



Manufacturing Agility

Using Technology to Predict & Adapt

WHITEPAPER



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Sourcing Materials

In 1982, Booz Allen consultant, Keith Oliver, coined the phrase 'supply chain'. Defining it as: "... the process of planning, implementing, and controlling the operations of the supply chain with the purpose to satisfy customer requirements as efficiently as possible.

"Supply chain management spans all movement and storage of raw materials, work-in-process inventory, and finished goods from point-of-origin to point-of-consumption."

Yet a supply chain, in name, is anything but a linear sequence in which 'production push' rather than 'demand pull' is the dominant logic.

Martin Christopher, another noted expert in the field of logistics, suggests that rather than a supply chain, it is a demand network that

comes together.

This said, you will still need a way of monitoring and measuring the performance of those operating within this network.

Supplier performance metrics

The standard measurement of supplier delivery success is 'On Time In Full'. Was the right product delivered in the quantity ordered at the place agreed, and at the time expected by the customer?

Platforms such as Microsoft Dynamics 365 allow you to track supplier performance, presenting supplier contribution and performance data in a single dashboard - relaying information on spend and contribution by target vs actual; insight that

helps decide:

- The best deal
- The best performer
- The best turn-around time
- The most flexible
- The most reliable

But when it comes to performance, there are more abstract measures worth considering.

The hidden performance metrics of your supplier network

The environmental and social impact of suppliers in your network may also dictate who you choose - which suppliers are reducing material and energy consumption by using renewable energy sources? Which have created a healthy working environment for employees? Which support social projects?

You may require suppliers to include other certifications or metrics, such as the number of implemented standards for the health and safety of employees. Whatever you decide to measure performance against, choice must be balanced versus risk.

Risk versus reward

The greatest risk is when demand on your side changes, but you can do nothing about it. Or when you select suppliers on one performance measure alone, such as price. For example, you order \$400m worth of stock from China because suppliers there perform well on price. But when in transit, the shipping firm goes bust. The stock is now stuck onboard for the next three months. You have no flexibility while it's on the water. As a result, your summer stock arrives in the winter meaning it can't be sold until the following year. Meanwhile, financing costs continue, and you now have the added expense of warehousing stock for an extended period. With visibility, and flexibility, you can make different decisions such as whether it's better to airfreight or use a local supplier.

But balancing performance with need and risk is only possible if you have a single view of data.





Which supplier is working well for you?

Microsoft Dynamics 365 contains a role-based console. This provides supplier account details, technical information, and monitoring of performance data - presenting a single view of supplier relationship health. The dashboard also displays the status of a supplier's current functions, such as order performance by month. This means you can track performance and identify issues. It also allows you to compare a supplier's performance in relation to others.

But it's not all one sided. The supplier portal increases collaboration by opening out the

supply chain. This allows you to test different bids from suppliers.

With connected information, you can see which suppliers are working well. You can also see what stock you have, what is coming in, and where it's coming from. For example, you can track ships, what's on the ship, and gain visibility of when products will arrive. This enables you to manipulate demand processes. Knowing the true cost of the stock you have means you can work with suppliers and their contracts to make them more flexible, such as inserting performance guarantees.

Machine learning, demand forecasting and material needs planning tools, then help advanced planning, such as whether to use dual sourcing of suppliers to flex between one and another to ensure you have a guaranteed level of stock in place.

With visibility, flexibility, and access to supplier performance data, you can balance risk, manage cost, and so react better.



Microsoft Dynamics 365 has enabled manufacturers to increase the number of meaningful customer interactions across digital and physical channels and created more opportunities to sell well as a result.

What next?

Agility and speed offer a competitive advantage for today's manufacturer. To discover how HSO can help you combine data and systems to run sales and marketing activities that deliver results, book your complimentary, no obligation consultation to understand what Microsoft Dynamics 365 can do for your organization.

Contact HSO

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