

THE BEST RUN



Chart a path forward

Four questions every supply chain executive should be asking

Industrial manufacturing

Introduction

The imperative for digitalizing trading partner collaboration

If you have responsibility for your supply chain, you've likely had sleepless nights over the last few years helping your organization navigate continuous waves of disruption, while also striving to improve sustainability and accelerate innovation.

The pandemic made "supply chain" a household word and put global supply chains under tremendous strain, exposing their vulnerabilities.

Being able to collaborate effectively with trading partners is more critical now than ever. Disruption has become a certainty, presenting challenges in which supply chain professionals need to respond with agility and resolve issues on the spot.

Perhaps an alternative source of supply is needed, or materials have to be pulled from supplier-managed inventory (SMI), or products need to be remanufactured given quality issues. Visibility and collaboration are key to enabling supply chain professionals to make informed decisions and drive results.

If your organization hasn't digitalized trading partner collaboration, what's the wait?

We suggest supply chain executives in industrial manufacturing review these four questions with their teams and chart a path forward. We share ideas on how specific cloud solutions can help shorten the journey ahead and give you peace of mind.

Jump to a question:

- 1 → **How transparent is your supply chain?**
- 2 → **How resilient is your supply chain?**
- 3 → **How data-driven is your decision-making?**
- 4 → **How well can you support sustainability initiatives?**

Industrial manufacturing executives say:¹

Only
16%

can gain a clear view of overall spend automatically, in real time

Only
44%

can quickly find alternative sources of supply

47%

say their organization has one or more products that it purchases from only one supplier – which can be risky in the best of times, especially for a critical product

Chief supply chain officers across industries say:²

42%

disruptions caused by COVID-19 are the top driver for the increased pace of digital transformation

How transparent is your supply chain?

Visibility and transparency across your trading partners is essential not just to be competitive, yet also to respond with agility when the next disruption occurs.

Many companies lack visibility into basic data about suppliers such as contracts across the organization; supplier performance; and environmental, social, and governance (ESG) metrics.

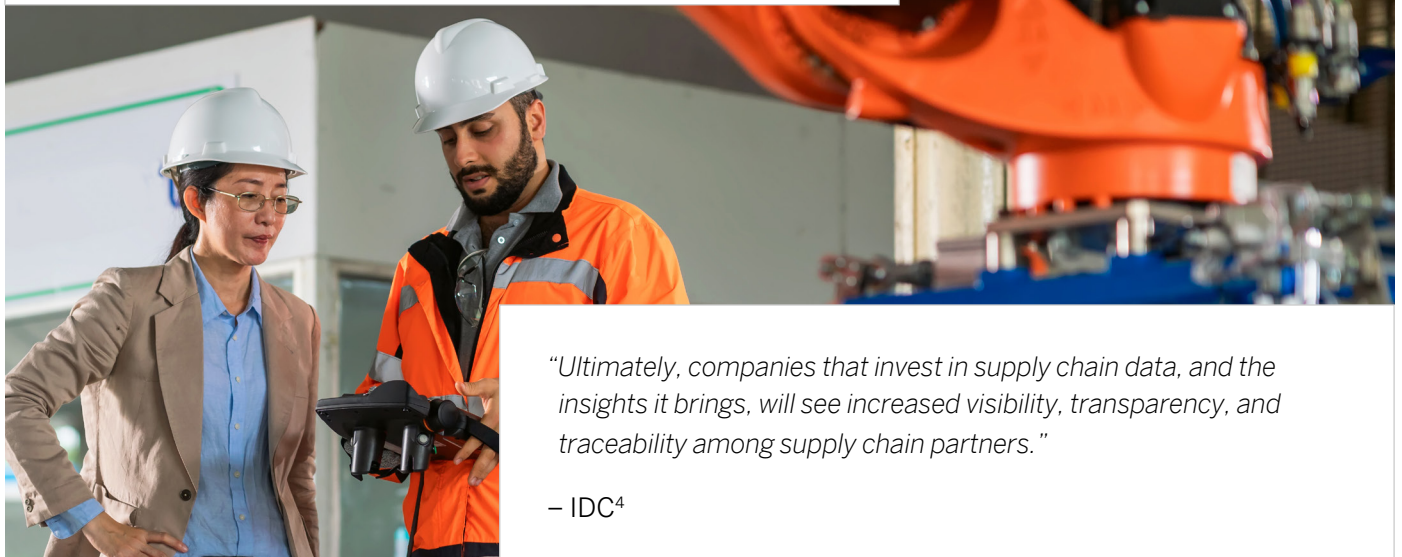
They also lack critical operational information such as product shortages and delays, quality of materials, SMI, and suppliers' ability to meet demand.

Challenges with visibility extend deep into the supply chain.

This makes it difficult to operate let alone manage supplier risk or respond to changing market situations.

"As a result of the limitations of manual procurement, data can rapidly become outdated, or difficult to trace or secure, leading to losses of time and resources as operations struggle to manage these gaps."

– Economist Impact³



"Ultimately, companies that invest in supply chain data, and the insights it brings, will see increased visibility, transparency, and traceability among supply chain partners."

– IDC⁴

Industrial manufacturing executives say:

Just **53%**

have near-real-time or real-time visibility into inventory levels in supplier facilities

49%

say gaining visibility into vendor performance is challenging

45%

have poor visibility into inbound shipment status for direct materials and/or critical spend suppliers

How resilient is your supply chain?

The last few years have uncovered how woefully underprepared many companies are to mitigate risk in their supplier networks, and how critical it is to improve business resiliency.

Organizations are prioritizing risk mitigation to assure the supply of goods to customers and protect revenue. In Economist Impact research, managing supply chain risk is cited by C-suite executives as the #1 overall risk area.⁵

Yet, many companies are still “collaborating” with trading partners in an ad hoc and unstructured way. The inability to interact and transact in real time results in inventory issues, delays, and a lot of wasted time. Ultimately, it can impact on-time performance to end-customers, and revenue.

After years of supplier optimization, many companies are over-reliant on too few suppliers, which has increased their risk profiles at a time of significant volatility and supply constraints.

Given worker shortages, external labor is becoming a greater proportion of a company’s talent “supply chain.” Sourcing external resources quickly and efficiently is critical, as is managing digital and physical security, compliance, quality of work, and more, to reduce risk and realize intended value.

“Even before the recent global crises, the shadow of risk had lengthened. For instance, over the past few years, supply chains have become leaner and extended to the point where even small, localized events can now have a global impact.”

– IDC⁶



Industrial manufacturing executives say:

33%

who manage direct spend still use phone, email, and spreadsheets as their primary means of collaborating with external partners on key supply chain processes

Just

33%

collaborate with direct materials suppliers on SMI, consignment, and other inventory programs

Just

20%

say their organization’s collaboration with top direct materials suppliers is highly effective in remediating potential shortages or overages

Chief supply chain officers across industries say:

40%

risk reduction is a top area they’ll focus on to deliver increased value

61%

will increase their use of an external workforce

How data-driven is your decision-making?

Timely, actionable data-driven insights are essential given the speed of business.

Yet, too often, supply chain professionals do not have visibility into their supply chains, nor accurate, timely data, as their technology is antiquated and not integrated with other enterprise solutions. Manual effort is required to compile and analyze data for decision-making, and by that time, the situation has likely changed.

Technologies such as advanced analytics and machine learning/AI help executives gain rapid insights to inform decision-making.

“... digital technologies allow better access to data as it brings all the sources into a single place, which allows firms to use predictive analytics to analyze opportunities for cost reduction, improve supply chain visibility and source new value chains.”

– Economist Impact⁷



Creating value with SAP

Speak with one of our experienced employees to help you build a case for change or find some quick wins to help you with your journey:

Industrial manufacturing executives say:

53%

data in siloed, disconnected systems is a barrier to their organization's use of data to inform decision-making

Just **57%**

can mine their global data to understand performance against key performance indicators (KPIs) such as cycle times, compliance, and spend under management

Only **39%**

perform scenario modeling and what-if analysis, including third-party data feeds, with near-real-time or real-time data

How well can you support sustainability initiatives?

Setting meaningful and appropriate ESG objectives, and communicating progress consistently, has become table stakes for companies today. Not only is it the right thing to do, customers are placing increasing importance on the values, ethics, and practices of businesses they buy from.

Companies are keen to track data and collaborate with suppliers on a range of ESG metrics, ranging from diversity to emissions footprint data to labor practices.

In order to achieve ESG objectives, visibility, transparency and traceability deep into the supply base are required. Sustainability initiatives must extend from raw materials sourcing, to last mile logistics, and even to product returns and recycling processes.

“Digital technology plays a significant role in accelerating sustainability outcomes. As organizations pursue ESG projects, compliance and reporting, transparency, monitoring, and audit requirements will necessitate digitalization to scale resources and results across the enterprise.”

– IDC⁸



Industrial manufacturing executives say:

47%

report sustainability/ethical issues with their direct materials and/or critical spend suppliers

Just **41%**

use external industry benchmarks to measure the procurement function's contribution to sustainability

Chief supply chain officers across industries say:

36%

reducing waste is the top priority related to sustainability/ESG

The case for digitalizing trading partner collaboration

It would be difficult to dispute the business benefits of digital transformation. From reducing cost and risk to enabling business continuity and agility, the benefits are numerous, and widely recognized. Yet, like any significant investment, the business case for digital transformation needs to be compelling for it to be a priority over other projects competing for investment dollars.

According to IDC, “companies that have digitalized their supply networks to enable visibility and collaboration with trading partners were much better positioned to pivot... **digital technology is credited with playing a significant role in improving agility and resilience for 85% of global organizations over the last two years.**”⁹

Despite the sleepless nights executives faced dealing with the impacts of the pandemic, it has provided the best evidence point yet of the opacity and fragility of global supply chains. It’s time to leap from the Dark Ages to the digital age to enable business resiliency and agility.

“Businesses are willing to invest a lot of money in digitalization, so if you’re saying you don’t have the budget, it’s more because you haven’t done an effective job of selling the return of the investment internally...”

– Phil Ideson
Founder, Art of Procurement¹⁰



Industrial manufacturing executives say:

69%

digital transformation has improved supplier performance management

67%

improved compliance

65%

improved supplier sourcing

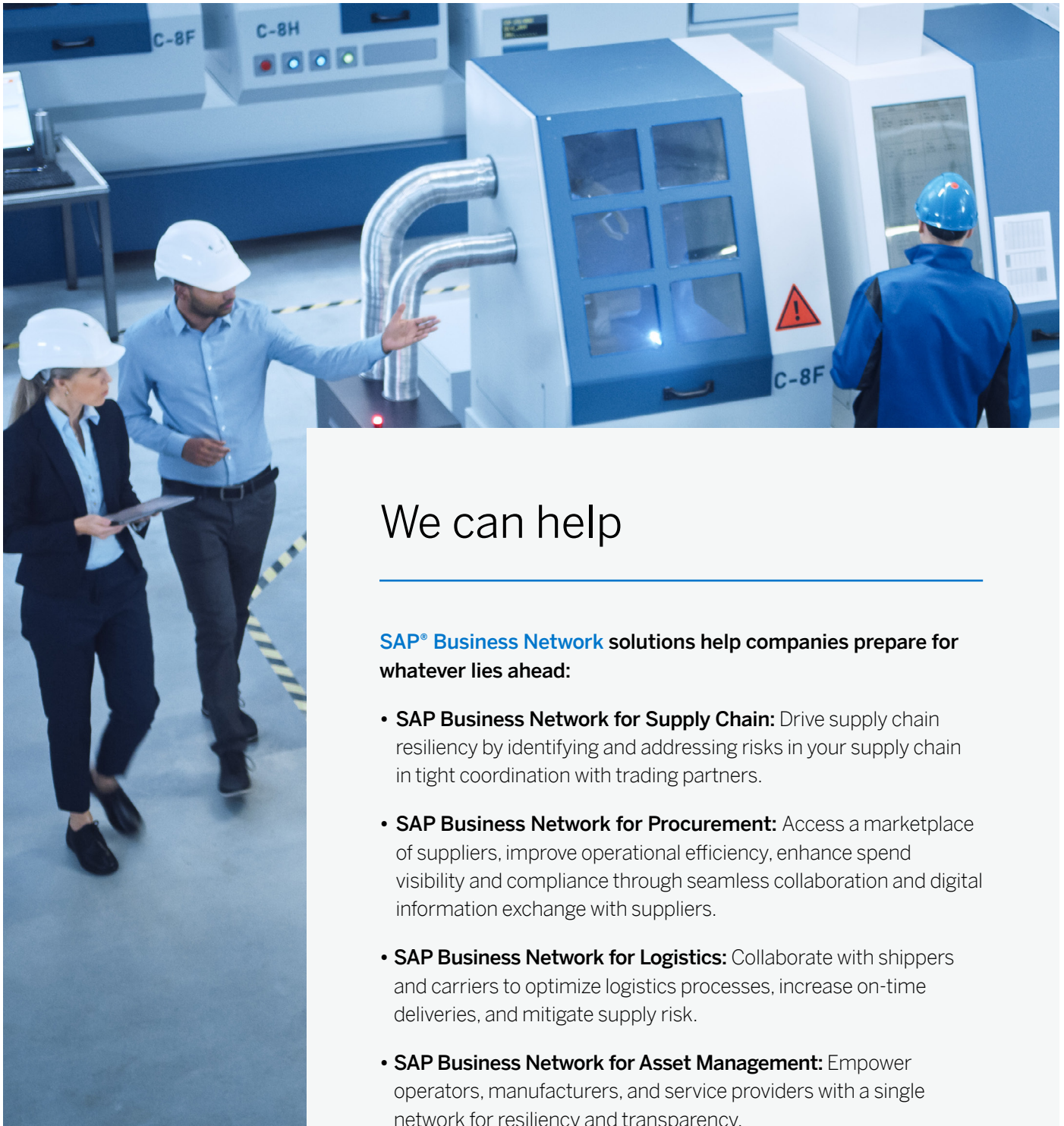
Chief supply chain officers across industries say:

35%

budget is a barrier to digital transformation of the procurement function

24%

stakeholder buy-in is a barrier



We can help

SAP® Business Network solutions help companies prepare for whatever lies ahead:

- **SAP Business Network for Supply Chain:** Drive supply chain resiliency by identifying and addressing risks in your supply chain in tight coordination with trading partners.
- **SAP Business Network for Procurement:** Access a marketplace of suppliers, improve operational efficiency, enhance spend visibility and compliance through seamless collaboration and digital information exchange with suppliers.
- **SAP Business Network for Logistics:** Collaborate with shippers and carriers to optimize logistics processes, increase on-time deliveries, and mitigate supply risk.
- **SAP Business Network for Asset Management:** Empower operators, manufacturers, and service providers with a single network for resiliency and transparency.

We can help you improve trading partner collaboration:

1. All industrial manufacturing-specific data sourced from [Agile Procurement Insights Research](#) by SAP in collaboration with Oxford Economics
- 2., 3., 5., 7., 10. All chief supply chain officer-specific data cited from Economist Impact, [Chain reactions: building value in procurement through digitalization](#), June 2022
- 4., 6., 8., 9. IDC, [Secure the Future: Leveraging Today's Insights for Tomorrow's Supply Chain](#). Doc #AP772001X. June 2022