Handbook
cc|supplier evaluation
Microsoft Dynamics 365 for Finance and Operations

English

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1   Introduction

cc|supplier evaluation fuctionality enables calculation of objective perfomance indicators, based on weighting of different factors retrieved from manual data entry, existing master or transaction data.

Performance evaluation process requieres initial setup of the parameters, which enables elaboration of the data in the next step.

The elaborated data about vendor perfomance evaluation can be archived and retrieved later for trend analysis using BI tools.

2   Core Features

The core features of cc|supplier evaluation for Microsoft Dynamics 365 for Finance and Operations are:

- In Microsoft Dynamics 365 for Finance and Operations integrated solution to periodically rate vendor's performance

- Calculation of objective perfomance indicators, based on weighting of different factors retrieved from manual data entry, existing master or transaction data from the procurement processes

- Allows conjuction of Microsoft Dynamics 365 for Finance and Operations standard rating values with a points system

- Flexible setup of weighted criteria to rate you vendor's performance according company's requirements

- Result of the cc|supplier evaluation can be viewed directly in Microsoft Dynamics 365 for Finance and Operations

- Prepared replicable trend analysis of vendor's performance (for example using PowerBI)

- Integrated solution to support selection of suppliers

3   Supported Business Processes

- ▶ Vendor performance valuation

- ▶ Supplier selection and administration

- ▶ Produre materials and services

- ▶ Run supplier performance

- ▶ Continuous quality control

- ▶ Product receipt and invoice

- ▶ Price negoation process

4   Setup parameters for cc|supplier evaluation

The setup parameters for cc|supplier evaluation were consolidated in one section in Procurement and Sourcing.
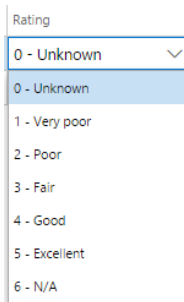
For a better understanding the sequence of the forms in this section was set according to necessary input order.

4.1 Values

Microsoft Dynamics 365 for Finance and Operations standard offers following rating values for performance valuation:

Rating
0 - Unknown
0 - Unknown
1 - Very poor
2 - Poor
3 - Fair
4 - Good
5 - Excellent
6 - N/A

In practice, supplier evaluation often requieres a 100 points system.

Consequently, cc|supplier evaluation offers an extention, which allows conjuction of Microsoft Dynamics 365 for Finance and Operations standard rating values with a points system. The input of the points is done in the values form.

In standard Microsoft Dynamics 365 for Finance and Operations, as for instance in Human Resources Module, the valuation is based on „the higher the value, the better the grade" principle. This enables listing values in form of a network diagramm. The same is applied in cc|supplier evaluation. For details please see the example below.

Example of a point system

This example demonstrates a 100 points system for school grades (1 - the best grade, 6 – the worst), where grades are linked to points, which have assigned values.

Grade	Points	Value/Rating	Grade	Points	Value/Rating
1,0	100		3,5	66	
1,1	98		3,6	64	
1,2	96	Excellent	3,7	62	
1,3	94		3,8	61	
1,4	92		3,9	59	Poor
1,5	91		4,0	57	
1,6	90		4,1	55	
1,7	89		4,2	54	
1,8	88		4,3	52	
1,9	87	Good	4,4	50	
2,0	85		4,5	49	
2,1	84		4,6	47	
2,2	83		4,7	45	
2,3	82		4,8	43	
2,4	81		4,9	41	Very poor
2,5	80		5,0	38	
2,6	79		5,1	36	
2,7	77		5,2	34	
2,8	76		5,3	32	
2,9	74	Fair	5,4	30	
3,0	73		5,5	29	
3,1	71		5,6	23	
3,2	70		5,7	17	Insufficient
3,3	68		5,8	12	
3,4	67		5,9	6	
			6,0	0	

In Microsoft Dynamics 365 for Finance and Operations the 100 point system may look as follows:
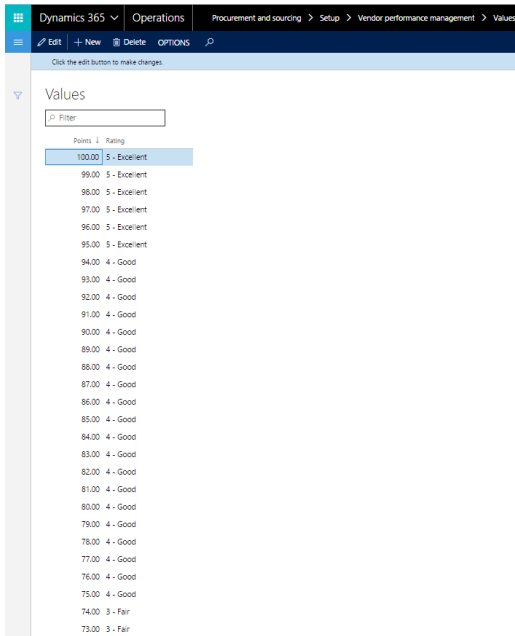

The application consultant has to elaborate proper points system together with the customer and set the values up in the values form.

4.2   Vendor evaluation criterion groups

In this step vendor evaluation criterion groups are created. This is a standard Microsoft Dynamics 365 for Finance and Operations form without any changes.

In the actions tab any necessary translations for the text in description filed can be added.
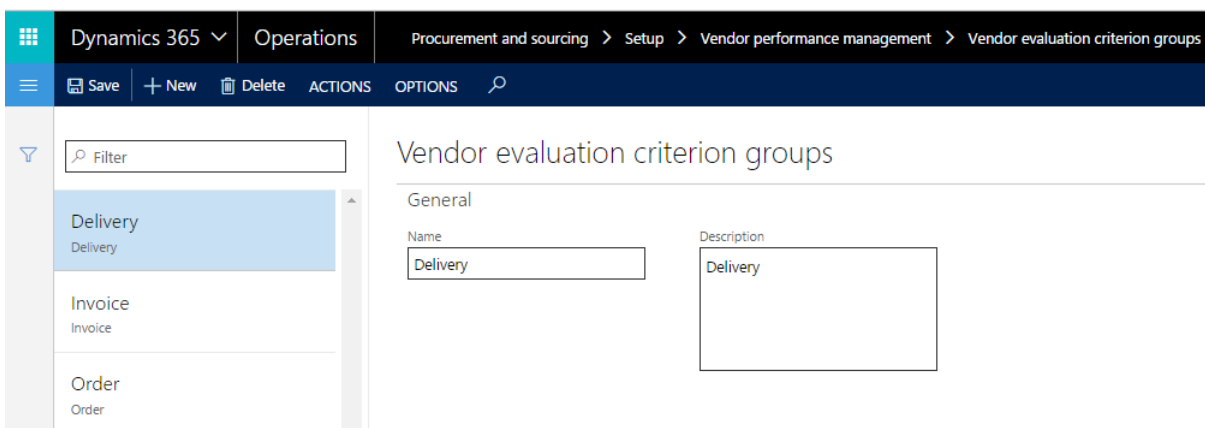
4.3   Valuation categories

In this form vendors can be assigned to valuation categories. This form is available in standard Microsoft Dynamics 365 for Finance and Operations.

However, a significant difference to standard Microsoft Dynamics 365 for Finance and Operations lies in the fact that valuation does not need to be entered manually.

In the following example the legal entity assigned is COSMO CONSULT SI GmbH, Steyr.

The Vendors are assigned to a category in the „**vendors**" fast-tab.

In cc|supplier evaluation, in order to enable automatic valuation job, the assignment of vendors to a category was restricted so that a vendor can be assigned to a single group.

The „**evaluation**" button retrieves detailed information about valuation of the selected vendor.
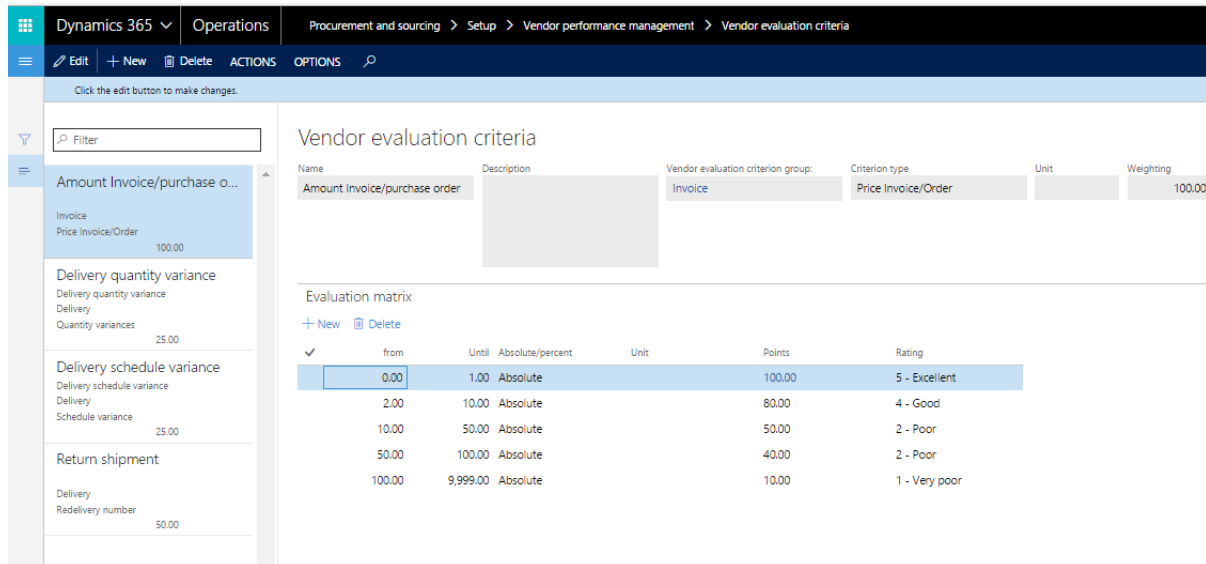
In the fast-tab „**vendor evaluation criterion groups**" the valuation criterion groups are assigned to a selected category group. Each criterion group can have only one weighting value. The sum of all weighting values has to add up to 100%.

Use button weighting to calculate the sum of all weighting values in this fast-tab.

4.4 Vendor evaluation criteria

Setting up cc|supplier evaluation criteria is an essential step in vendor evaluation management. For this reason, comparing to standard Microsoft Dynamics 365 for Finance and Operations, the functionality of this form was extended significantly.
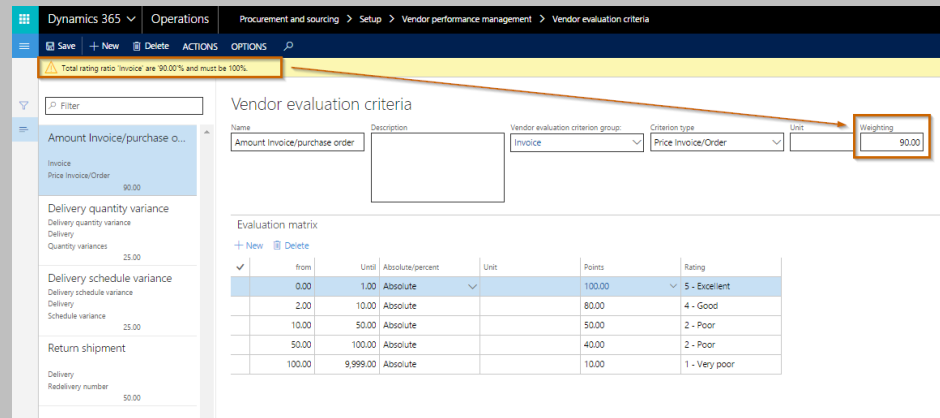

Two main elements in this form are „vendor evaluation criterion group" (for example, Invoice) and „criterion type" (calculation method).

For each criteria (= field „name") the evaluation matrix can be defined.

Field/Function	Description
Name	Unique criterion name
Description	Extended descriptoin of the criterion
Vendor evaluation criterion group	Criterion group, to which the single criterions are assigned by the user
Criterion type	Criterion type can be chosen from a fixed list
Unit	For a better understanding a unit can be defined for each criterion
Wighting	Within one criterion group the weightig of each criterion can be defined. The sum of weighting of all criteria within a criterion group has to add up to 100%. The weighting is considered during valuation process.

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	If 100% of total weightig is not reached, the user will receive a warning message:
Evaluation matrix	For each criterion guide values are necessary. For example, for schedule variance the valuation for time in days can be defined: The value in the „Absolute/Percent" column plays an essential role. „Absolute" is appropriate value for schedule variances, if the deviation is calculated in days. At the same time, quantity variances or deviation may be calculated in percent. Example: A vendor supplies product A with 2000 meters/pallet and product B with 10 pcs/pallet. In case of a deviation of „-2" (-2 m für Product A or -2 pcs für product B), the deviation calculated in „percent" would vary. Accordingly, the deviation calculated wih „absolute" parameter would result same valuation result, 80 points / 3 – Fair.

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4.4.1   Criterion type

The criterion type defines the data source used for valuation calculation.
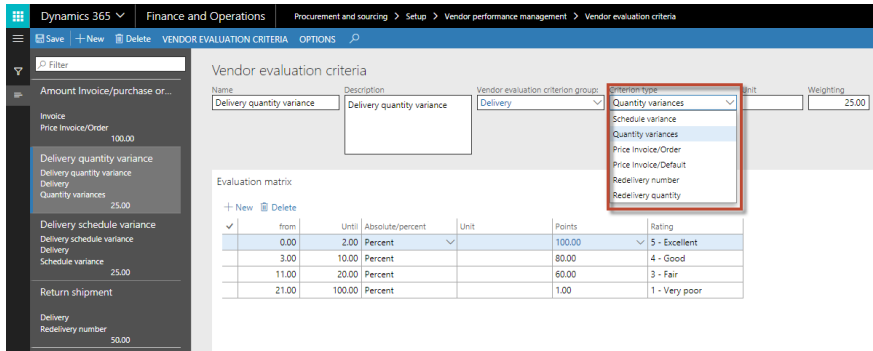
Criterion type	Description	Data source	Prerequisite
Quantity variances	Absolute or percentage values definition of the deviation between total quantity of all partial deliveries of the purchase line and a total quantity of a purchase order line.	Purchase order line	Purchase order
Price invoice/order	Deviation between incoming vendor invoice line price and purchase order line price.	Invoice line for a purchase order line	Purchase order/Incoming vendor invoice
Price invoice/default	Deviation between line price in the incoming vendor invoice and standard price of the product.	Invoice line and standard price of the product.	Incoming vendor invoice
Redelivery number	Number of purchase order lines with negative quantity per item	Purchase order line	Purchase order
Redelivery quantity	Total quantity of products in purchase order line, defined as „returned products".	Purchase order line	Purchase order
Schedule variance	Deviation between Posting date of the item arrival and the confirmed delivery date in the purchase order line. If delivery date is not filled, standard delivery time will be considered for calculation.	Purchase order line	Purchase order

The criterion types refer in the most cases to posted journals for the purchase order.
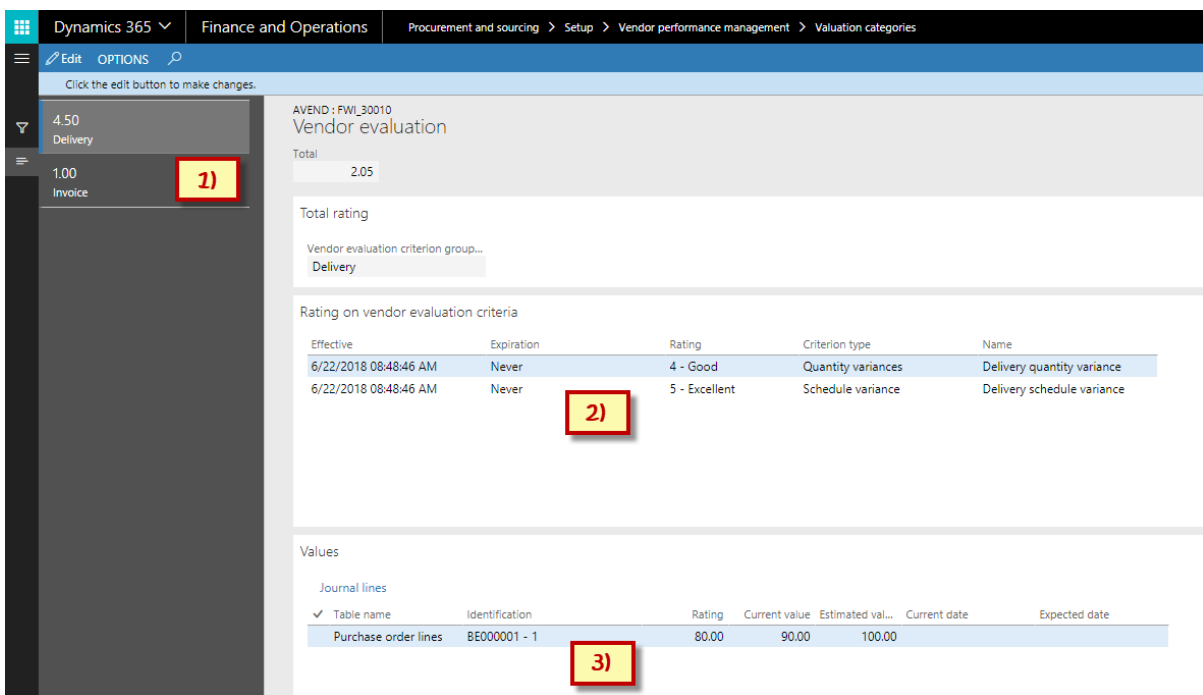
4.5 Extended functionality of the vendors form

Accounts payable > vendors > all vendors > general tab > vendor performance management
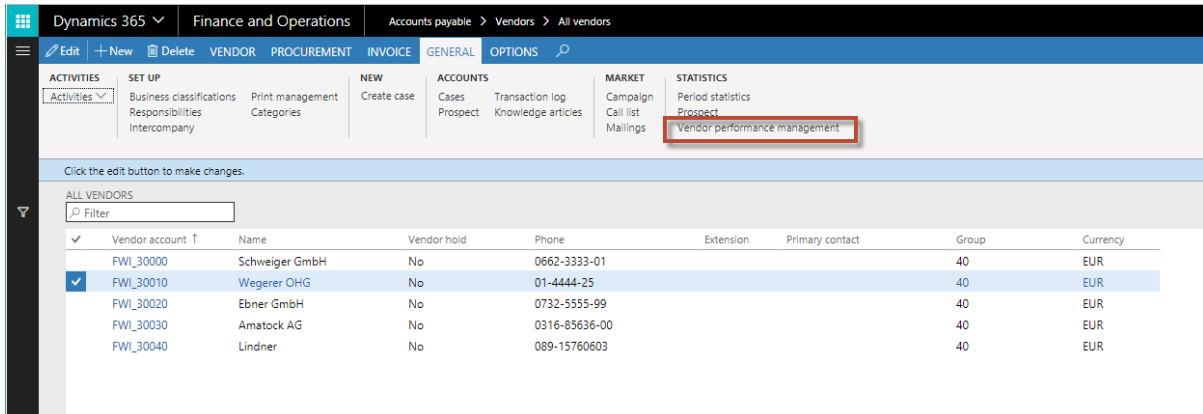
On the left you can find vendor evaluation criterion groups (1).

On the right in the fast-tab „rating on vendor evaluation criteria" you can find detailed information on each criterion type (2).

In the fast-tab „values" you find the data source for each criterion and the calculated values. The „journal lines" button open the lines of the related journal (3).

5 Run vendor valuation job

For the automatic update of the cc|supplier evaluation a new form was implemented:

Procurement and sourcing > periodic taks > vendor performance management > review running.

Filter function helps to select a certain vendor.

Additionally, time frame and purchase order state can be selected (open order, received, invoiced, canceled; empty = select all)

5.1 Reporting for vendor performance valuation

No standard reports were implemented for this purpose. Excel reports can be used for analysis, or BI cubes can be used in a later version.