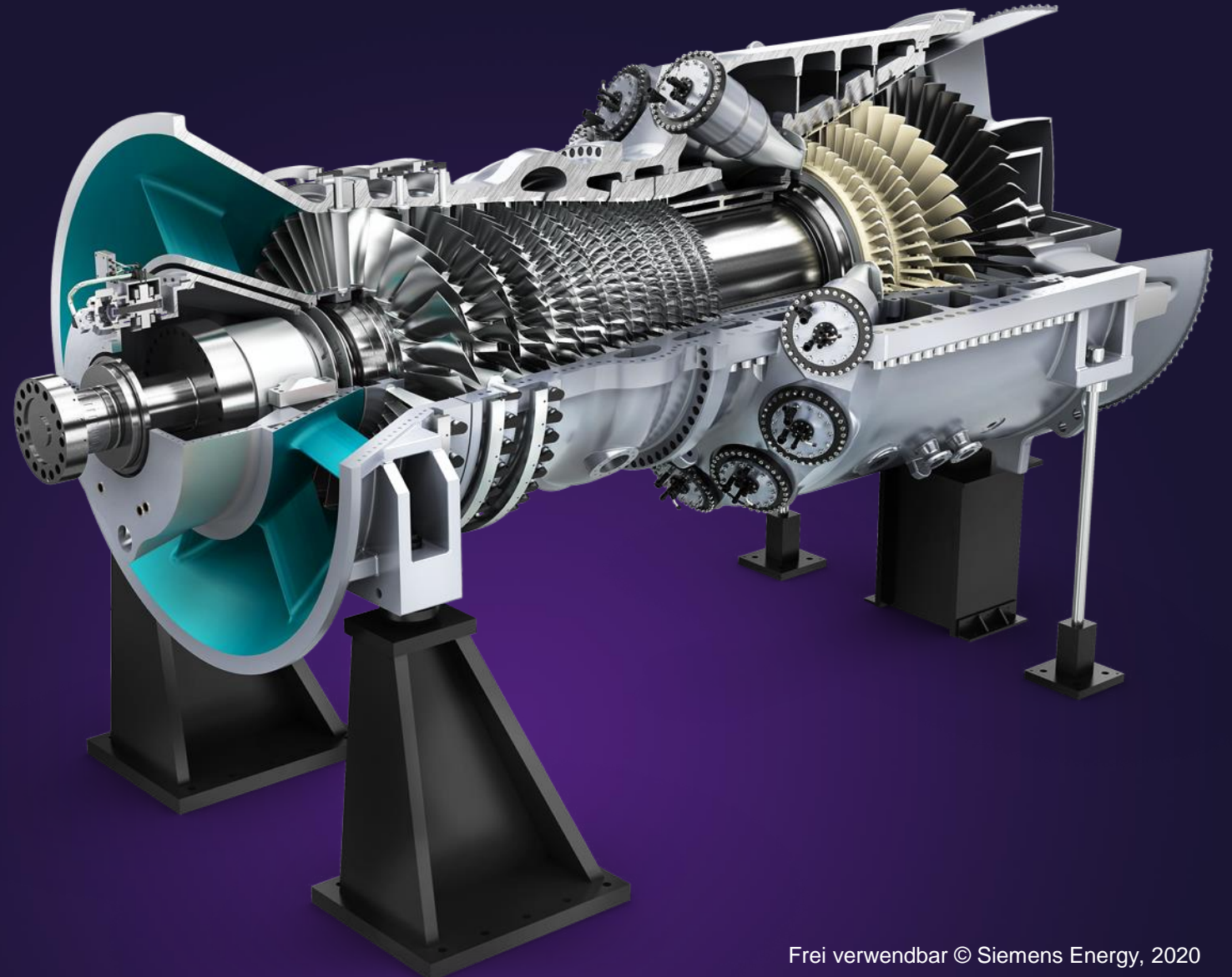# Procurement & Agile Development Projects

September, 24th 2020 – Procurement Summit
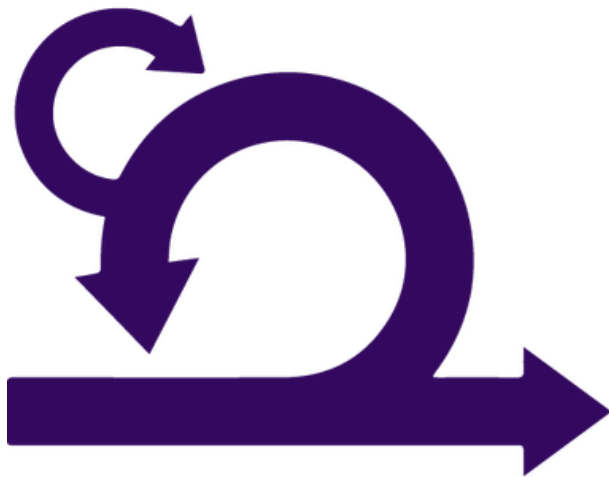Dr. Sebastian Waengler

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Why and **When** should we use agile working methods?

How does the role of Procurement change?

What is the Siemens answer to that changed environment?

What is Agile Development and what can we expect?

Agile Development is an approach where the development phase is reduced to a minimum in favor of extended prototype testing.

► Fast project Kick-off
► High Flexibility
► Fail fast and learn
► Fast results (time-to-market)

The Cynefin Framework –
When does Agile Work make sense?

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Example: Fill out the form and get your travel expenses back.

Obvious
(fixed constraints)

Complicated
(Governing constrains)
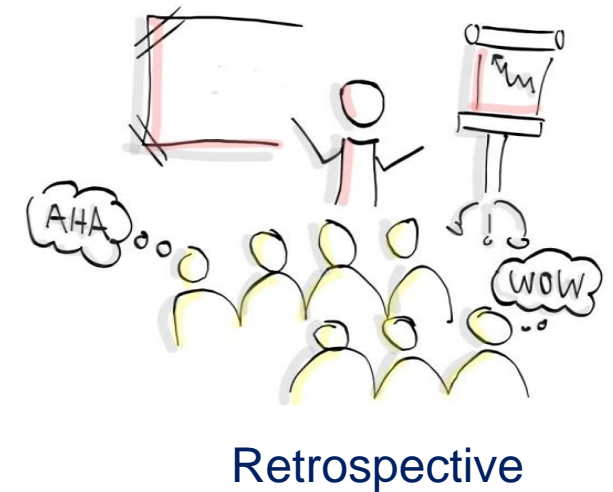
Example: Change the building plan to add to more rooms.
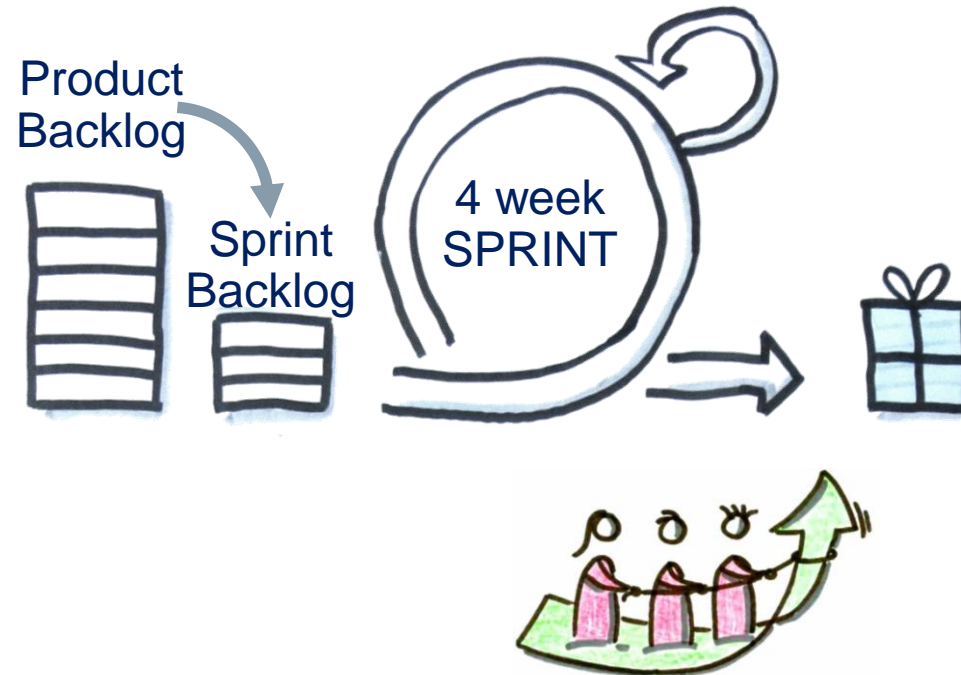
Example: Release of the software in 2 days, not sure whether it works.

Complex
(enabling constraints)

Chaotic
(no effective constraint)

Example: Website is offline and we don't know why.

SCRUM

Daily Stand ups

Kanban Boards

Product Backlog

Sprint Backlog

4 week SPRINT

Sprint Planning to define content of sprint backlog and discuss dependencies

Retrospective
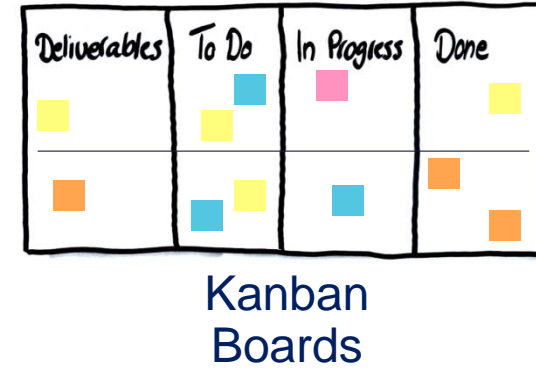
Example: Agile cross-functional team set-up in a classical development project

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Service

Engineering

Procurement

Cost-Management

Manufacturing

Minimal viable product

Monolithic development w/o customer feedback

Prototype development w/o customer feedback
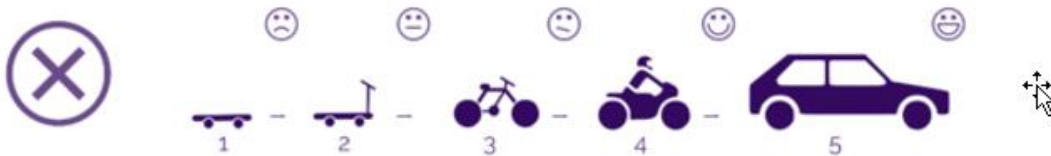
MVP Development w/ continuous customer feedback

#interactions, complexity and interfaces w/ suppliers

I need have a
dream get
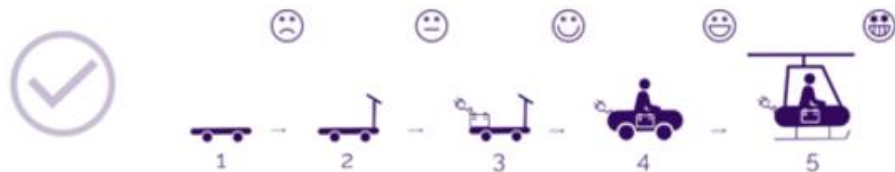
As Agile Work is an iterative approach, a high number of different prototypes have to be evaluated
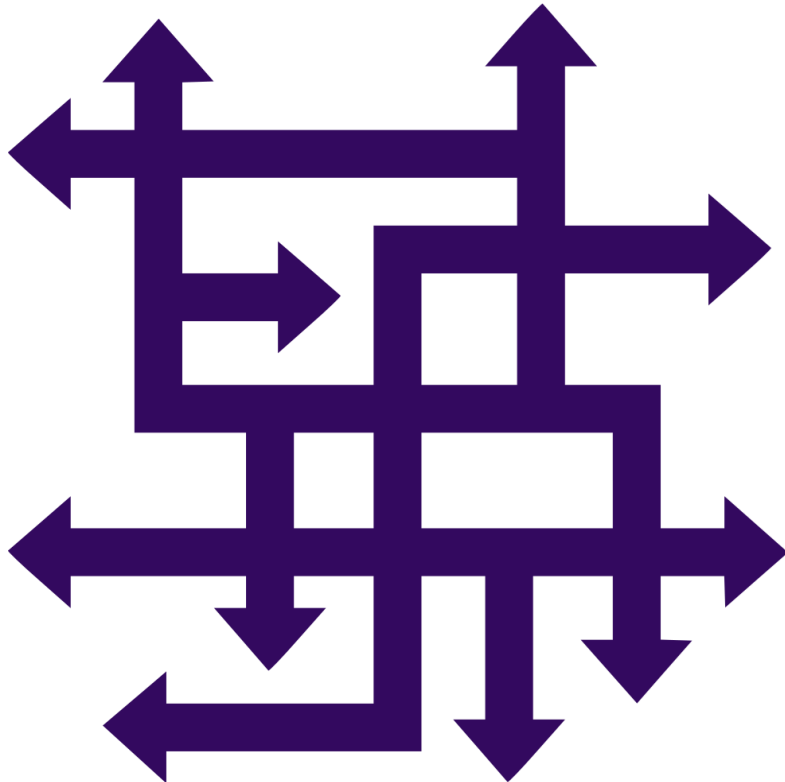
► Deep understanding of technical requirements and impact on product cost / supply chain

► Moderator of Engineering to Supplier Communication

Cross-functional teams limited to 7 team members, requiring a shift from commodity to system focus within procurement

System

Commodity

► Procurement is normally organized according manufacturing processes, while technical organizations are organized according the functionality of systems.

► MVP focus automatically leads to a system oriented team setup.

► Limited size of agile project teams require a Procurement Generalist, not Specialist.

Agile development delivers fast, but the product is subject of many design changes till the end

► Agile Product Development requires parallelization of Design & Sourcing Activities.

► Price & contract negotiations, capacity planning & reservation, feedback on manufacturability on the basis of drafts.

Procurement Engineering
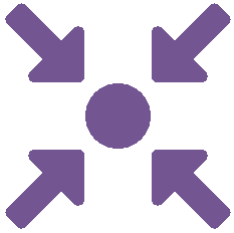
In general

Worldwide responsibility to support and drive a close and early involvement of Procurement in the Product Development Process (PDP) and Cross-Commodity Projects.

In detail

- Key Contact for Engineering and Product Line Management into the Procurement Organization
- Drives and Coordinates Early Supplier Involvement / Supply Chain Planning / CVE Lever Roadmap / Ramp-up planning
- Executes with procurement team the procurement strategy within assigned project.
- Coordinates and Drives Procurement Activities to reach Target costs, Target lead time, and Capacity Requirements
- Ensures Reporting of Project Progress to Procurement Staff

Cost Value Engineering vs. Procurement Engineering responsibility

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CVE responsibility **PE responsibility**

Specialist Generalist

Scope of Responsibility

Castings / Forgings /
Aux / …
Component Level

**Project Level
(Product / Frame /
Cost-Out Projects)**

Responsibility "Legend"

PE is key Procurement contact in major development projects and drives / is responsible in this role for Project ESI approach / Supply Chain Planning / CVE lever roadmap / contribution from procurement into the project.

Sub-projects and development projects with a limited scope can be driven by PE or CVE. Individual PE/CVE skill sets shall determine the set up in the dedicated procurement team.

Individual ESI approach / incl. WS on a component / system level shall be driven by the "commodity CVE". (incl. application of CVE levers) Certain requirement skills / lack of resources as e.g. conducting a WS may require contribution of PE.

Your Contact
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Published by Siemens Energy

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