EXECUTIVE SUMMARY

Volatile, uncertain and often unpredictable Market conditions over the last 2 years have demanded unprecedented levels of adaptability within and between organizations. Research shows this has often been achieved through workforce flexibility, resulting in unsustainable operational workload and potential employee burn-out. With the scale of disruption showing no sign of reduction, business leaders are increasingly turning to agile techniques as a way of streamlining process and functional performance. Illustrating this, a recent study found almost 50% of organizations are making use of agile contracts, with a third of these confirming a significant increase. Yet agile contracts are not the same as organizational agility and, even though seen as important, this report indicates that achieving organizational agility remains challenging and for many is in its infancy.

This 2022 report provides insight to the state of agile in procurement and supply and is an update on our previous study, released in 2020.

If you can dream it, you can do it!

Walt Disney

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.

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. The fact that Procurement has almost no experience in agile contracts -a key enabler for agile collaboration - puts these initiatives at risk.
‘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.
RESPONDENT DEMOGRAPHICS

Participants responded from all around the world, from corporates to SMEs, from multiple industries and roles. This has enabled us to present results from both the buyer's and supplier's point of view from public- and privat sector.

LOCATION OF ORGANIZATION

Respondents where from:

- **NORTH AMERICA**: 27%
- **EUROPE**: 43%
- **ASIA**: 7%
- **AFRICA & MIDDLE EAST**: 8%
- **AUSTRALIA & NEW ZEALAND**: 13%
- **SOUTH AMERICA**: 2%

SIZE OF ORGANIZATION

Respondents organization have an annual revenue in USD:

- **< $1 BILLION**: 45%
- **$1-5 B.**: 17%
- **$6-10 B.**: 9%
- **> $10 BILLION**: 29%

INDUSTRY

Respondents organization belong to those sectors:

- **Business Service & Consulting**
- **Aerospace & Defence**
- **Oil & Gas**
- **Health Care**
- **Public Sector & GOV**
- **Technology**
- **Banking / Insurance / Financial Services**
- **Other**
- **Telecom.**
Most of the respondents are from buyer side, or suppliers that are buyers at the same time. 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:

- **Supplier:** 24%
- **Buyer:** 47%
- **Both:** 29%
- Procurement / Supply Management
- Contract / Commercial Management
- Business Unit Management
- IT
- Project Management
- Leadership / Management / Board of Directors
- Legal
- Other
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 and increased focus on value.

97% of respondents agreed that adopting agile is of strategic importance to their business to deal with greater market uncertainty.

The top 3 reasons for adopting agile are to enhance ability to manage changing priorities, to reduce time to market and to overcome complexity. More traditional (and more generic) reasons like, for example, to reduce risks or costs haven’t made it to the top 3 - perhaps indicating a much more targetted approach to risk and cost reduction priorities.
In comparison to the last report, there has been a 12% increase in those starting the journey to become more agile or having successful pilot projects. However, the chosen transformation approach indicates that a majority of respondents are not receiving enough leadership support to go agile in a structured way, nor are they including their partners in the journey. This lack of executive engagement in driving change is a risk to its speed and effectiveness. Furthermore, a failure to include key partners in the transformation will constrain the benefits that can be achieved from delivering agile across the whole value chain.

**MATURITY LEVEL OF YOUR TRANSFORMATION**

91% of respondents are at some stage of an agile transformation within their overall organisation, but a minority has coordination at a company level, and just 6% include their partners / vendors.

**TRANSFORMATION APPROACH**

In spite of the strategic importance of becoming agile, just 13% have established an executive action team to lead the transformation top down. Over half are operating a ‘do it yourself’ approach.
For most, strategic importance at the executive level has yet to translate to substantial action at a functional level. Many remain confused about the difference between 'acting agile' and actually adopting effective and robust agile techniques.

The top 3 agile techniques are the daily stand-up, empowered cross-functional team and the Kanban board. The fact that a lot of the participants selected ‘Don’t know’ indicates that there might be a confusion between being agile and application of agile techniques.

Adoption of Agile in your Department / Function

One in seven have developed ‘significant experience’, placing them far ahead of the 42% who have yet to start. In the middle, there are 43% who have at least embarked on the journey, though often with relatively small-scale initiatives.

Adoption of Agile Techniques

The top 3 agile techniques are the daily stand-up, empowered cross-functional team and the Kanban board. The fact that a lot of the participants selected ‘Don’t know’ indicates that there might be a confusion between being agile and application of agile techniques.
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 Scrum and 15% 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 and dealing with uncertainty. In fact 60% have less than 1 year experience in agile contracts and 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

60% of respondents have less than 1 year’s experience of agile contracts and just 16% call themselves ‘experienced’.
Since there was no clear definition of the characteristics of an Agile Contract, a group of global leaders came together in 2022 to define a set of values & principles that can operate as guidelines. Agile approaches have evolved to manage the risks of solving complex problems with high levels of uncertainty, but appropriate forms of contract have lagged behind. Anyone developing an agile contract has to recognize that it will be incomplete and that it evolves and develops over time. Survey participants were asked to evaluate the guidelines that have been developed and they agree that all of the principles of the Agile Contract Manifesto are essential to important.

**IMPORTANCE OF PRINCIPLES**

The respondents evaluated the principles of the Agile Contract Manifesto as follows.

- **Our highest priority is to create a positive outcome for the ultimate customers and for all contracting parties.**

- **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.**

- **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.**

- **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.**

- **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.**

- **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.**

- **Embed mechanisms to manage risk rather than merely allocate risk. Manage risk through transparency, frequent delivery and fast feedback.**

- **Ensure clarity on needs and available capabilities. Contract for what is really needed and understand what is really being sold.**

- **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.**

- **A good contract is one that anybody can understand.**

Find out more about the ACM under https://agilecontractmanifesto.org
The respondents confirm that adopting agile has a significant positive impact to all the „players“ along the entire value chain. Beside lack of knowledge in agile methods, the main road blocks to adoption are the usual suspects that affect change programs and indicate the need for a structured project plan and execution.

**BENEFITS OF 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.

**CHALLENGES ADOPTING AGILE**

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

- **23%** Improved customer satisfaction
- **18%** Improved time to market
- **17%** Improved status & reputation of team / function
- **15%** Improved total cost of ownership
- **15%** Improved vendor satisfaction
- **13%** Other or yet to see any visible benefits

The top 3 road blocks to adopting agile are:

- Lack of skills / experience with agile methods
- Organizational resistance to change
- Organizational culture at odds with agile values
- Unable to adapt current processes / governances / policies
- Insufficient training & education
- Inadequate management support
- Lack of business / customer availability to support change
- Minimal collaboration & knowledge sharing
- Other
Respondents in Procurement & Supply have identified that ‘Digitalization’ has become the top priority. While the buy-side has already started to focus on the next topics, such as improving strategic procurement and agile transformation of function, the supplier side is more focused on the skills of its people. Education and finding new employees is a top 5 priority for all parties.

**TOP 8 STRATEGIC PRIORITIES IN PROCUREMENT**

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

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

**TOP 8 STRATEGIC PRIORITIES IN SUPPLY**

1. Digitalization of sales
2. Training employees to be ready for the next challenges
3. Finding highly skilled employees / customers
4. Improving operational sales
5. Improving strategic sales
6. Agile transformation of sales function
7. Adjusting post pandemic
8. Other
CONCLUSION

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.

On the surface, the data suggests little change in the progress organizations are making on their development of agile capability. Given the volatility of market conditions and continued prioritization by top management, this finding is at first surprising – so we need to dig beneath the surface. Are there factors impeding the adoption of agile? Is it in fact advancing, but in other forms or ways?

Without doubt, the volume of operational workload is a factor for many. While agile may be important, it is often viewed as far less urgent than the business crises that keep hitting us. So delay is certainly a factor.

But there is more - and when we draw on other pieces of research (notably the World Commerce & Contracting 2021 Benchmark Report), we start to gain deeper insights. Among these are:

• Almost 50% of organizations report that they are using agile contracts and more than a third of these say that use is growing.
• Based on their experience, many realize that performing on agile contracts (or indeed even gaining agreement on what form an agile agreement should take) is extremely difficult when the underlying organization has not developed agile process capability.
• There are extensive initiatives under way that either complement or perhaps prepare the ground for a shift to agile working methods. For Procurement and Sales Contracting groups, these include process simplification (identified as a high priority by 64%) and establishing a digital strategy (identified by 38%). Perhaps even more significant, 65% are working to better define future value and 41% are pursuing increased automation, including improved integration of data.

It is initiatives like these that many see as pre-requisite to increased adaptability and agility. With such heavy demands on operational workload and many only now starting to return to the office, a phased and incremental approach to streamlining performance is not only understandable, but perhaps also inevitable.

Yet the pressing need for quality, speed and transparency – plus the importance of more agile trading relationships - means that executive pressure will not reduce and the momentum for change will continue. It is this which causes us to believe that agile processes and practices will steadily become ‘the new normal’ and that our next report, in 2024, will reflect a substantive uplift in capability and experience.

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

[Website links provided]