agile Contract Manifesto

We observe that these principles are often associated with successful collaboration:

- 01** Our highest priority is to create a positive outcome for the ultimate customers and for all contracting parties.
- 02** Collaboration is about more than delivery. The contract is part of the process. Agile collaboration is inclusive, starts before the contract is signed, and extends beyond just the delivery of value.
- 03** Contract, relationship and governance need to move together. The contract defines the rules of the game. Ensure consistent rules to encourage transparency, integrity, empowerment, autonomy, clarity of purpose, and collaboration.
- 04** A successful partnership learns and adapts throughout the life of the engagement. The challenge of developing governance is creating enough control while enabling effective, results-oriented work.
- 05** Minimize the effort spent on non-value producing work. Ensure effort and time focused on indirect activities are optimized and in proportion to the productive activity.
- 06** Impediments can arise anywhere in a collaboration. A successful result depends on a smooth communication and information flow across boundaries to rapidly identify and respond to issues.
- 07** Embed mechanisms to manage risk rather than merely allocate risk. Manage risk through transparency, frequent delivery and fast feedback.
- 08** Ensure clarity on needs and available capabilities. Contract for what is really needed and understand what is really being sold.
- 09** Continuity and sustainability are essential for long-lived solutions. The team which creates a new solution develops unique knowledge about the product, the technology, risk management, the market, and each other.
- 10** A good contract is one that anybody can understand.

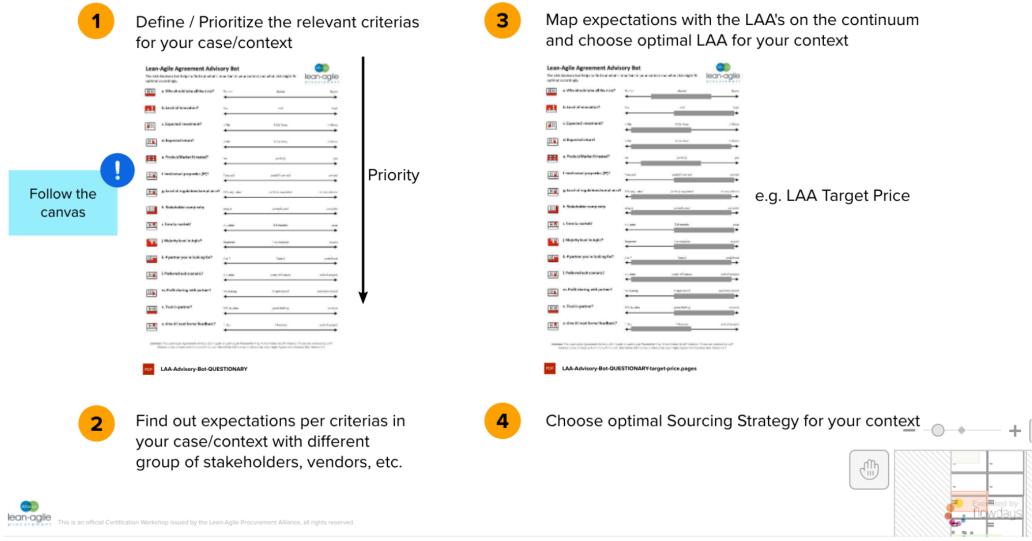
Image source: AgileContractManifesto.org - Principles

Like an Agile contract, values & principles are contextual. So as a first step, it's a good idea to create a common understanding. The easiest way to do this is by sharing examples. Then you could take an existing Agile contract and evaluate and improve it based on the Agile Contract Manifesto (ACM). It's recommended to involve all parties in this exercise, e.g. Product Owner, Delivery Team Members, Agile Coach or Scrum Master, Lawyer, etc. as the development of this legal foundation will also become a team effort to create maximum ownership and minimize risks at the same time.

Tip: Have a look at the Lean Procurement Canvas, which provides a lot of guidance on how to ask the right questions.

Our approach to choose the right Contract Type

Uncover all important questions / concerns / etc. to choose and improve your Agreement



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Image source: LAP Alliance - Approach / Criterias to select the optimal contract strategy

In addition to the canvas, we've also developed a set of criteria to help select the optimal contracting strategy or contract type. It's recommended that we extend the current step in the traditional sourcing approach of 'defining the sourcing strategy' to 'defining the contract strategy'.

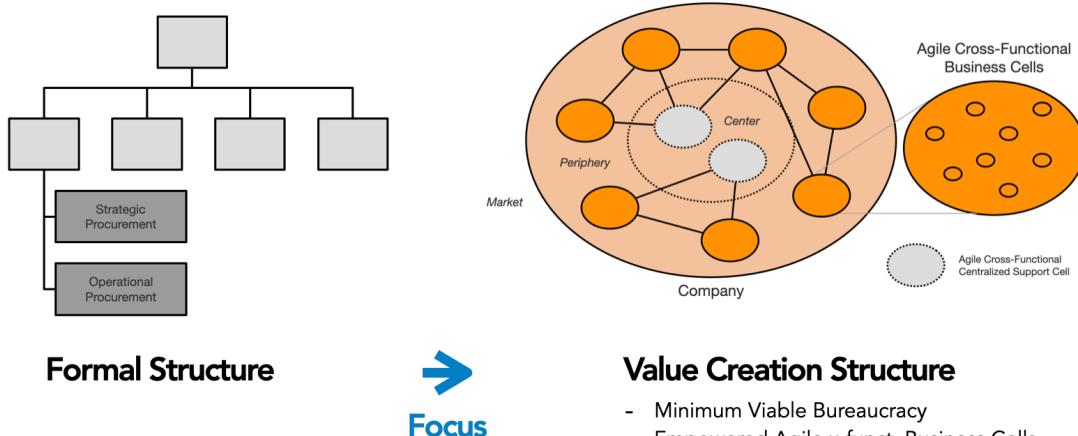
It's also very important to understand that an agile contract is not just the Statement of Work (SoW). It includes all parts of a contractual framework such as the Non-Disclosure Agreement (NDA), General Terms & Conditions (GTC), Master Service Agreement (MSA), etc. If you think about your current NDA, for example, you'll agree that there's a lot of room for improvement when it comes to assigning Agile values.

The future of Procurement: From Function to Capability

The future of procurement, and any other function, is undergoing a transformative shift from mere functional roles to that of strategic capabilities. This is a significant shift that influences the entire organizational governance. Pioneering companies like Haier and Buurtzorg have championed this approach by applying ecosystem principles to their internal operations. Haier, for instance, has harnessed platform-based ecosystems to seamlessly connect suppliers, partners, and customers, enabling agile response to market demands. Haier with more than 80,000 employees organized in an Ecosystem of over 4,000 micro-businesses achieved a \$2b market value while revenues & profits have grown annually by 20% over the last 10 years.

Mind-shift to cope with Uncertainty

Focus more to Value Creation with a Minimum Viable Bureaucracy!



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Image source: LAP Alliance - From Function to Capability

Similarly, Buurtzorg, a healthcare provider, has leveraged self-managing teams to empower frontline staff, fostering a decentralized and responsive ecosystem that adapts swiftly to patient needs. Buurtzorg with more than 15,000 employees has

one of the highest customer & employee satisfaction without a HR nor procurement department. These examples showcase how embracing ecosystem thinking propels procurement beyond traditional boundaries, enhancing agility, innovation, and value across the entire organizational landscape.

Beyond Supply Chain - Adaptive Partner Ecosystem

The concept of "Beyond Supply Chain - Adaptive Partner Ecosystem" heralds a paradigm shift in how organizations approach their supplier relationships. Moving beyond the linear confines of traditional supply chains, this approach envisions a dynamic and interconnected ecosystem of partners and collaborators. By fostering a network that thrives on real-time information sharing, innovation, and co-creation, organizations can adapt swiftly to disruptions, drive continuous improvement, and unlock unparalleled value throughout their entire partner ecosystem.

For years, health authorities had warned of a pandemic. Yet when COVID-19 hit us, the world was largely unprepared. In these challenging conditions, 'agility' took many forms, but perhaps the most interesting was the critical search for a vaccine that would allow a return to 'normal' economic and social activity.

„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 Biotech

The story behind the Pfizer vaccine, and in particular the co-creation between BioNTech, Pfizer and Fosun, is a lesson in trust, but more importantly, trust embedded in a formal structure. Ugur Sahin, CEO of BioNTech, was one of the CEOs who "co-

created the commercial framework for truly agile development involving supply networks or ecosystems"².

„The border of the company is not important if you can help create Value for user.“

– Tan Lixia CFO Haier

With LAP, we have developed the ingredients to find, select and build Adaptive Partner Ecosystems much faster than is possible today. Inspired by progressive examples like Haier and Buurtzorg, we're developing LAP beyond sourcing - stay tuned!

² Source: World Commerce & Contracting - Tim Cummins

John Donne once wrote "no man is an island entire of itself". As the world becomes more complex and interconnected, today's challenges can only be solved when organizations come together with a common purpose, and Lean-Agile Procurement enables this.



„This is a Game Changer!“

– **Phil Thomas**, Chief Procurement Officer Hargreaves Lansdown

Learn how to become true partners, starting with co-creating proposals with multiple vendors in the same room to significantly reduce time-to-market to days instead of months, and collectively improve the solution of a strategic sourcing case for better outcomes.



Lean-Agile Procurement has been recognized and awarded by the three leading procurement alliances and professional bodies. The winning cases come from both the private and public sectors and across a range of industries.

Mirko Kleiner, a seasoned thought leader and practitioner, initiated a global movement in lean-agile procurement seven years ago. He's a serial entrepreneur, won several awards and through his dynamic leadership, consulting, and speaking engagements he continues to inspire professionals and organizations worldwide.

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