



Five ways to accelerate and de-risk your supply chain management transformation

Global supply chain perspectives – Podcast transcript

Speakers:

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Announcer:

Hi, and welcome to the KPMG podcast with me, Leigh Holdway. Today, we're going to be looking at five ways to de-risk and accelerate your supply chain transformation. And to help me do that, we've got two fantastic guests. Guys, would you like to introduce yourselves?

John Munnelly:

Wonderful. Thanks Leigh. John Munnelly, I'm the global Microsoft business applications lead for KPMG. My role is to make sure we're working with Microsoft to deliver great digital transformation to clients across the full spectrum of all the business applications that Microsoft offer. So, every day I'm helping clients with their transformation journey.

Ali Aksut:

Thanks Leigh. Ali Aksut. I am the worldwide solution strategy director for Microsoft business applications and supply chain and manufacturing. What I basically do is I look for what are the main pain points of our customers? How does our business applications portfolio fit together to offer specific solutions that can be packaged almost ready to deploy? And then I work with various different constituents and our channel partners, like KPMG and Johns of the world to be able to make sure that we land that accurately with our customers.

Announcer:

So, over the last 18 months in particular, you'd struggle to find a business that hasn't been rocked by supply chain disruption. We've seen cyber security and ransomware attacks, blockages in the Suez Canal, natural disasters and climate change. And of course, COVID, that's on top of your

everyday threats, like supply bankruptcy. The list of risks is long and it's getting longer. Some say we're seeing a lack of robust processes to identify and manage all this disruption. So, with that in mind, what are the five things businesses should be doing to de-risk their supply chain transformation whilst accelerating it at the same time?

John Munnelly:

Thanks Leigh. I think the first thing we have seen in this business of transformation is customers need to start small, and really work with calibrated processes that fit their sector. I think, what we've seen particularly post COVID, COVID sort of disrupted a whole heap of supply chain, but businesses general, there's a lot of businesses that want to digitally transform. It's forced businesses to look at what they need to do and to work out how they can change their business for what the new future looks like. And so we always say to customers, start with the smallest bit you can, I think with these large, big back office transformations of yesteryear where we used to spend two years pulling things together, you no longer have the choice to do that. We say to customers start as small as you can, work with solutions that are absolutely out of the box.

We've got vendors like Microsoft who are bringing out cloud solutions and they're updating them constantly, every couple of months, there's a new feature, there's a new version. We say to customers, if you're going to take off on this transformation journey, start small and go vanilla as you can, because the real game is getting something in as quickly as possible, and then moving to this continuous improvement journey. So, Ali, I don't know what you think, but that seems to be what we are seeing in the market.

Ali Aksut:

Yeah, I totally agree, John. If you look at what happened over the last year and a half, I think there is not a single company that is out there who can say, oh, we were completely prepared for all the impact to our supply chain because of COVID. Everybody, every single company realized, our old ways, our, our old philosophies and processes are not ready for this new world. Where there's going to be a constant disruption and potential risks all around supply chain. Gone are those days of supply chains being optimized for the cost efficiency, cost minimization purposes. And it's long lead times and skinny inventories and whatnot. And people realize the systems and the processes that were more or less tailored for that kind of an approach are no longer working in this new environment.

So now everybody's just trying to look into how do we modernize our systems and processes to adapt this ever changing work with constant disruption that might arise, because COVID was a unique event but any kind of social disruption or any kind of other supply chain disruptions because of climate change or social unrest, whatever you call it, it's going to continue to happen in the world and they need to be able to modernize your systems and processes to adapt to that. And just like you said, you cannot start that, even though you're looking to perhaps look for an end-to-end integrated supply chain visibility and planning capabilities and all the other logistics capabilities, you cannot implement this in one lump sum or follow those days of let's rip and replace everything.

You need to look at this in an incremental, rapid fashion, use the best practices, pre-calibrated processes that are specific to a vertical or an industry that can enable those rapid spreads and rapid deployments. And in fact, that's exactly what we have started to do from a technology and a provider perspective. When we started this journey of five years ago, approximately when we start working on building cloud native business applications, we looked at how can we craft, basically, a set of interoperable applications that can be quickly assembled to tackle the business processes, that can be incrementally used to craft composite solutions where our partners such as KPMG can actually further take them and prepackage them in a vertical specific way based on the best practices for a specific industry or vertical. So thus bring that value, to our customers in a rapid incremental manner.

John Munnelly:

The speed thing keeps coming up, customers are saying, how can we do this quickly? And how can we, de-risk this process? We don't want this to be fast and loose. We want this to be fast and tight. So, I mean, I think in terms of the adopting what's good and what good looks like, our team go in with our view of this is what good looks like. And then the second part probably Leigh, to come back around to the question is pre-configuration. We want, again, to make this fast, to make this quick, to make this de-risk, we want to use pre-configured technology. And so, we've invested significantly in pre-configuring the technology so that it is ready to go out of the box.

Now we're never going to get it one hundred percent right. But we want to get 80, 90% right, out of the box quickly. And that's for a couple of reasons, one, solutions like the Microsoft supply chain solution are really, really good. And you don't need to do a lot of tweaks. Secondly, we want to match that to the processes. We make sure that the process maps match the pre-configuration process. Again, so we sort of turn the question around. When we used to do these implementations, we used to start with a blank sheet of paper and we would ask customers what they want. We sort of move to a position where you go, you actually can't do that if you want to bring down the time. So you have to start with, this is what good looks like. We've pre-configured this. Now let's work out why this won't work for your business. So, I think we've done a lot of that bringing best practice into that pre-configuration but making sure it is different for different industries.

Ali Aksut:

Yeah, totally agree. I mean, point number two goes hand in hand with the point number one. You have, leading processes that are calibrated for the specific industry or the vertical. Now to supplement that you also need to strive to ensure that you have pre-configured technology that can immediately support those kind of processes or at least get the customer 80% there so they can continue to improve upon in those rapid sprints. And like you said, there is no point on trying to do this at a 100% level, because even in a most vertically calibrated fashion, there are going to be nuances between one customer versus the other one, even if they might be operating in the same vertical, that is what makes them unique.

Ali Aksut:

That is their potentially competitive differentiator. And this is where, again, our technology comes in, how the technology comes into the picture. We built our Dynamics 365 business applications with that philosophy of being composable. At the same time, we constructed them on top of our Azure platform and the Powered platform. The Powered platform is the world's leading low code, no code, platform where it gives us the ability. Once you have that foundation based on those best-in-class processes and the pre-configured technology. Now you can actually use the Powered platform to tailor that very rapidly, very quickly, and even personalized to a certain degree, to the different personas in the supply chain to cater towards their perspectives of visualizing the data or automating the specific business processes that are typically run manually or creating some quick applications, not as a native application, maybe for other businesses, but that has a very significant differentiator for you, within the context of the supply chain. And that's how you close that 20 percent by leveraging our technology to quickly adapt in a very rapid manner to tailor the solution to the specific needs.

John Munnelly:

I was just going to say, look, I think that is a really important part in terms of the way Microsoft built the solution, because we know we've got to do that last mile. We've got to do those last tweaks, but what we don't want to be doing is we're back to this heart surgery thing. What we don't want to be doing is heavy code, right? So, things like the Powered platform, really gives us a great opportunity to do those tuning bits around the edges for customers, but not play with the core capability of the ERP or the supply chain solution. It lets us tune it for a client, but not muck up and not set yourself up for a restriction going forward. If we know that the system is going to be updated regularly. Every couple of months, you're going to get a nice update. What you don't want to do is lock into electronic concrete, where you have to do rigorous testing and rigorous reviews each and every couple of months. I think that Powered platform is really critical Ali in terms of, it's made a significant difference for the way we can go to clients and accelerate this transformation journey.

Announcer:

If we're saying the first thing that listeners want to think about is starting small and think about

vertically calibrated processes. And then the second thing, it sounds like they want to give pre-configured technology some serious thought, what do we think the third point might be?

John Munnelly:

So, for me, it's if you're going down this path of we want to do this quickly, we want to accelerate the start, but we also want to make it as risk free as possible. You've got to start looking towards change management and adoption instead of loads of customization. And so, what that means is if you will allow us to come in and go, this is what good looks like rather than the old story of this is the way we've done it for 20 years and let's just change the software to meet what we do. If you turn that on its head and go, this is actually what good looks like today in today's environment, then it's actually about changing your people. And, this is probably the hardest part of transformation. I think we all know that with these big ERP transformation projects, the record of success on these things is, is not as high as we would all want to be.

Sometimes you wonder why you're in the industry, knowing that you're taking on this risky sort of business. The reality is most of it comes down to change. The technology is normally not the failing piece. It's often the adoption. So, from a KPMG perspective, again, where we've invested in our assets is baked in change management into our solutions. Let's help people adopt the standard solution. Let people use that and learn that, and we know that's going to be challenging particularly. And I think, Ali, supply chain is one of the toughest for these because you've got people who have worked in the warehouse for a long, long time. They've been doing things a particular way. They follow that process for a particular way. You know, Joe learned it from Tony who learned it from Bill, and that was three generations ago. And they've done the same thing. You're then asking that workforce to change. You really have to be delicate about the way you do it, and you have to use some, some clever technology to make it work for them.

Announcer:

How do you get those guys on side? How do you win them over when they're so entrenched in a specific mind set?

John Munnelly:

It not easy. And with some of the solutions we're starting with the real basics, the one good thing is they all have smartphones, right? They're all used to using apps. You start to go, well, how can we simplify this? How can we get it down to what you, what you use in your consumer world? And so, vendors like Microsoft and Ali, I'll get you to talk about this, spend a lot of time building smartphone app specific functionality so that we componentize it and we can, we can get it down to small specific tasks.

Ali Aksut:

The change management is really an important part. I mean, each year we spend hundreds of millions of dollars on research and development trying to bring in new technologies. And on the business application side, we are continuously looking for how can we integrate these cutting edge technologies to improve the user experience and the business processes. Cutting edge technologies, such as using artificial intelligence to augment the decision making capabilities, to simplify a lot of number crunching aspects, or we bring in IoT to eliminate a lot of the manual cumbersome data collection task, or bring in mixed reality to the picture to help improve the user experience and ramp up the productivity of newly hired workers and stuff. So, we continuously invest a lot of these technologies and integrate them and surface them in a business process, contextual manner.

Now if you do not actually use this pre-configured technology and the processes and try to take advantage of all this innovation that we do that's actually designed to streamline a lot of these processes to deliver that value. Then what you're going to be ending up with is trying to tailor a system and a solution that was designed by integrating those kinds of technologies for those future state of business processes. And you're basically trying to actually adapt it to the business processes like John was talking about that's been in the place for the last 20 years. If I were to use an analogy, you're basically taking all this technology that is integrated into your sports car and trying to, you know, drive that sports car, like you're plowing a field kind of a thing. So, and that's why the change adoption, change management and adoption is very important. We are spending a lot of money investing to make and improve the businesses of our customers, our partners, like KPMG are working to standardize and accelerate that value for our customers. If you're going to try to then take that and break it apart because you want to just customize it the way you worked it like 20 years ago, then that whole point goes mute and where that change management and adoption comes into picture

and why it is so important.

John Munnelly:

I think, I think there's a really interesting thing that we've seen too, Leigh, in the last two years is customers are much more flexible now. I think if there's been one positive out of COVID is we've worked out, we can change, we can adapt and we can survive, and we will find a different way through. So actually, I think the change in adoption piece as important as it is, I think it is better now than it was two years ago, because the reality of COVID-19 is, we've all just learnt in our lives we need to be a little bit more flexible and we will find a way through. So I actually think this has been an interesting one that we're seeing different facets of as we go on. The only challenge we have with clients is it's very present and in our mind right here, right now, we know we need to change. We know we need to move forward, to digitize, but this is also something that we have to help customers build a muscle in. Because again, what is mature process today will not be mature process in a couple of years time, the world is going to continue to evolve. Making sure you build this change muscle and you have an ability to continue to do it, take advantage of the sort of flexibility in people's thinking right now and actually build that muscle so that you've got it. So when Microsoft released the next version in three months time, and you're live, you're ready to then embrace the new features. Otherwise you do get stale again. I actually think the most important part will be building the muscle going forward.

Ali Aksut:

One of the things that a lot of organizations have realized, with the COVID-19 is that the future of the supply chain is no longer me as a company operating in isolation. And maybe, collaborating and getting some data and working with my first tier of suppliers or first tier of my customers, right in the form of an ADI message exchanges or exchanging demand forecast and, and supply forecast. You know, if you look at fundamentally today, for example, what's happening in the automotive supply chain, a lot of the OEMs are struggling to be able to actually run their assembly lines at full capacity. Why? Fundamentally, because they're out of chips, there are no chips. The chip shortage, if you look at that automotive supply chain is actually multiple streams up and it's actually related to the Foundry capacity and the wage reduction kind of an issue.

Ali Aksut:

So we are in this world that nobody can actually just look at their immediate supply chain. Your companies are starting to realize that they need to operate across multiple tiers, almost like consortiums and compete as a network of operators, against other networks of operators. So that basically brings forward to where there is a huge need first of all, with the immense amount of data that is being generated in the world, right? Those are from real world signals, as well as multiple demand signals and supply signals. How do you turn that data into insights and specifically actionable insights, and then be able to understand it and take action in a collaborative and an orchestrated fashion in this future state of the supply chain with multiple stakeholders across a multi-tier network that can establish a handshake, reach a consensus to be able to tackle an unexpected disruption. Such as the Suez canal issue. Or some upcoming potential problem based on a weather pattern that is kind of starting to form over the Gulf coast. And that's exactly what we are now putting our focus in, how do we take our business applications, Dynamics 365 to that next level, bringing in the next generation of digital supply chain capabilities that harness all this data that is coming, across the world, across the supply chain, fuse that data with the external signals, real world signals such as the social sentiment, social disruption, the news, the risk associated weather patterns and whatnot, and then turn them into actionable insights and be able to facilitate that kind of cross persona multitier orchestration to be able to rapidly respond, to give them that agility. And I think that is new theme right now that that comes with that data collaboration in order to become more agile rather than cost efficient.

Announcer:

John, what do you think about that?

John Munnely:

Yeah, look, I agree. Data is absolutely the new currency. And, if you're not capturing that data, understanding that data, and if you haven't got any good format, I mean, it's the old adage, isn't it with these transformation projects, dirty data in dirty data out. We sort of say to customers, it's wonderful. You're on this journey, you sort of want to adopt the standard solution. You want to change your people. You want to minimize the customizations, but we've

also got to make sure your data is cleaner or it doesn't work. I think Ali's spot on, to take advantage, I mean we're seeing things like AI and ML become much more just part of the routine. And again, as Microsoft and these amazing tech companies continue to evolve their products, you know, next year, next month, there'll be another algorithm that they'll include in the solution, but your data's got to be able to deal with it. So first things first, you know, get your solution in place, get a technology platform that is modern and can take advantage of these sort of things and make sure your data is clean so that you can, because if you're thinking about your data properly, you're thinking about what to do with that data in 3, 4, 5 years time, not just now. Absolutely data is the currency.

Ali Aksut:

I think the fifth and key point is, when you look at the concept of nobody has the time anymore to embark on a three year project ripping and replacing everything, and it's all about how do you build incremental capabilities? How do you harness the advantages of this pre-configured technology to support those best in class business processes. That doesn't mean you're basically going to start and figure out your way. I think the key of any successful digital transformation when it comes to supply chain is to define a clear vision, a clear north star about where you want to be in three years and five years, and then breaking that down into the specific incremental sprints that will give you the opportunity to incrementally reach that north star. And this is why, again, all of the points that we have so far discussed are becoming very important. Gone are those days, that I'm going to start everything from scratch, build everything from scratch, you know, and lock myself in, after embarking on a three year project into this rigid core, that it's going to be impossible or very difficult to change. By adapting this new technology, taking advantage of these pre-configured processes, calibrated processes, and pre-configured systems to support that, you can start incrementally going to that do direction.

Ali Aksut:

And then this is where the value you're going to get, related to no longer spending the time of trying to stitch things together and figuring out of constructing the basics. Let us take care of that as the technology and intellectual property providers such as KPMG by crafting those vertically calibrated processes, and the pre-configured technologies. Now you can focus on, along that path towards that north star, how can you now look at your business, understand the changes in trends and how you can adapt. And for example, tailor and change, your machine learning models to better predict your demand, or to adapt and start ingesting additional data elements to understand your supply risk that might be starting in multiple tiers to get three months, five months alerts or indications of what might be the risk, and then use those models to understand what is your downstream impact that might come and hit you in three months, five months down the line. Whether it's in the form of a production problem or it's in the form of an inventory shortage for a specific product line, this is where that continuous improvement is going to come into that picture. And it all starts with having to establish that, you know, architecture, the process architecture, the systems, architecture, the solution architecture in a way, crafting the roadmap, and then using the technology and all the prepackaged calibrated processes and technology to move towards that. So that way you can full focus on improving that, along that path.

Announcer:

John, are you a subscriber of that school of thought? Would you agree with Ali on that?

John Munnely:

Could not agree more. This is probably where we are 100 percent aligned. I mean, that north star is so important, and in KPMG land, we call that 'future of', 'future of supply chain'. What does it look like in the future? I think the other thing is, from our perspective, we talk about transformation with three words. We talk about Connected Powered and

Trusted, and that's what we want customers to be. We want to have a connected front, middle and back office. So when you're doing supply chain transformation, that's good. We've got to make sure it's going to work in the front and the middle office all the way through. Our Powered offerings are all about pre-configuration, it's all about exactly what we've been talking about here. How do we accelerate you? How do we get you going quickly? Then Trusted is the platform we're on. And we talked about data. Once you've got great clean data in the system, you've got to protect it. You've got to make sure that it's yours and yours only. We talk about trusted platforms and protecting yourself from cybersecurity assets, but in all our Connected. Powered. Trusted. assets, the thing that I love the most is our maturity assessment, because that points to this issue that Ali was talking about in terms of continuous improvement. We need to meet customers where they are today. So, one of the first things we will do is come into a customer and say, hey look, here's what good looks like. And here's where you are on this maturity assessment. And if one is basic and five is really mature, most of our customers, when we walk in to today, they'll be sitting at a one or a two, and that's why they want to transform.

But we're also realistic about it. We can't get you from a one or a two today to a five tomorrow. We can't do it in one hit. Most of the times you need to do it in a couple of hits. Let's just be really realistic out about what we're going to achieve from this piece of transformation from this project. Let's get you on the train, let's get you on the journey, let's get you to the cloud. And then let's talk about moving you from a one to a three in the first jump. And then actually once you're out of three, we can move to a four and a five on our continuous improvement journey. And the really interesting point Leigh is that, what is a five in terms of maturity today will probably be a three in terms of maturity in a couple of years time, because we're just continuing to evolve.

John Munnely:

The technology is getting better. So really when I talked about building that change muscle, it's also building this continuous improvement muscle and recognizing that it is no longer a seven year cycle where you spend a big chunk of dollars up front and then you set and forget. The world of cloud has changed the way we do transformation. It is much more about how do I get on that train? How do I get on that journey? Do the smallest amount I need to, to get there quickly, get some real value out of it. You do want to move from a maturity level one to a maturity level three, but recognize you're not trying to delay the project to get to a five let's just get on the train. Continuous improvement is absolutely what it's

all about. And we talk about it in being much more than just technology. It's about process improvement. So, we use the term evolution. The continuous improvement is evolution, we're getting on this digital transformation journey. Our messages don't get stale, recognize that this is just the beginning of the journey.

Announcer:

Okay. I think that just about wraps things up. Thank you so much, John and Ali for joining us. You've given us some fantastic insight there, it's been really fascinating.

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Designed by Evalueserve. | Publication name: KPMG 'See differently' Powered Supply Chain Podcast Series — Podcast 1|

Publication number: 137870-G | Publication date: November 2021