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## THE OPERATIONS AGENDA

# *The Cost of Disconnected Operations*

An executive brief on turning fragmented signals into coordinated action across planning, inventory, fulfillment, logistics, and operations.

Every delay impacts service, inventory, margin, and customer outcomes.



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# *Executive Brief*

The next generation of business advantage will come from how quickly organizations can turn signals into decisions and decisions into action. Across industries, leaders are navigating increasing complexity: volatile demand, rising costs, constrained labor, supply uncertainty, and growing customer expectations. Yet most organizations still operate through fragmented systems, disconnected data, and manual coordination.

At the same time, AI is moving from experimentation to adoption. But technology alone does not create value. Enterprises are discovering that AI scales only when it has access to trusted data, connected processes, and clear operational context. Without that foundation, organizations risk creating isolated productivity gains rather than meaningful business impact.

The opportunity is to build an operating model where data, processes, people, and intelligence work together. Organizations that connect operational knowledge, automate routine coordination, and enable faster decision-making will be better positioned to improve service, resilience, productivity, and profitability in the years ahead.

***The winners will not simply move more efficiently. They will make supply chain decisions more intelligently.***

1

# A Morning Five Years From Now



# A Morning Five Years From Now

It is 6:12 AM. Before the buying, operations, and fulfillment teams begin their day, the enterprise has detected a supplier delay, rebalanced allocation, identified a warehouse constraint, and adjusted fulfillment priorities around the new plan.

No emergency spreadsheet was assembled. The enterprise observed what was happening, connected it with what it already knew, and brought the right decisions to the right people. Five years earlier, nearly all the same information existed. It was simply fragmented. The difference is not better talent. It is a better-designed operating model.

## The Industry Is Asking the Wrong Question

Most AI conversations begin with tools: Where can we apply AI? Which Copilot should we use? How much can we automate? These are useful questions, but they begin too late.

Added to an unchanged operating model, AI makes isolated tasks faster. Those gains do not automatically improve throughput, resilience, quality, or margin across the enterprise.

McKinsey's 2026 State of AI research reinforces the same issue: adoption is accelerating, but enterprise value is not automatic. Forty percent of large organizations report scaling AI agents, while only 37% of organizations overall attribute measurable EBIT impact to AI, making the constraint less about AI interest and more about the operating model, data foundation, and governance required to turn pilots into business value.

The more consequential question is: How should supply chain operations be redesigned when intelligence can be embedded across planning, procurement, production, inventory, logistics, fulfillment, and service?



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Companies do not have an AI adoption problem. They have a scaling problem — and scaling starts with the operating foundation.

# When Output and Labor Decouple

The opportunity is to improve availability, service, fulfillment performance, margin, and working capital without increasing labor or inventory at the same rate. This is not automation for its own sake. It is the amplification of scarce expertise through connected intelligence and governed execution.

Deloitte's outlook points to the same executive agenda: leaders are prioritizing omnichannel capabilities, supply chain modernization, and efficiency improvements as growth becomes harder to capture through volume alone.

| YESTERDAY                                           |   | TOMORROW                             |
|-----------------------------------------------------|---|--------------------------------------|
| Reactive replenishment and fulfillment firefighting | → | Predictive supply chain intervention |
| Siloed stores, warehouses, suppliers, and systems   | → | Connected operational context        |
| Manual planning                                     | → | AI- assisted planning                |
| Historical reporting                                | → | Real-time intelligence               |
| Tribal knowledge                                    | → | Institutional memory                 |
| Human-only coordination                             | → | Human + agent collaboration          |

## The Asset That Walks Out Every Shift

Critical knowledge still lives in planners, buyers, warehouse managers, logistics teams, merchandisers, customer service teams, and experienced operators. The answer is not to document everything manually. It is to capture expertise through the flow of work and return it when the next decision is made.

Microsoft's 2026 Work Trend Index adds a workforce lens: organizational factors such as culture, manager support, and talent practices account for more than twice the reported AI impact of individual factors. The message for leaders is clear: workers may be ready for AI, but the operating system around them must change too.

## The Foundation Comes First

Companies cannot become agentic before they become connected. ERP, SCM, WMS, TMS, POS, e-commerce, CRM, supplier, and analytics platforms must contribute to a shared supply chain view. Connected data establishes the context, access, governance, and relationships that trusted intelligence requires.

The 2026 technology signal is clear. Gartner identifies agentic AI, physical AI, collaborative multiagent systems, and trust-and-governance capabilities among the top supply chain technology trends for 2026. Gartner also forecasts SCM software with agentic AI capabilities to grow from less than \$2 billion in 2025 to \$53 billion by 2030. The next advantage will come less from adopting tools and more from connecting them to the operating foundation that lets decisions move across functions.



The foundation comes first: connected data, governed processes, and shared context are what turn AI from isolated pilots into operational advantage.

## From Visibility to Action

### 1 Visibility

Trusted information makes performance visible across channels, warehouses, suppliers, logistics, and customers.

### 2 Intelligence

Patterns, risks, constraints, and opportunities are identified in context.

### 3 Recommendation

The system brings forward a relevant next action and explains why it matters.

### 4 Autonomous Execution

A governed agent completes permitted work while people retain accountability for service, margin, customer experience, and risk.

Gartner's 2026 supply chain technology trends frame agentic AI as part of a broader move toward autonomous, intelligent, and adaptive supply chains, making governance and escalation paths essential design choices.

# The Human and Agent Operating Model

## PEOPLE LED

- Leadership and design
- Innovation and safety
- Relationships and strategy
- Ambiguity and judgment
- Accountability for material decisions

+

## AI AND AGENTS EXTEND

- Monitoring and scheduling
- Anomaly detection
- Inventory optimization
- Predictive maintenance
- Workflow orchestration within controls



# The Cost of Disconnected Decisions

## *Why visibility alone is not enough, and what must change before connected intelligence can scale.*

Supply chain leaders do not lack data. They lack a reliable way to turn signals into coordinated action before value is lost.

The constraint is not a single system or function. It is the distance between a signal appearing and the enterprise responding. When demand, inventory, supplier, warehouse, transportation, store, e-commerce, customer, and financial context remain fragmented, decisions arrive late, conflict across teams, or depend on individual heroics.

SIGNAL

CONTEXT

DECISION

ACTION

LEARNING



The competitive advantage is not seeing more. It is moving from signal to learning with less delay and less friction.

## Five Moments Where Value Leaks Out

1

### **Demand shifts**

A change in channel, geography, promotion, or customer behavior is visible, but planning and allocation respond from different versions of demand.

**VALUE AT RISK: Availability declines in one place while excess accumulates in another.**

2

### **Supplier disruption**

A delay or quality issue is known to procurement, but the downstream consequences for inventory, production, logistics, stores, and customers are not evaluated together.

**VALUE AT RISK: Teams react sequentially instead of choosing the best enterprise response.**

3

**Inventory imbalance**

Stock exists in the network, but its location, status, demand relevance, or cost to move is unclear.

**VALUE AT RISK:** The business buys, expedites, discounts, or cancels before using what it already has.

4

**Fulfillment constraint**

A warehouse, transport, or labor bottleneck emerges, yet order priorities remain based on static rules.

**VALUE AT RISK:** Service, margin, and customer commitments compete without a shared decision logic.

5

**Customer exception**

A promised date, substitution, return, or service issue requires action across functions.

**VALUE AT RISK:** The customer experiences the gaps between systems and teams as unreliability.

## Decision Latency Is the New Operational Drag

Retail and distribution organizations have invested heavily in dashboards and reporting. Visibility is necessary, but visibility alone still leaves the most important work to people: notice the signal, interpret it, reconcile competing data, identify the accountable team, agree on a response, update multiple systems, and follow through.

1

**SIGNAL**

A condition  
changes

2

**DISCOVERY**

Someone  
notices

3

**RECONCILIATION**

Teams  
align data

4

**DECISION**

Trade-offs are  
agreed

5

**EXECUTION**

Work is  
coordinated

Every handoff adds elapsed time. Every delay creates another opportunity for cost, service failure, lost margin, or avoidable working capital.

# What Decision Latency Looks Like in Practice

| DECISION AREA     | WHERE DELAY ENTERS                                                                                                   |
|-------------------|----------------------------------------------------------------------------------------------------------------------|
| <b>Planning</b>   | A forecast change is visible, but supply, inventory, capacity, and fulfillment implications are assessed separately. |
| <b>Warehouse</b>  | A constraint is detected, but priorities are not adjusted using customer, margin, and network context.               |
| <b>Logistics</b>  | A disruption occurs, but alternatives are evaluated manually and downstream commitments update late.                 |
| <b>Commercial</b> | Demand is stimulated without a shared view of inventory, operational capacity, and profitability.                    |
| <b>Leadership</b> | Performance is explained retrospectively instead of shaping the next decision in real time.                          |

## The Enterprise Pays for the Same Gap More Than Once

Disconnected operations do not create one isolated inefficiency. They create a compounding tax across service, margin, working capital, labor, and learning. The same missing context can trigger several costs at once.

|                                                                                                                             |                                                                                                                       |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------|
| <b>SERVICE</b><br>Promises are made without a complete view of inventory, capacity, constraints, and alternatives.          | <b>MARGIN</b><br>Late decisions increase expedites, manual handling, markdowns, substitutions, and exception costs.   |
| <b>WORKING CAPITAL</b><br>Buffers grow because the organization cannot reliably sense risk or coordinate a response.        | <b>LABOUR</b><br>Skilled people spend time searching, reconciling, chasing updates, and rebuilding the same analysis. |
| <b>RESILIENCE</b><br>Functions optimize locally, leaving the enterprise slow to absorb disruptions or reallocate resources. | <b>LEARNING</b><br>The outcome of one decision is rarely captured in a way that improves the next similar decision.   |

# Why More Dashboards do not Solve the Problem

A dashboard can show that inventory is short, a carrier is late, or service is declining. It does not automatically establish the relevant business context, determine the best cross-functional response, secure approval, orchestrate the work, or record what the enterprise should learn. If the operating model remains fragmented, better visibility can simply reveal problems earlier without changing the organization's ability to act.

That is the point where AI becomes strategically relevant. Not as a separate layer of tools, but as intelligence embedded in a connected operating context with clear permissions, accountability, and escalation paths.

## From Functional Optimization to Connected Intelligence

The old model is built around functions, systems, and periodic coordination. The emerging model is built around shared context, continuous signals, and governed action. The shift is not from people to technology. It is from fragmented expertise to an enterprise that can use its expertise consistently.

|                    | FRAGMENTED OPERATIONS                       | CONNECTED INTELLIGENCE                          |
|--------------------|---------------------------------------------|-------------------------------------------------|
| <b>Signals</b>     | Reviewed periodically within functions      | Continuously interpreted across the value chain |
| <b>Data</b>        | Reconciled after questions arise            | Connected as shared operational context         |
| <b>Planning</b>    | Static cycles and manual scenario work      | Dynamic recommendations informed by constraints |
| <b>Execution</b>   | Coordinated through meetings and exceptions | Orchestrated within governed workflows          |
| <b>Knowledge</b>   | Held by experienced individuals             | Captured and returned in the flow of work       |
| <b>Performance</b> | Explained after the event                   | Used to improve the next decision               |

This is a change of state, not a single implementation milestone.

Retailers and distributors do not become intelligent because they add an AI feature to one process. They become intelligent when the operating foundation allows signals, context, judgment, action, and learning to reinforce one another across functions.



## The Practical Question Is No Longer “Where Can We Use AI?”

**The more consequential question is: What operating foundation will allow intelligence to improve outcomes across the end-to-end supply chain?**

The answer must bring together the processes, data, visibility, analytics, workflows, governance, and improvement mechanisms that move the enterprise from signals to coordinated action.

**How do we avoid blank-page transformation?**

Begin with proven supply chain and industry process patterns, then differentiate selectively.

**How do we move beyond reporting?**

Create a path from trusted visibility to intelligence, recommendation, and governed execution.

**How do we scale responsibly?**

Establish access, accountability, controls, escalation, and human review as part of the operating design.

**How do we turn change into measurable value?**

Prioritize service, margin, working capital, availability, fulfillment performance, and decision speed.

*Connected intelligence requires more than ambition. It requires an operating foundation designed to carry context, decisions, and action across planning, procurement, production, inventory, logistics, fulfillment, and service. The HSO Blueprint for Supply Chain provides a practical place to begin.*

A photograph of three business professionals (two men and one woman) in a meeting, looking at a large map or blueprint on a table. The image is overlaid with a blue gradient and abstract shapes. The background shows a blurred cityscape.

# The Practical Bridge: HSO Blueprint for Supply Chain

# *The Practical Bridge: HSO Blueprint for Supply Chain*



The operating model described in this whitepaper requires a practical starting point: connected processes, a shared operational foundation, proven operating patterns, and a path that avoids redesigning every capability from scratch.

HSO's Blueprint for Supply Chain is a pre-configured supply chain management solution built on Microsoft Dynamics 365. It is designed for manufacturers, distributors, and B2B companies and unifies warehousing, inventory, logistics, and planning. HSO states that the approach can reduce implementation time by up to 30%.

The Blueprint is not the AI strategy. It is the operational foundation that helps make a credible AI strategy possible.

Its role is to help leaders move from AI ambition to an operating foundation that can support intelligence at scale: standardized processes, connected Dynamics 365 data, real-time visibility, analytics, governed workflows, and continuous improvement.



Do not start with a blank design. Start with proven process, then differentiate where it creates value.

This is what makes the Blueprint more than an implementation accelerator: it connects the operational context retailers and distributors need before governed AI and agents can recommend, coordinate, or execute work with confidence.

# What the Blueprint Brings Together

## **PLANNING AND PRODUCTION**

Connect demand | Supply | Production | Capacity | Inventory | Fulfillment decisions

## **PROCUREMENT AND SUPPLIERS**

Create more consistent sourcing | Supplier processes

## **WAREHOUSE AND INVENTORY**

Support real-time inventory visibility | Warehouse control

## **LOGISTICS AND TRANSPORTATION**

Coordinate shipment | Route | Carrier | Fulfillment activity

## **ANALYTICS AND AI**

Apply Power BI | Power Platform | AI-enabled insight

## **END-TO-END FOUNDATION**

Align planning, procurement, production, inventory, logistics, and fulfillment on Dynamics 365

HSO positions the Blueprint as a starting point built on best-practice processes rather than blank-page design. The offering page describes the foundation as “80% done” and emphasizes pre-built workflows and templates.

## From Blueprint to AI-Accelerated Operations

The Blueprint becomes strategically valuable when it is treated not only as a faster implementation, but as the foundation for a different operating model. That distinction matters as technology investment accelerates. IDC’s 2026 spending outlook shows AI and cloud investment continuing to move from experimentation toward platform-scale adoption, while Gartner emphasizes that agentic AI will increasingly reshape supply chain software and operating models.



## A Leadership Path Forward

1. Establish the economic case. Identify where margin, service, working capital, availability, fulfillment performance, or decision latency is lost because information is fragmented or decisions arrive late.
2. Create the process baseline. Start with proven practices and reserve differentiation for capabilities that genuinely matter.
3. Connect the operating context. Bring planning, procurement, warehousing, inventory, logistics, store operations, e-commerce, and analytics into a coherent foundation.
4. Prioritize intelligence where it changes outcomes. Focus on frequent, consequential, data-rich decisions.
5. Introduce governed agents progressively. Begin with monitoring, preparation, anomaly detection, workflow coordination, and repeatable actions inside defined permissions and escalation paths.
6. Measure operational leverage. Track time-to-value, service levels, inventory productivity, order cycle time, fulfillment accuracy, forecast accuracy, margin impact, and decision latency.

***The Blueprint shortens the distance between aspiration and an operating foundation that can support intelligence at scale.***

# Seven Questions for the Leadership Team

- 1 Where does operational knowledge live when an experienced person leaves?
- 2 Which decisions arrive too late to protect margin, availability, service, or fulfillment performance?
- 3 How much process variation is differentiating, and how much is inherited complexity?
- 4 Is operational data connected well enough to support trusted intelligence?
- 5 Where could recommendations improve decisions before autonomous execution is appropriate?
- 6 Which decisions must remain human, and which governed actions could agents safely complete?
- 7 Are we funding isolated AI tools, or building the foundation that allows intelligence to compound?

## The Decade Ahead

Some companies will deploy isolated tools and produce pockets of productivity while the enterprise remains fragmented. Others will connect the operating foundation, preserve what the organization learns, and extend human capability with governed intelligence across the supply chain.

The dividing line will not be who bought AI first. It will be who built the enterprise that could use it well.

### DECISION SPEED



### OPERATIONAL VISIBILITY



### PROCESS CONSISTENCY



### AUTOMATION READINESS



### INSTITUTIONAL LEARNING



## Recommended Next Step

Use the HSO Blueprint for Supply Chain to assess the foundation, identify where connected supply chain processes can create value, and build the operating model required for AI-accelerated operations.



Assess the foundation. Prioritize the value. Build the operating model for what comes next.

Start with the foundation. Build intelligence from there.

## Explore the HSO Blueprint for Supply Chain

[Blueprint for Supply Chain](#) | [Dynamics 365 Supply Chain Management Software](#)

### Customer Spotlight: BERG

BERG, a global manufacturer and distributor of outdoor toys, needed to modernize a heavily customized legacy ERP environment. Extensive customization slowed upgrades, delayed innovation, and limited the company's ability to respond quickly to changing business requirements. Using HSO's Blueprint for Supply Chain, powered by Advanced Supply Chain Management on Microsoft Dynamics 365, BERG moved from custom development toward industry-standard processes. The result was a modern, scalable platform that simplified upgrades, improved logistics operations, accelerated implementation, and created a foundation for continuous innovation and future AI-enabled supply chain capabilities.

[Read the BERG customer story](#)

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Find out more

## About HSO

HSO is a global business transformation partner leading with AI and building with Microsoft. For more than 30 years, we have helped organizations transform their business through Microsoft technology, accelerated by industry expertise and innovation. As experts in Microsoft Cloud, Copilot, Fabric, data, and AI, we help organizations maximize the value of their technology investments and create lasting competitive advantage.

Our AI-native delivery approach combines business process expertise, industry-specific innovation, and the strength of Microsoft technologies to accelerate business outcomes. From strategy and implementation to managed services and continuous optimization, HSO supports organizations throughout their entire transformation journey.

With more than 3,000 employees worldwide, over 2,000 clients, and more than 7,500 projects delivered, HSO helps organizations turn technology into measurable business results.



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