



Supply chain opportunities through globalization

Global supply chain perspectives — Podcast transcript

Speakers: Ian Wilson (Managing Director, International Markets, KPMG in the UK), Neill Riordan (Director of Microsoft Business Solutions, KPMG in the UK) and Phil Watson (Business Applications Industry Leader, Microsoft)

Announcer:

Hi, and welcome to today's KPMG Powered podcast. Joining me today are three UK experts in the field of global supply chain technology. They are Ian Wilson, MD of International Markets at KPMG in the UK, Neil Riordan, Director of Microsoft Business Solutions at KPMG in the UK, and Phil Watson, Microsoft's Industry Leader for Business Applications in the enterprise customer space. Welcome guys. Ian, what would you say are some of the common issues you're seeing when you engage with your global supply chain clients?

Ian Wilson:

So where I'm dealing with a lot of global manufacturers, they still have a diverse supply chain. So we are working with our clients who have local supply chain. They've got a combination of export, import. So, we have China, you know, with demand into the US, there's US facilities also doing local. I think now where we've got clients who are doing transition to Microsoft Cloud and Dynamics, they are still very much looking to consolidate the platform. All of the general managers that I talk to in those markets, they're all talking about growth. So quite sales focused, but where they have a fragmented supply chain, there is very much a need for them to go through digital transformation. And that's exactly what their boards are asking for, which is how do they get into a globalized solution which is sales ordering right through to production management. So that's a consistent theme that I'm seeing with our international clients.

Phil Watson:

I think what we're seeing is a challenge with our globalized supply chain networks. And I think the focus is how we get more simplicity and more communication throughout that network. The reality is, you can't just flip a coin and change the global infrastructure of supply chain networks overnight, or even over a decade, or maybe even over our lifetime. But we're seeing a lot more focus on how we can glean insight in order to drive action and how we can take a much more proactive route to the way in which we respond or react, or even prepare ourselves for the impending impact. We've done a number of exercises over the course of the last few months with some analysts. So I did a piece of work with Forrester and we yielded some really powerful insight around the amount of change that's taking place through supply chain networks, and actually network is the key. A traditional model of global supply chains is a model built on trust, where there are multi-tier relationships taking place across that network. And actually we are building and putting more emphasis on the network and creating a more collaborative approach to the way everyone in that supply chain network is able to interact and connect with one another. And I think that's where the fundamental changes we are going to see in the months and years ahead are going to take place.

Announcer:

Phil, can you tell us more about how technology has changed the supply chain model?

Phil Watson:

The way in which the model has changed through technology is data's been accumulated from every single device that every manufacturer, every vessel that is on the water, every aircraft that is in the sky, we've suddenly got this huge network of data that we now need to find a unique way of being able to bring together so that it delivers that intelligent insight to drive that intentional action. So in our platform, we've created the capacity through hundreds of connectors, through lots of data points, data sources throughout that network, to be able to have clarity around where is my ship on the water, as opposed to just recognizing the fact that once upon a time, I know that my goods are on the water. Now I can tell you where they are and I can be interpreting weather conditions to determine what the impact of travel for that vessel across the water might be.

My manufacturer will have machines that are manufacturing my product, and those machines are generating data. That machine data is connected to back office systems that is integrating the understanding of what is being made when and where, and having an understanding of the quality that's being produced on that machine. So I've got confidence that what is being made is being made, and it ties back to my originating order. We can take that data extensively right through that supply chain and accumulate a global view of insight in order for us to be able to aggregate that data. But more importantly, as I alluded to earlier, be exponentially more proactive. So where we see our customers with global supply chains that have a footprint out of North America or out of the Far East, we're in a position to be able to react to the changes that are happening many, many weeks ahead of understanding that there's a problem three months down the line and having no capacity to be able to manage the fallout and the ultimate implications that I have on my customer base. Because my customers are looking at me as their first tier supplier and my responsibility to them is to deliver to them on time and in full – it's a traditional metric of managing great supply chains.

So if I know three months in advance that I'm going to fail to achieve that goal, I can be innovative in the way that I respond or react, or manage my customer's expectations, or find supply (may not always be possible), but find supply in another path, or on another route, or more locally in some respects. And actually when we're thinking about the potential impacts of globalization, I think in the UK particularly, there's an opportunity to see a little bit of growth or even some substantial growth in certain areas around

manufacturing because of some of the implications of more broader challenges globally.

Neill Riordan:

And I think, Phil, that was brought into focus. When we think about when the pandemic hit, it wasn't just one organization that was normally chasing up their orders for the fact a manufacturing outlet was shut in a certain country. It was everybody chasing their orders for that entire country. And we look at the global manufacturing hubs of the world, when one of those goes down that causes a lot of concern all the way up that chain for the consuming of that. So that's where, once again, diversifying your supply chain came into real focus for the people who had managed to do that from the natural disasters that happened a number of years ago in Asia, which knocked out a few distinct areas of the supply chain for a number of fashion retailers, for example. They diversified at that point because they had to. It was the other organizations that, you know, had done that work and had really embedded and invested in that diversification, that were able to ride out the COVID piece slightly easier than others who then had found that they had a real debt around the understanding of their supply chain through all those tiers and the fact they had no technology backbones support that. So the only option they had was to throw resource at it to try and understand where they were. They had to stop all of the other parts of their business, which is important. They had to stop their other parts of the innovation, the other parts of product development, all of those things had to stop in order just to keep going at the point 'A' because of the lack of investment and a lack of understanding of those tiers. And so, you know, that's really come into focus and I think where we will see significant changes is the platforms allow us to collect that data. The technology, those machines are better than it's ever been with IOT and various other elements like that. And that will then, as long as we can understand that data effectively, the companies that can do that and leverage that will be in the best places to then move forward and limit their impact to an event of this nature again.

Phil Watson:

And actually it's in the heart of our focus when we're actually thinking about supply chain resiliency. And in actual fact that there are two layers that we think about when we're trying to enable more successful outcomes for our customers – and it is resiliency and sustainability. And globally half of the stock on the planet is safety stock. Now the premise of safety stock is that you've always got a backup. You've always got a contingency. You've always got that ability to be able to service your customer. But half the stock in the world is safety stock and half of it is the wrong stuff in the wrong place at the wrong time. So there's this overwhelming comfort blanket of cost. Why do we feel this overwhelming need to carry that safety blanket in the first place, at such extensive proportions? I want to underpin what this really means – in pound note terms in the UK market at the end of last year, there was £202 billion worth of inventory in the UK.

It doesn't matter where it was or what it was for, but if we took that same message that globally half the stock is in the wrong place in the wrong time and it's safety stock, it's a hundred billion pounds worth of inventory that our economy needs to be in the right place at the right time. It needs it to be the right inventory. So this all comes back to having qualitative data, having real insight over the way that you manage your inventory and the way that you manage your supply chain. And if I'm brutally honest, a clearer insight over the way that you're managing your customers, because typically that comfort blanket exists for the benefit of your own customer base. So it's accumulating data and insight and driving action. I realize that's probably the third time I've said that over the course of this conversation, but I think it's the, it's possibly the big shift away from being reactive to getting proactive in that strategy.

Neill Riordan:

But the challenge is that the businesses still aren't ultimately embracing that, there is still a hesitancy to trust the data, to trust the systems. And it takes confidence that we must impart on those teams as we talk to them, but also an acceptance that you have to embrace the technology if you want to keep evolving, if you want to keep maintaining that you can move forward and minimize the impacts – because the data is the data.

Phil Watson:

When we think about what we are making available as a technology, there's a lot of our customers who are somewhere on the adoption or even understanding of the capability of artificial intelligence

and machine learning. And actually a big focus of our strategy is to democratize that technology in a way where it becomes more consumable for all these organizations and all of these human beings within these organizations to be able to take that data and process it and convert it into something of value. One of the biggest messages that we are trying to communicate globally is that data is the most valuable asset within an organization. So now we need to find a way of being able to consume it. The days of endless reports that produce overwhelming amounts of, it's not even insight it's just data, is akin to opening up a database and trying to figure out exactly what value that data is.

The value of being able to utilize that data will not come through a human element. It will come through understanding what you are trying to interpret from the data, or even telling an artificial intelligence model that you want it to tell you what's in the data so that you can go away and start analyzing trends and substance that is uninterpretable by most human beings. We're all still learning how to adjust to that. But the proof of the pudding is in the eating in this respect, we just have to take some of the first steps and get ourselves either on that maturity curve or advance ourselves around it.

Ian Wilson:

I predominantly see a lot of our clients starting at the beginning of that business transformation. So they are not, as you say, they're not yet ready to embrace AI. They fundamentally have separated systems. They're manually requesting the data. The business unit leads in the various countries aren't able to summarize their KPIs in a similar fashion. So when we're engaging on the beginning of digital transformation, it is getting to customer centric. It is connecting the systems. It is then looking at performance and data where each of the markets can have the KPIs analyzed in the same fashion, enabling them to drive the right decisions, because they're all asking for global standardization. What we see is, as you say, you can't just snapshot it together. But also the boards of these clients now not willing to wait months and months and months to go through longer waterfall design, they want agility and they want to be able to transition to cloud platforms relatively quickly.

Ian Wilson:

So really that's where I see a lot of that demand, which is getting away from, you know, the older on-prem systems to now having a digital transformation where it's self-service. But the KPIs – when a global supply chain is looking at how the KPIs are performing, that they are all sort of analyzing it in the same fashion, is one of the sort of first critical steps when I see them changing every dimension in terms of functional process and data and you know, also having a talent management strategy, enabling their people to get away from transactional, to more business partnering and those kind of elements.

Neill Riordan:

That is exactly why KPMG have invested in the Powered Supply Chain offering, so that we can provide that view of leading practice processes around supply chain, but more importantly, provide that maturity model approach to where the organization can go. So yes, they will start on their transformational journey and we will align to the processes that they are able to support today. As they move into that new target operating model, they can become more sophisticated, they can understand their data better. And therefore the Dynamics 365 products family is able to grow with them as well. As they go up that curve, there are very sophisticated applications now that they can leverage, but that is some way off for a lot of organizations because they really have to get that foundation right to the point of boards don't want to wait for five years for organization to get that foundation right anymore. They want that foundation right in 12 months, even sooner in some cases, to really leverage their existing investment and get moving. And that's where we feel that by leveraging the Powered Supply Chain model and the leading practices, and with all of the other elements that come with that such as the consistent KPIs, consistent reporting, the leading practice, we can really add benefit to those organizations and get them moving faster.

Ian Wilson:

The clients I'm working with in order for them to holistically succeed and overall change their business performance, it is sales and customer engagement. It is finance, it's HR, it's all of those track domains in a simultaneous fashion because supply chain is one segment of it, or clients are doing local or global

production. So we see that digital transformation has crossed all those work streams.

Phil Watson:

I think the revolution that we're going through is one of recognizing the opportunity for us to be able to offer agility around their existing landscape. It's recognizing that we are an enabler of that kind of capability because customers, although they know what they want, they don't know what is available unless they're close to that all of the time. And the reality is most organizations are not. So we're the subject matter experts, we're the technology experts, and we need to take that lead with principle. We can all lose track if we walk down a path and every single path has got options and alternative routes that you can take. And occasionally there's a big, bad wolf that lives down some of those tracks, our job is to keep the organizations that we're servicing on the right path and occasionally give exceptional service and consultancy when they need some clear direction. And we've got a lot of experience to bring to bear in this particular conversation.

Announcer:

Would you say the current focus on ESG is another area in global manufacturing supply chain management that can be supported by the KPMG and Microsoft technology alliance?

Phil Watson:

That topic seems to be the most prevalent one on anybody's radar. In fact, I remember ten years ago in legacy versions of our software, that was the thing that we were targeting, measuring. That being our responsibility to be able to track our carbon footprint. And if we could track that and trend that in a way that we were improving our performance year-over-year, we were winning. But the agenda goes far broader and far wider. And I think that is why you have an ESG and we have a Sustainability Cloud so that bleeds into far more directions than what we're describing. I think, hopefully a leader in the charge to drive a future of sustainability for our planet, we also are trying to lead the charge in a more sustainable view of the way that we can bring to bear more enablement for our customers and our networks around us.

Phil Watson:

And in some respects that is providing insight and back to intelligence and back to data, but in other respects, it is surfacing the agenda in a way where we can make it more transparent, right through the supply chain exactly so that you know, that it wasn't manufactured in a children's sweat shop somewhere in where you can't see it so it's not your fault. So having that transparency, that accountability, and that responsibility to make sure that you can see that the things that you are feeding into that global supply chain is where the real heart of sustainability comes along.

Ian Wilson:

I think what's critical is that, our client executives are actually asking for ESG to be part of the

transformation deliverables now. So where that was potentially out of reach, how do I report on ESG and how do I analyze my ESG data rather than, as you're saying, Phil, doing it manually and creatively, it's now structured as part of their front and back office solutions. And for global supply chain that's a critical, long-term strategy that we're seeing is becoming more of a mandatory ask.

Announcer:

So what a fantastic way to end the podcast with this notion of individual responsibility, carrying over to collective responsibility and helping organizations become more responsible corporate citizens. I'd like so much to thank our guests, Phil, Neill and Ian for their time and for their insights, particularly, and to you our listeners, be sure to join us again next time.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act upon such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

© 2022 Copyright owned by one or more of the KPMG International entities. KPMG International entities provide no services to clients. All rights reserved.

Designed by Evalueserve. | Publication name: Supply Chain opportunities through globalization— Podcast 1 | Publication number: 137870B-G | Publication date: March 2022