

Insights from Economist Impact research

Creating peace of mind for supply chain leaders

There's no better time to digitalize trading partner collaboration

THE BEST RUN



Creating peace of mind for supply chain leaders

If you have responsibility for your supply chain, you've likely had your fair share of sleepless nights in recent years helping your organization navigate continuous waves of disruption.

It took a pandemic to make “supply chain” a household word and illustrate the direct link between effective supply chain collaboration and happy customers – and shareholders.

In a global [study](#)¹ sponsored by SAP, Economist Impact surveyed 430 C-suite executives to understand how businesses and industries are transforming the business function of procuring goods and services to meet current and emerging challenges – disrupted supply chains, rising costs, and growing uncertainty.

If your organization hasn't digitalized your supply chain to enable visibility and collaboration with suppliers, external manufacturers, co-packers, and other trading partners, what are you waiting for?

This is a golden opportunity to harness digital technologies and empower supply chain professionals to create more value for their companies. For example, by using business networks to collaborate digitally with trading partners, you can identify and mitigate potential shortages and delays. By collaborating digitally on planning and forecasting, you can understand what trading partners can commit to so you can devise contingency plans as needed to keep production moving.

Based on research findings, this paper provides advice for supply chain professionals to move forward in four key areas, including insights on how specific cloud solutions can help shorten the journey and give you peace of mind.

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Where to focus to drive value for the enterprise?

Is risk reduction your top priority? CSCOs surveyed put risk reduction at the top of the list of areas they'll focus on to deliver increased value.

Executives are rethinking age-old strategies of low-cost, globally dispersed supply chains, lean inventory management and just-in-time manufacturing. Reshoring or nearshoring are also up for consideration, yet they require significant investment and are not a quick fix.

Cost savings is CSCOs' second priority. This is to be expected given the financial implications of shortages and delays, coupled with soaring shipping costs, pricing volatility and inflation.

Inventory management is third, reflecting the pivot from "just in time" towards "just in case" to deal with the unpredictability in supply and demand.

Chief Supply Chain Officers report:

40%

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

34%

cite cost savings as a top focus area

25%

cite inventory management as a top focus area

Cloud technology solutions that help CSCOs drive value for the enterprise:

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: Achieve seamless procurement collaboration with a fully digital integrated solution.



Digitalizing supplier networks supercharges business continuity and agility

From reducing cost and risk to enabling business continuity and agility, the benefits of digitalization are numerous – and widely recognized. Yet, too often, the supply chain and another supplier-facing function, Procurement, are still in the dark ages, with manual processes and multiple technologies cobbled together that don't empower professionals to drive value for the enterprise.

Digital technologies and business networks enable more effective sourcing and collaboration with suppliers, support flexible ways of working, and increase agility.

When asked which factors were driving digitalization for their organizations, category management (46%), improving the user experience (44%), and mobility solutions (34%) emerged as the top drivers for CSCOs. These drivers are reflective of the impact the pandemic has had on disrupting supply chains and ways of working – and the importance of focusing on technology adoption.

“Even before the onset of the COVID-19 pandemic, procurement teams were managing rather opaque supply chains, sustainability issues and delayed digitalization initiatives... Those issues were magnified by the pandemic, along with growing supply chain and third-party risks...”

[Economist Impact](#)

Chief Supply Chain Officers report:

46%

say category management is one of the top 3 drivers for digital transformation – the top choice for CSCOs

44%

say user experience is one of the top 3 drivers for digital transformation

34%

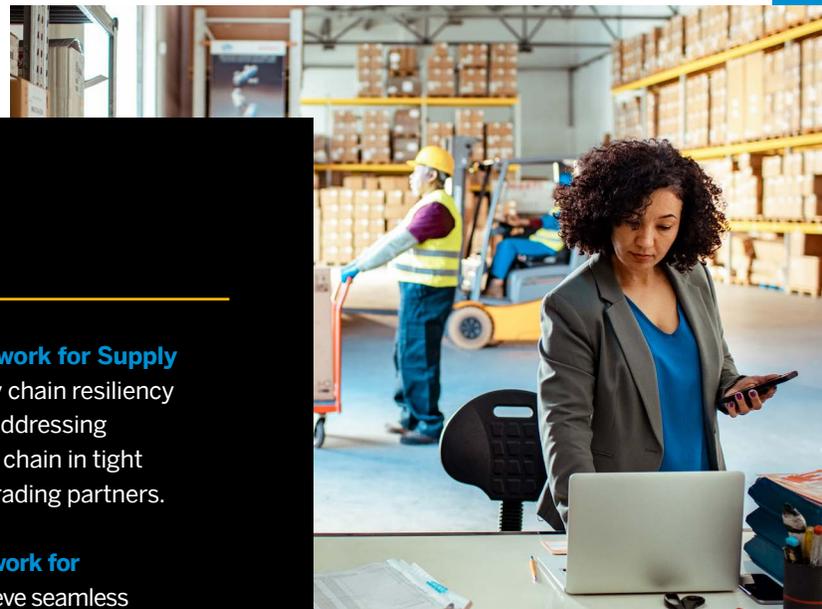
say mobility is one of the top 3 drivers for digital transformation

Cloud technology solutions that help to enable business continuity and agility:

SAP direct spend & supplier collaboration: Connect the people, trading partners, processes, and information needed to manage key source-to-deliver activities to accelerate time to market, improve assurance of supply, and reduce costs.

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: Achieve seamless procurement collaboration with a fully digital integrated solution.



If you're not coordinating across your supplier network in real time, you're really not collaborating

The inability to interact and transact in real time results in inventory issues, delays, and a lot of wasted time – and importantly, it impacts on-time performance to end-customers.

The pandemic has only exacerbated these issues. Indeed, 42% of CSCOs cite disruptions caused by COVID-19 as the top driver for the increased pace of digital transformation in the procurement function. Cost isn't too far behind, reflecting that it's always a factor in enterprises, with 34% stating the need to increase cost savings is a top driver, followed by changing consumer patterns (33%).

As the frailties and vulnerabilities of globally dispersed supply chains have been exposed, digitalization has become more urgent. **Has the pandemic caused your organization to rethink the pace of digital transformation?**

Chief Supply Chain Officers report:

42%

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

34%

say the need to increase cost savings is a top driver

33%

say changing consumer patterns are a top driver

Cloud solutions that enable supply chain collaboration:

SAP Business Network for Procurement: Achieve seamless procurement collaboration with a fully digital integrated solution.

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.



Labor shortages: a top risk to mitigate

Executives want to keep their companies out of the headlines – bad headlines, that is. Disruptions over the last two years have thrust many companies into the spotlight given their supply chain woes, and managing supply chain risk has become a huge priority – as cited by C-suite executives in the research as the #1 overall risk area.

One of CSCOs' top risk priorities is dealing with labor shortages. If production lines can't keep moving because of labor issues, there's significant impact downstream, and potentially delivery delays to the end-customer. This is increasing the demand for engaging an external workforce, with 61% of CSCOs saying they will increase their use of external labor.²

More than half (54%) of CSCOs cite risk reduction as the top driver to increase their use of an external workforce.³ **The irony is that without properly managing external workers – whether they be contingent workers or services providers – executives may unwittingly increase the risk to the organization.** Digital security breaches, compliance issues and more mundane issues like duplicate payments are all too common.

Chief Supply Chain Officers report:

30%

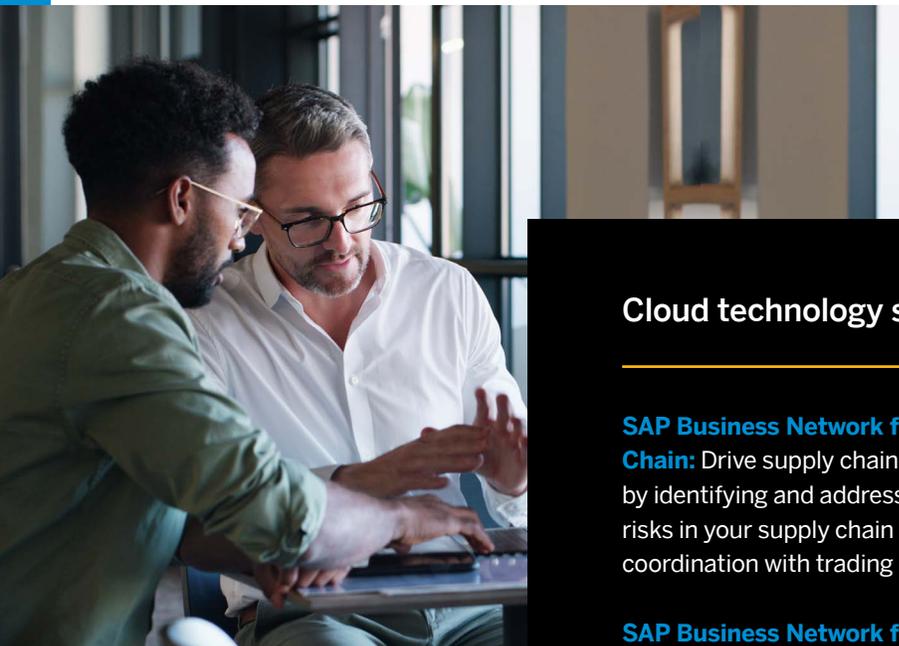
say labor shortages are a top risk priority⁴

61%

will increase their use of an external workforce⁵

54%

cite risk reduction as the top driver to increase their use of an external workforce⁶



Cloud technology solutions that help reduce risk:

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: Achieve seamless procurement collaboration with a fully digital integrated solution.

SAP Fieldglass® Contingent Workforce Management and **SAP Fieldglass Services Procurement:** Gain visibility and actively manage your external workforce, improving ROI and reducing risk.



The pandemic is a once-in-a-lifetime catalyst to digitize, yet barriers remain

It would be hard to dispute the business benefits of digital transformation. 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.

More than 1/3 (35%) of CSCOs say budget is a barrier to digital transformation of the procurement function, and 35% cite uncertainty over technological solutions. This is followed by low/limited adoption of solutions (32%), lack of clarity over the return on investment (27%), and stakeholder buy-in (24%). The red thread among these barriers is the need for a stronger business case to sell the business outcomes that will result from the investment.

The sleepless nights executives faced dealing with the impacts of the pandemic have provided the best evidence point yet of the opacity and fragility of global supply chains. It's time to leap from the dark age 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 Procurement

Chief Supply Chain Officers report:

35%

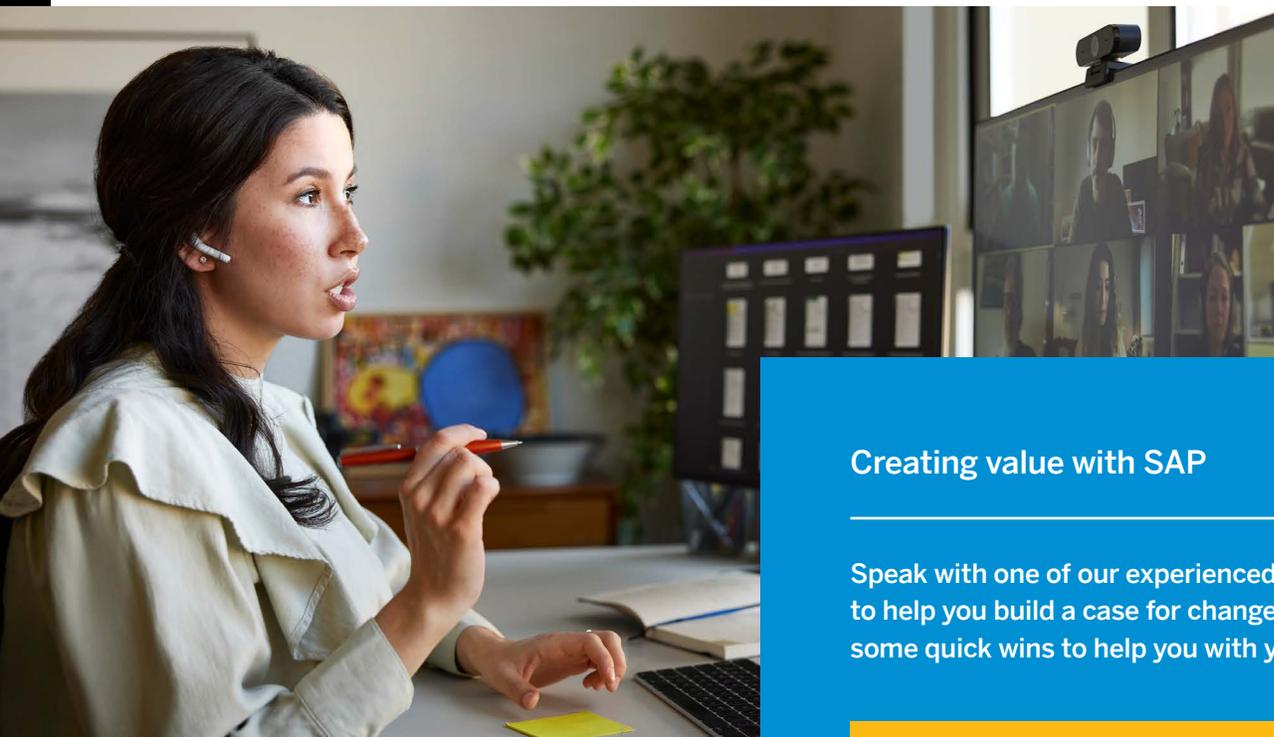
say budget is a barrier to digital transformation of the procurement function

27%

cite the lack of clarity over return on investment as a barrier

24%

cite stakeholder buy-in as a barrier



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

[Click here to get started](#)

¹Economist Impact, *Chain reactions: building value in procurement through digitalization*, June 2022. All data points and quotes are from this research report unless otherwise noted.

²⁻⁶ Economist Impact, *Looking out: the rise of the external workforce and its impact on internal functions* | *SAP Fieldglass*, June 2022