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Business Applications



# Dynamics 365 for Supply Chain Management

## Capability Guide

A quick guide to the key features and benefits of Dynamics 365 for Supply Chain Management.

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## Software Dynamics – Where Solutions Meet Momentum

Building Intelligent, Connected, and Continuous Growth Across the Enterprise

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For over two decades, Software Dynamics has helped organisations transform complexity into clarity. We build intelligent, connected Dynamics 365 ecosystems that move businesses forward – unifying data, streamlining operations, and enabling confident, continuous growth across the enterprise.

### Turning Digital Ambition into Real-World Results

We go beyond implementation. We engineer momentum. Our team combines deep industry expertise with precise technical delivery to build solutions that connect processes, accelerate performance, and evolve as your organisation grows.

Our approach ensures every transformation delivers measurable movement:

- **Speed to Value:** Agile delivery that reduces time-to-benefit.
- **Scalability:** Cloud-first architectures designed to grow without friction.

# Empowering Enterprise Transformation

Dynamics 365 is the engine of our transformation framework – an intelligent platform connecting finance, operations, supply chain, sales, and customer engagement.

With Software Dynamics, you gain a partner that enables your enterprise to move faster, collaborate smarter, and compete stronger.

- **Intelligence:** Analytics and automation that drive smarter decisions.
- **Resilience:** Secure, compliant, future-ready systems built for change.

## Our Global Presence

With teams across Africa, the Middle East, and Asia, we deliver local insight, global best practice, and hands-on support that fuels sustained enterprise momentum.





**Solution Overview: Dynamics 365  
Supply Chain Management for  
Financial Services**

Dynamics 365 Supply Chain Management empowers financial institutions to transform their internal procurement and supply chain operations from a cost center into a strategic, value-driven function. By providing a unified platform for end-to-end procurement, robust supplier management, and AI-powered analytics, it delivers unparalleled operational resilience, stringent regulatory compliance, and significant cost optimization.

This cloud-native solution ensures financial organizations can manage complex, global spend categories—from IT infrastructure and professional services to facilities management and marketing—with absolute control and transparency. Key capabilities include:

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**Strategic Sourcing & Cost Management:** Execute controlled RFx processes, reverse auctions, and negotiations to secure optimal value on all third-party spend, directly impacting the bottom line.

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**Supplier Risk & Performance Management:** Proactively qualify, onboard, and monitor suppliers based on financial health, performance KPIs, and compliance status, mitigating third-party risk—a critical priority for regulators

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**Automated Procure-to-Pay Compliance:** Enforce delegated authority and spending policies through embedded workflows, ensure precise three-way matching, and maintain a complete audit trail for every transaction, guaranteeing adherence to strict internal and external controls.

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**Real-Time Spend Intelligence & Analytics:** Leverage embedded Power BI dashboards to gain real-time visibility into spend by category, supplier, and business unit, enabling data-driven decisions that identify savings opportunities and reduce maverick spending.

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**Operational Resilience & Continuity:** Built on the secure, scalable Microsoft Azure cloud, the solution ensures business continuity with enterprise-grade security, high availability, and disaster recovery, safeguarding critical procurement operations.

For the Financial Services industry, Dynamics 365 Supply Chain Management is not just about purchasing efficiency; it is a foundational tool for **managing third-party risk, ensuring regulatory compliance, and driving sustainable cost reduction** across the entire organization.



**Supplier Qualification &  
Management in Dynamics  
365 Supply Chain**

D365 Supply Chain treats supplier management as a critical business process, embedding controls, automation, and lifecycle management directly into the procurement workflow.

#### a. Supplier Self-Service Portal

- **Capability:** D365 Supply Chain leverages **Microsoft Power Pages** to create a modern, secure, and branded external portal for suppliers.
- **How it Works:** Suppliers are invited via email and authenticate securely (typically using Azure Active Directory B2B). This portal is separate from the internal D365 Supply Chain system but connects to it in real-time.
- **Features:**
  - Suppliers can view and acknowledge purchase orders.
  - They can submit invoices electronically (e-Invoicing), which is a key benefit.
  - They can view payment status and history, reducing calls to Accounts Payable.
  - Most critically for qualification, it serves as the gateway for **self-service registration and profile management**.



## b. Supplier Qualification

This is the core of the process, managed within the internal D365 Supply Chain system.

Process Step	D365 Supply Chain Capability & How it Works
<b>Supplier Identification &amp; Selection</b>	The system maintains a centralized <b>Vendor master</b> that is the single source of truth. Users can search and filter vendors by category, status, location, and other attributes to identify suitable existing suppliers.
<b>Self-Service Supplier Registration</b>	Prospective suppliers access the <b>portal</b> to register. They fill out a structured form, providing company details, contacts, banking information, and goods/services offered. This creates a <b>prospective vendor record</b> automatically in D365 Supply Chain, kicking off the qualification workflow.
<b>Pre-Qualification Assessment</b>	Customizable <b>questionnaires</b> can be automatically assigned to a new prospective vendor based on their category (e.g., "IT Hardware," "Professional Services"). These are created using standard features and can include yes/no, multiple-choice, or text responses.
<b>Due Diligence Checks</b>	The system supports tracking due diligence tasks. Workflows can be configured to assign tasks to internal stakeholders (e.g., Legal, Compliance) to perform manual checks (like verifying business registration numbers) once a questionnaire is submitted.
<b>Supplier Risk Assessment</b>	<p><b>Basic:</b> D365 Supply Chain can store risk scores (e.g., from 1-5) and risk categories.</p> <p><b>Advanced:</b> For dynamic external risk monitoring (financial health, news sentiment), integration <b>with third-party risk intelligence services</b> (like Dun &amp; Bradstreet) via API is the standard approach. Scores can be automatically fetched and stored against the vendor record.</p>

Process Step	D365 Supply Chain Capability & How it Works
<b>Uploading &amp; Management of Documentation</b>	The Vendor management workspace allows both internal users and (via the portal) suppliers themselves to upload and manage required documents (e.g., certificates of insurance, business licenses, ISO certificates). Documents are stored against the vendor record with version control.
<b>Validation &amp; Verification</b>	Documents and information can be routed via workflow to internal experts for manual verification. The system can also validate basic data formats (e.g., VAT numbers against a checksum algorithm, bank account via IBAN validation).
<b>Maker-Checker Functionality</b>	This is enforced through configurable approval workflows. The person who creates or updates a vendor record (the "Maker") cannot be the same person who approves it (the "Checker"). The system enforces Segregation of Duties (SoD).
<b>Scoring Mechanisms</b>	Vendors can be scored manually by evaluators or automatically based on questionnaire results and performance data (e.g., on-time delivery rate, quality acceptance rate). This score is stored and can be used for reporting and supplier selection.
<b>Automated Approval Workflows</b>	<p>Core Strength. Based on Delegation of Authority policies, workflows automatically route a new vendor or a change to an existing vendor to the correct approver(s) based on criteria like:</p> <ul style="list-style-type: none"> <li>▪ Vendor Category</li> <li>▪ Spend Amount</li> <li>▪ Risk Score</li> </ul> <p>Approvers can review all collected data and documentation in one place before approving or rejecting.</p>
<b>Supplier Status Management</b>	<p>Full lifecycle control:</p> <ul style="list-style-type: none"> <li>▪ On Hold: Payments or ordering can be temporarily suspended for a vendor.</li> <li>▪ Reject: A prospective vendor can be rejected during qualification, with reasons recorded.</li> <li>▪ Blacklist: Vendors can be marked with a status that prevents any purchase orders from being created for them.</li> </ul>

Process Step	D365 Supply Chain Capability & How it Works
<b>Supplier Categorization &amp; Spend Authorization</b>	Vendors are assigned to <b>Procurement Categories</b> . Spending limits can be enforced through <b>Audit Policies</b> and <b>Advanced Rules</b> that trigger warnings or block orders if a user tries to purchase from a non-preferred or non-certified supplier in a specific category.

### c. Dynamic Assessment of Supplier Capabilities

- **Capability:** While the initial qualification is a point-in-time event, D365 Supply Chain supports ongoing, dynamic assessment.
- **How it Works:**
  - **Performance Data:** The system automatically aggregates performance metrics (On-Time Delivery, Quality, Invoice Accuracy) from actual transactions (POs, Receipts, Invoices).
  - **Periodic Re-qualification:** Workflows can be triggered to initiate a re-assessment of a vendor's qualification on a basis (e.g., annually). This can involve sending updated questionnaires via the portal.
  - **Event-Driven Re-assessment:** A poor performance score or a change in a risk score from an integrated third-party service can trigger a re-evaluation workflow, potentially placing the supplier "On Hold" pending review.

### d. Supplier Management with Inbuilt Controls & Lifecycle Management

D365 Supply Chain provides a central Vendor management workspace that gives a holistic view of the supplier lifecycle, from onboarding to retirement.

- **Lifecycle Stages:** The system manages the vendor's journey through clear statuses: *Prospective -> Approved -> On Hold -> Rejected/Blacklisted.*
- **Inbuilt Controls**
  - **Duplicate Detection:** Prevents the creation of duplicate vendor records.
  - **Change Tracking:** Audits all changes to critical vendor data (e.g., bank account details).
  - **Policy Enforcement:** Rules ensure procurement policies are followed (e.g., "Cannot create a PO for a non-approved vendor").
  - **Segregation of Duties:** Ensures no single user has control over all aspects of the vendor lifecycle (e.g., creating a vendor and also approving payments to them).
- **Unified View:** The workspace provides dashboards showing vendor performance, risk status, pending approvals, and documents due for expiry, enabling proactive supplier management.



**Sourcing Capabilities in Dynamics  
365 Supply Chain Management**

The Sourcing module is a core component of the c process, enabling organizations to manage competitive bidding, secure the best value, and maintain a clear audit trail.

#### a. Support for RFx Process (RFQ, RFP, RFI, Auctions)

- **Sourcing Events Setup:** Users can easily create and configure different types of sourcing events from a centralized workspace.
  - *RFI (Request for Information):* Used for gathering general supplier capabilities and market information.
  - *RFQ (Request for Quotation):* The most common type, focused primarily on price for well-defined items.
  - *RFP (Request for Proposal):* Used for complex purchases where technical solutions, quality, and other non-price factors are critical.
  - *Reverse Auctions:* The system supports real-time, online reverse auctions where pre-qualified suppliers compete to offer the lowest price.
- **Support Multi-Stage RFP, Sealed Bids, etc.:**
  - *Multi-Stage RFPs:* The process can be managed through multiple stages (e.g., technical evaluation followed by a commercial bid). Results and supplier shortlists from one stage can be used to gate participation in the next.
  - *Sealed Bids:* The system can be configured to keep all bid responses hidden until a specified tender closing date and time, after which they are simultaneously revealed to the buying organization to ensure fairness.
- **Approval Workflows based on Delegation of Authority:** Before a sourcing event is published, it can be routed through a configurable approval workflow. The workflow can be triggered based on the total estimated value of the request, ensuring it is reviewed by the correct manager or category lead according to the company's spending policies.
- **Response Management:** All supplier responses are captured and stored centrally within the system. Responses are structured by line item, making it easy to compare offers side-by-side. Attachments (e.g., technical specifications, drawings) from suppliers are stored against their response.
- **Access Controls:** Robust Role-Based Access Control (RBAC) ensures that only authorized procurement personnel can create, view, or approve sourcing events. Sensitive information, like supplier bid prices, can be restricted until the official opening time.

## b. Supplier Engagement

- **Invitation to Bid:**
  - Manual Selection: Sourcing managers can manually select suppliers from the approved vendor list.
  - Category-Based Invitation: The system can automatically suggest suppliers based on the procurement category of the items being sourced.
  - Public Tenders: While typically integrated with external e-procurement platforms, RFQs can be marked for broader publication.
- **Notifications & Alerts:**
  - Suppliers receive automatic email notifications when they are invited to a new event, when a clarification is posted, or when the event is about to close.
  - Sourcing Managers receive alerts for events that are nearing their closing date, when a new response is submitted, or when an approved event is ready to be published.
- **Online Responses & Collaboration:**
  - Suppliers can submit their bids entirely online through the Supplier Portal (built on Power Pages).
  - A built-of-sight "Questions and Answers" forum allows suppliers to ask clarifying questions. The sourcing manager can post answers visible to all invited suppliers, ensuring a fair and transparent process.

## c. Collaboration and Bid Scoring

- **Bid Scoring: The system supports powerful, objective evaluation mechanisms.**
  - Weighted Scoring: For RFPs, evaluators can define multiple criteria (e.g., Price 60%, Quality 20%, Delivery Time 20%) and assign weights.
  - Multi-Person Evaluation: Different evaluators (e.g., from Technical, Finance, and Procurement departments) can be assigned to score the responses for their respective criteria.
  - Automated Calculation: The system automatically calculates a total weighted score for each supplier response, providing a data-driven shortlist for award decisions.

## d. Negotiations

- **Multi-Round Negotiations:** The system fully supports best-and-final-offer (BAFO) rounds. After the initial evaluation, shortlisted suppliers can be sent a new request, inviting them to improve their offer on specific line items.

- **Response Management & Activity Monitoring:** All communication and revised bids from each negotiation round are tracked within the same sourcing event record, providing a complete history.
- **Access Controls & Reporting:** Access to negotiation details is tightly controlled. Reports can be generated to show the price movement and improvements achieved through the negotiation process, demonstrating value creation.

**e. Award & Regrets**

- **Award Process:** Once a winning supplier is selected based on the evaluation, the system allows the creation of a Purchase Order or a Purchase Agreement directly from the sourcing event with a single click. This ensures the awarded price and terms are directly transferred without manual re-entry.

**f. Audit Trails**

This is a fundamental strength of the platform. A complete, unchangeable audit trail is automatically maintained for every sourcing event, including:

- Who created the event and when.
- All approval steps and who approved/rejected it.
- Exact timestamps of when each supplier submitted their response.
- A full record of all questions, answers, and negotiation communications.
- Who awarded the contract and to whom.
- The final comparison of bids that led to the award decision. This ensures full compliance with internal policies and external regulations.

**Summary: Key Strengths**

Feature	D365 Supply Chain Capability
<b>Process Automation</b>	<b>Configurable approval workflows</b> enforce delegation of authority at every stage.
<b>Supplier Collaboration</b>	<b>Integrated Supplier Portal</b> enables full digital collaboration and bid submission.

<b>Decision Support</b>	<b>Weighted bid scoring</b> provides an objective, data-driven basis for award decisions.
<b>Transparency &amp; Compliance</b>	<b>Complete audit trail</b> from request to award ensures a defensible process.
<b>Efficiency</b>	<b>One-click purchase order creation</b> from the awarded bid eliminates errors and saves time.



**Contracting Capabilities in  
Dynamics 365 Finance &  
Operations**



D365 Supply Chain's core strength lies in managing **procurement contracts** and integrating them directly with the sourcing and purchasing processes.

#### a. Contract Creation and Authoring

- **Template Libraries:** The system allows the creation of Purchase Agreement templates. These templates can pre-define common terms, durations, pricing structures, and default clauses for specific categories of purchases (e.g., IT hardware, professional services, raw materials).
- **Clause Libraries:** While not a full legal clause library out-of-the-box, standard terms and conditions can be stored within agreement templates. For advanced clause management, a integration with a dedicated CLM solution or a custom Power App is recommended.
- **Version Control:** Every change to a contract header or line is fully tracked and auditable. The system maintains a complete history of amendments, allowing users to see who changed what and when.
- **Collaboration Features:** Collaboration is managed through the **built-in workflow system**. Contracts can be routed internally for review and input from stakeholders in legal, finance, or the requesting department. Comments and annotations are part of the workflow history.

#### b. Contract Review and Automated Approval Workflows

- **Core Strength:** D365 Supply Chain leverages its powerful workflow engine to automate the contract review and approval process.
- **How it Works:** Approval workflows can be configured based on the Delegation of Authority matrix. Routes are triggered by criteria such as:
  - Total contract value.
  - Procurement category.
  - Contract duration.
  - Risk level.
- The workflow ensures the right people (e.g., category manager, procurement director, legal counsel, CFO) review and approve the contract at the correct threshold, enforcing policy and segregation of duties.

#### c. Integration into E-Signature

- **Native Integration with DocuSign:** D365 Supply Chain has a pre-built, certified connector for DocuSign. This allows users to send contracts for electronic signature directly from within the application.

- **Process:** Once a contract is approved internally, a user can click a button to generate a PDF and send it via DocuSign to the supplier's contact. The status (sent, viewed, signed) is tracked within the contract record.
- **Other Platforms:** For other e-signature providers (e.g., Adobe Sign), integrations can be built using Power Automate or Azure Logic Apps.

#### d. Contract Execution & Audit Trails

- **Execution:** Once fully signed, the contract status is updated to "Effective" or "Active." This is the trigger for the procurement team to begin creating purchase orders against it.
- **Audit Trails:** A complete, unchangeable audit trail is automatically maintained. This includes every version, all approval steps, who approved it, when it was sent for signature, and the final executed document, which is attached to the record.

#### e. Repository Management

- **Centralized Repository:** All procurement contracts and purchase agreements are stored within the D365 Supply Chain database, providing a single source of truth. The executed PDF contract is attached to the record, making it easily accessible to authorized users.
- **Obligation Tracking:** The system excels at tracking commercial obligations. It can track:
  - Commitment Value: The total value of the contract.
  - Consumption: How much value has been used via purchase orders released against the contract.
  - Quantities: Contracted quantities vs. received quantities.
  - Key Dates: Delivery dates, milestone dates, and expiry dates.

#### f. Contract Lifecycle Management (CLM)

D365 Supply Chain manages the operational lifecycle of procurement contracts effectively:

1. Setup: Created from a template or from a winning sourcing event.
2. Review/Approval: Routed through workflow.
3. Signature: Sent for e-signature via integration.
4. Execution: Becomes active and is used for ordering.
5. Compliance: Enforced through the system, which prevents users from ordering outside contract terms or exceeding limits.
6. Amendment: Changed through a controlled process with full versioning.
7. Renewal/Expiry: Managed through alerts and can be renewed, often by creating a new agreement.

### **g. Contract Renewal / Expiry Notifications and Alerts**

- The system can generate automatic alerts and workflow tasks for contract managers as agreements approach their expiry date.
- These alerts can trigger a review process to decide whether to renew, re-tender, or let the contract expire.

### **h. Reporting & Analytics**

- Standard Reports: Pre-built reports show contract utilization, compliance (maverick spending), and expiring contracts.
- Power BI Integration: For advanced analytics, data is easily exported to Microsoft Power BI. Dashboards can provide insights into:
  - Supplier performance against contract terms.
  - Spend under management vs. off-contract spend.
  - Savings realized through contracts.
  - Contract lifecycle timelines.

A woman with brown hair tied back, wearing a maroon polo shirt, is looking down at a silver laptop. She is sitting at a desk in a warehouse, with cardboard boxes and blue metal shelving units visible in the background. The lighting is warm and focused on her.

**Supplier Performance  
Management in Dynamics  
365 Supply Chain**

The system enables organizations to monitor, evaluate, and improve supplier performance through automated scoring, collaborative assessment, and proactive insights.

#### **a. Ability to define KPIs, SLAs, and Frequency of Evaluation**

- **KPI & SLA Definition:** D365 Supply Chain allows you to define a comprehensive set of performance criteria within the Vendor management workspace.
  - **Scoring Models:** You can create different scoring models (e.g., a model for logistics suppliers, a model for raw material suppliers) with custom weighted scoring mechanisms.
  - **KPI Types:**
    - **Quantitative (Automated):** KPIs based on transactional data automatically pulled from the system.
      - **On-Time Delivery:** Calculated from the difference between the promised receipt date and the actual receipt date.
      - **Quality Acceptance Rate:** Calculated from the quantity accepted vs. the quantity rejected in quality control.
      - **Invoice Accuracy:** Tracked based on the match rate between invoices, purchase orders, and goods receipts.
    - **Qualitative (Manual):** KPIs that require manual scoring by cross-functional teams.
      - Responsiveness, Technical Capability, Ease of Doing Business.
- **Evaluation Frequency:** Scoring periods (e.g., Monthly, Quarterly, Annually) can be defined for each scoring model. The system can automatically calculate quantitative scores at the end of each period and prompt users to complete qualitative evaluations.

#### **b. Automated Alerts and Notifications**

**Proactive Alerts:** The system generates automated alerts and tasks within the Action Center and via email to drive proactive management.

- **Performance Alerts:** Notify procurement staff when a supplier's score for a critical KPI (e.g., Quality) drops below a defined threshold.
- **Contract Renewal:** Alerts are generated for upcoming contract expirations, and these alerts can be configured to consider performance. For example: "Contract for Supplier X expires in 30 days. Their current performance score is 'Yellow' - review before renewal."

- **Risk Alerts:** While often integrated with third-party risk services, internal risk flags (e.g., a sudden drop in performance) can also trigger alerts.

### c. Cross-Functional Team Supplier Performance Evaluation

- **Centralized Evaluation Workspace:** The Vendor Management Workspace serves as a central hub for all performance data.
- **Collaborative Scoring:** Different users from various departments can be assigned to score the qualitative KPIs for a supplier.
  - Example: A quality engineer scores "Product Quality," a logistics planner scores "On-Time Delivery," and a procurement manager scores "Cost Innovation."
- **Unified View:** The system aggregates all scores—both automated quantitative and manual qualitative—into a single, unified supplier scorecard. This eliminates silos and provides a 360-degree view of performance.

### d. Supplier Self-Evaluation

- **Capability:** This is a powerful feature for fostering collaboration and gaining the supplier's perspective.
- **How it Works:** Using the Supplier Portal (built on Microsoft Power Pages), you can grant suppliers access to their own performance scorecards.
  - **View Performance:** Suppliers can see their latest scores on key metrics, understanding exactly how they are being evaluated.
  - **Self-Score:** You can create surveys or questionnaires for suppliers to perform a self-assessment on qualitative metrics. This can be used to compare their self-perception with your internal evaluation, identifying gaps for discussion.
  - **Corrective Action Plans (CAPAs):** The portal can be used to collaborate on CAPAs. If a performance issue is identified, the supplier can be tasked with submitting their root cause analysis and corrective plan directly through the portal.

### e. Dashboards and Reporting

- **Pre-built Analytics:** The Vendor management workspace includes embedded Power BI analytics, providing visual dashboards for:
  - Supplier Performance Overview: A dashboard ranking suppliers by overall score, category, or region.
  - KPI Trends: Charts showing a supplier's performance on a specific KPI over time.
  - Spend vs. Performance: A critical analysis comparing the amount of money spent with a supplier against their performance score, highlighting high-spend, low-performance vendors as a key risk.

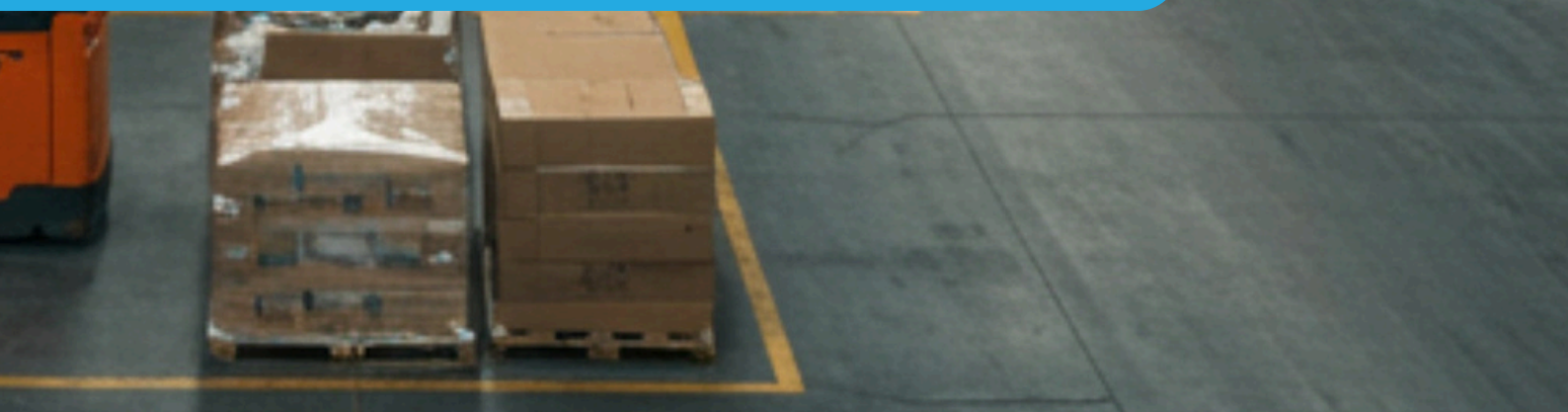
- **Customizable Power BI Reports:** For deep analysis, all performance data is available in the underlying data warehouse, allowing organizations to build custom Power BI reports tailored to their specific needs (e.g., risk heat maps, performance by commodity code).
- **Drill-Down Capability:** From any high-level dashboard, users can drill down into the underlying transactions that contributed to a score (e.g., view all late purchase orders for a specific supplier).

### Summary: The Strategic Advantage

Feature	D365 Supply Chain Capability
<b>Data-Driven Decisions</b>	Moves beyond gut feeling to decisions based on automated, transactional data and structured qualitative input.
<b>Proactive Management</b>	Automated alerts allow teams to address issues before they escalate, transforming SPM from a retrospective to a real-time activity.
<b>Collaboration</b>	Cross-functional scoring and supplier self-service portals break down silos and turn performance management into a collaborative improvement process.
<b>Actionable Insights</b>	Integrated Power BI dashboards highlight risks and opportunities, such as identifying high-spend suppliers with declining performance.



**Purchasing Capabilities in  
Dynamics 365 Supply Chain**



## a. Requisitions Management

This is the starting point for all procurement, designed for both control and user-friendliness.

### i. Catalogue Creation:

- Centralized Product Catalogue: Maintain a master list of all goods and services.
- Procurement Categories: Items are organized in a hierarchical category structure (e.g., IT > Hardware > Laptops), simplifying search and reporting.
- Approved Supplier Lists: Specific items can be tied to preferred suppliers, guiding users to policy-compliant choices.

### ii. Purchase Requisition Creation:

- Catalogue Items: Users can browse the internal catalogue, add items to a "shopping cart," and create a requisition with pre-negotiated prices and descriptions.
- Non-Catalogue Items: For one-off purchases, users can create requisitions for items not in the catalogue by entering a description, category, and estimated cost. This ensures flexibility while maintaining spend visibility.

### iii. Robust PR Functionalities:

- **Budget Controls / Checks:** The system can be configured to perform real-time budget checks against the General Ledger. It can warn users or block submission if a requisition exceeds available budgets for the designated cost center, project, or account.
- **Holds:** Requisitions can be placed on hold manually by a manager or automatically by the system (e.g., pending further information), stopping them from proceeding to approval.
- **Encumbrance Accounting:** Upon requisition approval (not creation), the system can automatically create a preliminary journal entry to reserve (encumber) the budget, providing accurate financial commitment reporting.

### iv. Requisition Approvals:

- **Delegation of Authority:** Powered by the robust workflow engine.
- **Approval routes are dynamically determined based on the requisition's attributes:** total amount, procurement category, requestor's department, and project. This ensures the right person approves at the right threshold.

### v. & vi. Integrated Tax Handling:

- **Automatic Tax Calculation:** The system has a built-in, global tax engine that automatically calculates sales tax, VAT, or GST based on the vendor's location, the product/service type, and the delivery address..

## **b. Purchase Order (PO) Management**

This module transforms approved requisitions into formal commitments to suppliers.

- i. PO Creation:** POs can be created manually or, most efficiently, automatically from an approved purchase requisition with a single click.
- ii. Purchase Agreements:** Support for blanket orders (quantity/value contracts for repeated purchases over time) and contractual purchase orders (one-off contracts). POs can be created "against" these agreements to leverage pre-negotiated terms.
- iii. PO Amendments & Cancellations:** Supports full version control and audit trails for any change to a PO (quantity, price, date). Changes often require re-approval based on the Delegation of Authority rules.
- iv. PO Approvals:** Uses the same configurable workflow system as requisitions, ensuring PO values are approved according to company policy.
- v. Automated Notifications:** Suppliers can receive automatic email notifications when a PO is created or updated. They can also access the Supplier Portal to view and acknowledge all their POs.
- vi. PO Receipting & GRN Generation:**
  - Warehouse clerks can receive items against a PO directly on a mobile device or desktop.
  - The system generates a Goods Received Note (GRN) / packing slip as formal proof of receipt, updating inventory records in real-time.
- vii. Three-Way Matching:** A core strength. The system automatically matches the Supplier Invoice against the PO (for price/quantity) and the Product Receipt (to confirm goods were accepted). Discrepancies are flagged for review before payment is approved.
- viii. Stock Visibility:** Provides real-time visibility into on-hand inventory, ordered quantities (on POs), and committed quantities (on sales orders) across all warehouses.
- ix. Receipt Adjustments:** Fully supports returns to vendors by creating a negative product receipt, which generates a debit note. Amendments to original receipts are tracked and audited.
- x. Reporting & Analytics:** Embedded Power BI reports provide insights into PO spend, supplier performance, purchase order cycle times, and compliance rates.

### c. Invoicing Management

This streamlines the accounts payable process, ensuring accuracy and control.

- **i. Supplier Self-Service Invoicing:** Via the Supplier Portal, vendors can submit electronic invoices directly into the system. This reduces manual data entry, cuts processing costs, and improves accuracy.
- **ii. Invoice Validation:** Invoices are automatically validated through the Three-Way Matching process. The system also validates vendor bank details and tax IDs.
- **iii. Invoice Status Tracking:** AP clerks and vendors (via the portal) can track an invoice's status (e.g., Received, In Review, Approved, Paid) in real-time, eliminating status inquiry calls.
- **iv. Audit Trails:** A complete, unalterable history is maintained for every invoice, including who submitted, approved, and paid it, and any matching exceptions that were overridden.
- **v. Approval Workflows:** Invoices that fail matching or exceed a certain amount are routed through approval workflows for manual review and exception handling based on the Delegation of Authority.
- **vi. Reporting & Analytics:** Reports on key AP metrics: invoice processing time, discount capture, early payment discount performance, and vendor payment terms.

### d. Period Close Accounting Processes

D365 Supply Chain automates critical accrual accounting processes for accurate financial reporting.

- **Encumbrance Accounting:** As mentioned, commitments are encumbered at the requisition or PO stage, giving finance visibility into future cash outflows and preventing budget overruns.
- **Receipt Accrual Accounting (3-Way Match):**
  - When goods are received (product receipt) but the supplier invoice has not yet been received, the system automatically posts an accrual to the appropriate expense and liability accounts.
  - When the invoice is finally received and matched, the system reverses the accrual and posts the actual invoice to the ledger. This ensures expenses are recorded in the correct period (GAAP/IFRS compliance).
- **Cost Accounting:** The module integrates deeply with the Cost Accounting and Project Accounting modules. All procurement costs can be allocated directly to specific projects, cost centers, or products, enabling precise profitability analysis and operational costing.

## Summary: Key Strengths

Feature	D365 Supply Chain Capability
<b>Control &amp; Compliance</b>	End-to-end workflow approvals and budget checks enforce delegation of authority and financial policies.
<b>Automation</b>	Automated PO creation from reqs, 3-way matching, and accrual postings drastically reduce manual effort and errors.
<b>Global Operation</b>	Integrated tax engine and multi-currency/entity support simplify complex, international purchasing.
<b>Visibility</b>	Real-time stock visibility and Power BI analytics provide insights for better decision-making.
<b>Supplier Collaboration</b>	Supplier Portal empowers vendors and reduces the administrative burden on the AP team.



# Category Management Capabilities in Dynamics 365 Supply Chain

Category Management in D365 Supply Chain is enabled through a combination of its core data structure, embedded analytics, and integration with the broader Microsoft Power BI ecosystem.

### a. Spend Analytics

This is a core strength of the platform. D365 Supply Chain transforms raw transactional data into actionable intelligence for category managers.

- **Centralized Data Foundation:** All procurement transactions—requisitions, purchase orders, invoices, and agreements—are stored in a single, unified database. This is the critical "single source of truth" that enables accurate spend analysis.
- **Automated Spend Classification:**
  - **Procurement Category Hierarchy:** Every item or service purchased must be assigned to a node in a customizable **procurement category hierarchy** (e.g., *IT > Hardware > Laptops or Marketing > Professional Services > Advertising*).
  - **AI-Powered Cleansing:** For spend that isn't pre-categorized (e.g., from non-catalogue requisitions or inaccurate supplier descriptions), the system can use **AI models** to automatically suggest or assign categories, dramatically improving data cleanliness.
- **Embedded Power BI Analytics:** D365 Supply Chain includes pre-built, role-specific Power BI dashboards within the Vendor management and Procurement and sourcing workspaces. These dashboards provide:
  - **Spend by Category:** Visualize total spend broken down by the category hierarchy, easily drilling down from a top-level category (e.g., "IT") to a specific item (e.g., "16GB DDR4 Memory").
  - **Spend by Supplier:** Identify top suppliers by spend within a specific category, highlighting concentration risk and leverage opportunities.
  - **Spend over Time:** Track trends in category spend to identify seasonal patterns or unexpected increases.
  - **Mavernick Spend Analysis:** A critical report that identifies spend with suppliers not on the preferred/pre-approved list, highlighting opportunities for consolidation and compliance improvement.
  - **Cost Avoidance/Savings Tracking:** Category managers can track and report on savings initiatives against baseline costs.
- **Drill-Through Capability:** From any high-level visual, a category manager can drill through to the underlying transactional details—the individual purchase orders and invoices that make up the spend. This allows for root-cause analysis and validation.

## b. Benchmarking

While D365 Supply Chain is the system of record for internal spend and performance data, benchmarking requires comparing this internal data to external market data.

- **Internal Benchmarking:** The system excels at this.
  - **Cross-Entity/Country Comparison:** For organizations with multiple subsidiaries, category managers can benchmark spend, pricing, and supplier performance across different legal entities to identify best practices and negotiate global deals.
  - **Price Variance Analysis:** Benchmark prices paid for the same item across different business units, plants, or regions to identify inconsistencies and negotiation gaps.
- **External Benchmarking (Integration):** D365 Supply Chain does not contain native external market data. Its power for external benchmarking lies in its integration capabilities.
  - **Third-Party Data Integration:** The platform can be integrated via API with third-party market intelligence and benchmarking providers.
  - **Unified Analysis in Power BI:** External benchmark data (e.g., market rates for a category, supplier risk scores) can be ingested into Azure Data Lake and then blended with internal D365 Supply Chain spend data in custom Power BI reports.
  - **Example:** A category manager can view a report that shows the internal price paid for a chemical alongside the external market index price for that same chemical, instantly revealing whether they are paying a premium or getting a discount.

### Summary: Enabling the Category Management Process

Category Management Activity	How D365 Supply Chain Enables It
Spend Visibility	Provides accurate, categorized spend data through a centralized database and AI-powered cleansing.
Strategy Development	Power BI dashboards help identify opportunities for consolidation, supplier reduction, and cost savings within a category.
Sourcing Execution	Identifies top suppliers to include in RFPs. Sourcing events can be launched directly from the analytics view.

<b>Contract Management</b>	Purchase agreements are created with preferred suppliers and linked to categories, ensuring compliance.
<b>Supplier Performance</b>	Tracks supplier performance KPIs (on-time delivery, quality) and links it back to category spend.
<b>Stakeholder Management</b>	Shareable, visual reports make it easy to communicate category strategies and results to business stakeholders.



## Dashboards & Reporting in Dynamics 365 Supply Chain

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The system moves beyond static reports to provide interactive, visual, and real-time insights directly within the user's workspace.

### Core Reporting Architecture

1. **Embedded Power BI:** D365 Supply Chain includes pre-configured, role-specific Power BI dashboards that are embedded directly into the application's workspaces (e.g., Vendor management, Procurement and sourcing). These are "out-of-the-box" and require no setup.
2. **Real-Time Data:** These dashboards connect directly to the D365 Supply Chain database (often via a pre-provisioned data entity store), providing real-time or near-real-time insights without the need for a separate data warehouse ETL process.

**Customization & Build-Your-Own:** For custom needs, organizations can use Power BI Desktop to connect to the D365 Supply Chain data and build entirely tailored reports and dashboards. These can then be published and embedded back into the D365 Supply Chain interface for users.

### Ability to Provide Specific Reports

Report Type	D365 Supply Chain & Power BI Capability
a. Category Reports	Pre-built visuals show spend, order volume, and supplier count broken down by the procurement category hierarchy. Users can drill down from a top-level category (e.g., "IT") to a sub-category (e.g., "Laptops") and even see the specific transactions.
b. Spend Analysis	This is a primary strength. Dashboards provide multi-dimensional analysis of spend by:• Supplier• Category• Business Unit/Department• Cost Center• Time Period (Month, Quarter, Year).It highlights maverick spend, contract compliance, and spending trends.
c. Savings Reports	The system tracks planned vs. actual costs. Category managers can record baseline prices and compare them against new contract prices. Reports can visualize realized savings, cost avoidance, and the performance of sourcing initiatives.

<p><b>d. Turn Around Time (TAT) Reports</b></p>	<p>Operational analytics can measure and report on key cycle times, such as:- Requisition to PO Order Time- PO to Goods Receipt Time (Supplier Lead Time)- Invoice Receipt to Payment TimeThese help identify bottlenecks in the procure-to-pay process.</p>
<p><b>e. Supplier Performance</b></p>	<p>A dedicated Supplier Performance dashboard visualizes KPIs like On-Time Delivery Rate, Quality Acceptance Rate, and Invoice Accuracy over time. Suppliers can be ranked and compared against each other.</p>
<p><b>f. Contract Expiry Report</b></p>	<p>Critical for risk management. A pre-built report lists all purchase agreements and their expiry dates, often visualized on a timeline. This allows procurement to proactively plan for renegotiation or re-tendering.</p>
<p><b>g. Supplier Database by Categories</b></p>	<p>The built-in Vendor management workspace allows users to filter and view all suppliers assigned to specific procurement categories. This is essential for identifying approved sources for specific types of spend.</p>

## Key Strengths and Features

- **Interactive Drill-Through:** Users can click on a visual (e.g., a bar in a "Spend by Supplier" chart) to drill through to the underlying transactional data—the actual purchase orders and invoices that make up that number.
- **Personalization:** Users can personalize their own workspace by pinning favorite reports, changing chart types, or adjusting filters.
- **Mobile Accessibility:** All Power BI reports are fully accessible on mobile devices through the Power BI app, providing insights on the go.
- **Export Capabilities:** Any data grid or report can be easily exported to Excel for further ad-hoc analysis or offline review.



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