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SUPPLY CHAIN
STRATEGIES
FOR AGILE PROCUREMENT

Introduction

Organizations around the world are facing unprecedented challenges, with supply chain disruptions threatening their future viability. As a result, procurement is increasingly being expected to become more influential in the overall business strategy - specifically in the areas of mitigating risk, creating a competitive advantage and driving growth.

In his book "The Black Swan" Nassim Taleb refers to fragility and antifragility. He writes: "There is no word for the exact opposite of fragile. So, let us call it antifragile. Antifragility goes beyond resilience or robustness - the resilient resists shock and stays the same; the antifragile gets better."

To become antifragile and navigate the future with confidence, manufacturing and distribution companies require a different set of skills, a new degree of agility and a more progressive mindset.

Here are 5 key strategies manufacturers should adopt to ensure the future agility and resilience of their supply chains.

STRATEGY **1**
ANTICIPATE AND PLAN FOR UNCERTAINTY

In a VUCA world, volatility, uncertainty, complexity and ambiguity are no longer isolated states of crisis, but rather increasingly frequent occurrences. In the past 12 months, global trade disputes, Brexit, volatile exchange rates, fluctuating commodity prices, civil unrest and a global pandemic have severely impacted supply chains around the world. As a result, the ability to identify and plan for future scenarios has become a strategic imperative to mitigate risk and ensure business continuity.

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The rigorous manual process of gathering and interpreting supplier, market and environmental information is being replaced with a new data-driven approach that enables real-time decision-making and forward planning on both strategy and performance.

This approach includes:

1. The creation of integrated data ecosystems and the use of artificial intelligence and predictive analytics for real-time interpretation.

2. The use of technologies such as sensors, natural language processing (NLP) software and the Internet of Things (IoT) to enhance the integrity of these ecosystems.

STRATEGY 2

END-TO-END SUPPLY CHAIN VISIBILITY

This provides a single platform where everything from early stage planning to final delivery can be tracked and traced in real-time on a global scale. These advanced insights improve customer service, reduce costs, help with regulatory directives and mitigate interruptions that could affect supplier inventory levels and product delivery. Embedded AI capabilities provide real-time intelligence, actionable insights and recommendations that reduce disruption mitigation time from days to hours.

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Providing employees with visibility into the entire supply chain helps them make better-informed decisions and deal with customers more effectively. Modern organizations are sharing this real-time data with their customers to keep them up to date and provide them with the ability to mitigate potential issues. This kind of operational transparency also establishes a sense of trust and loyalty.

Companies, however, can't be specialists at everything, and require extended visibility when outsourcing logistics to a third party. Tracking tools such as Radio Frequency Identification (RFID) and Global Positioning Systems (GPS) as well as Internet of Things (IoT) technology can be leveraged; nevertheless, companies need to ensure that the data retrieved from these tools can be integrated back into their systems.

Another benefit is the improved traceability of manufactured products. Each raw material used for a specific lot can be traced to its origin. Troubleshooting becomes easier as quality teams can examine where material changes may have affected current products.

Compliance depends on visibility. In every industry, there are critical compliance requirements mandated by governments, customers and other authorities. Without a centralized system, compliance and visibility can be manual, tedious and costly – often resulting in penalties.

Supply chain visibility leads to many advantages for today's global businesses. It allows them to reduce complexity, improve communication throughout the organization, stay nimble and keep up with a complex regulatory landscape. With supply chain visibility, businesses can make the right decisions in real-time. What follows is operational efficiency, improved profits - and satisfied customers.

EMBRACE THE LIMITLESS POTENTIAL OF DIGITALIZATION

The boundary between digital and physical is continuing to blur, new technologies are disrupting the status quo and digitalization is opening the door to infinite possibilities – with profound implications for the way businesses will operate going forward. Naturally, these technologies and their rapid rate of evolvement come with their own challenges. However, those that recognize these technologies as opportunities for growth and wholeheartedly embrace them are sure to flourish and prosper.

A recent study conducted by Deloitte into "The future of procurement in the age of digital supply networks" concluded that rapid advancements in digital technologies are remaking business supply chains and are poised to transform how the procurement function delivers value.

Low-cost computing and data storage have enabled advancements in mobile technology and the cloud, constant connectivity is the norm, and sensors bring devices and machines to life through the Internet of Things. The application of these disruptive technologies to procurement is already fundamentally altering the impact of this function.

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Strategic sourcing is becoming more predictive, transactional procurement is becoming more automated, and supplier relationship management is becoming more proactive. Digital procurement solutions are enabling the future by providing access to previously unavailable data or bringing order to massive (but unstructured) data sets; driving more complex analysis and better supplier strategies; and enabling more efficient operations.

For organizations looking to embrace digital solutions, the path has never been easier. Many of these emerging technologies work to enhance the value of legacy systems, involve minimal investment, have low requirements for integration and have payback periods measured in months rather than years.

4 FOCUS ON BUILDING A ROBUST SUPPLY CHAIN

The new normal has exposed the thin margins on which much of global business runs. Highly indebted companies, working from lean inventory, supported by just-in-time supply chains and staffed by short-term contractors, are suffering the longer-term impact of market unpredictability.

In the months and years ahead, effective supply chain risk management will be all about agility and finding the perfect balance between just-in-time processes and just-in-case scenarios.

Companies have woken up to the realization that by encouraging their procurement departments to pursue the holy grail of greater efficiency and cost-cutting, they have sacrificed robustness, resilience and effectiveness. In many cases, it has turned out they have sacrificed the business itself.

Businesses need to build thicker buffers against shocks. If they do not, governments and regulators will find ways to encourage or oblige them to shore up their defenses. For many companies, their first order of priority should be to rebuild cash reserves, sometimes achieved with government help in the form of backing for low-interest loans and direct subsidies.

In the absence of established business models, manufacturers and distributors must now consider how to reengineer their supply chains to be resilient by design, factoring in increased complexity and uncertainty as the new normal. In the months and years ahead, effective supply chain risk management will be all about agility and finding the perfect balance between just-in-time processes and just-in-case scenarios.

Truly robust supply chains will use real-time data to identify shifts in demand or disruptions faster and adapt to sudden changes more quickly, with an agile supply network replacing traditional lean model approaches.

5 AGILE SOURCING TO MITIGATE RISK

Businesses dependent on global sourcing are facing hard choices in crisis management amid the supply chain disruptions. To mitigate the risks of similar disruptions in future, they need to revisit their strategies on sourcing raw materials, sub-assemblies and finished products.

Over the past two decades, the concept of supply diversification has focused on continually driving down costs, with pressure or incentives to maximize efficiency and reduce costs, finding the lowest-cost suppliers and the most efficient producers or distributors in the world - a strategy that increases vulnerability when disruptions occur.

In today's world where supply chain disruptions are happening more frequently, it's important to balance the need for lower costs with mitigating risk.

In today's world where supply chain disruptions are happening more frequently, it's important to balance the need for lower costs with mitigating risk. While finding the right balance might result in a higher cost of sourcing, it does provide insurance against potentially higher future losses.

As a result, many businesses are beginning to diversify their supplier base. This presents an opportunity for local manufacturers to partner with local suppliers and consider alternate sources for raw materials or intermediary component suppliers, thus increasing the robustness of the networks and ensuring demand can be met with supply, even in extraordinary times.

Businesses that proactively invest in supply chain risk mitigation by diversifying their supplier base will be able to absorb future supply chain shock and bounce back faster than those which do not.

THE ERP ADVANTAGE

A standalone procurement program lacks the mission-critical quality of integration into the rest of the company's and supplier's systems. This is where the real advantage of an ERP solution with procurement capability lies.

SYSPRO ERP has the built-in digitalization capabilities to create a truly agile supply chain with end-to-end visibility and collaboration across the entire ecosystem. This robust single-source solution, created specifically for manufacturing and distribution, will enable you to optimize your organization's supply chain, now and well into the future.

By setting up and managing procurement strategies and policies, SYSPRO ERP mitigates purchasing risks, improves governance and maintains negotiated agreements – while enabling the purchase of products and services at the best value-to-price ratio.

With the ability to automate and streamline planning, procurement and supplier management processes using SYSPRO's inherent ERP capabilities and by leveraging web-enabled and intelligent technologies such as online portals, IoT, AI and Bots – you can reap the benefits of digital procurement using one all-encapsulating ERP solution.

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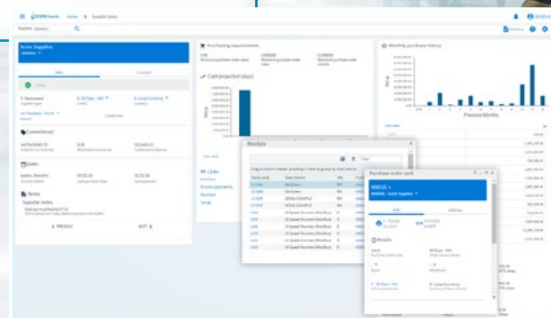
About SYSPRO

Established in 1978, SYSPRO is an industry-built Enterprise Resource Planning (ERP) solution designed to simplify business complexity for manufacturers and distributors worldwide. SYSPRO provides an end-to-end business solution for optimized cost control, streamlined business processes, improved productivity, and real-time data analysis for comprehensive reporting and decision-making. SYSPRO is highly scalable and can be deployed either in the cloud, on-premise, or accessed via any mobile device.

What sets SYSPRO apart is an unwavering, sustained focus on the manufacturing and distribution sectors. Combined with a practical approach to technology and a passionate commitment to simplifying business processes, SYSPRO dedicates itself to the success of its partners and customers alike.

SYSPRO dedicates its resources to the advancement and improvement of the complex and changing needs of its customers. Recognized as a leader in customer service, SYSPRO has one of the highest customer retention rates in the industry.

SYSPRO's intuitive product features, business intelligence capabilities, and easy deployment methodology are unmatched in the marketplace. The depth of software functionality and targeted industry knowledge makes SYSPRO an excellent fit for a number of select manufacturing and distribution industries, including food and beverage, machinery and equipment, electronics, fabricated metals, automotive, and many more.

SYSPRO has more than 15,000 licensed companies in over 60 countries.
For more information, visit **www.k3syspro.com**

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