

## The Transformation Mindset

How Supply Chain Leaders Drive Profitability  
with Resilience and Sustainability



THE BEST RUN



Supply chain organizations from midsize companies are adjusting their approach to business transformation by rethinking traditional organizational priorities, according to a new survey from the SAP Insights research center.

Technology innovation, business model innovation, and sustainability surfaced as crucial drivers for growing revenue and efficiency, operating more sustainably, and adapting to new risks. In addition, surveyed supply chain leaders revealed the priorities, opportunities, and threats that they are considering now and for the near future, as well as their transformation plans for elevating their profitability and competitiveness.

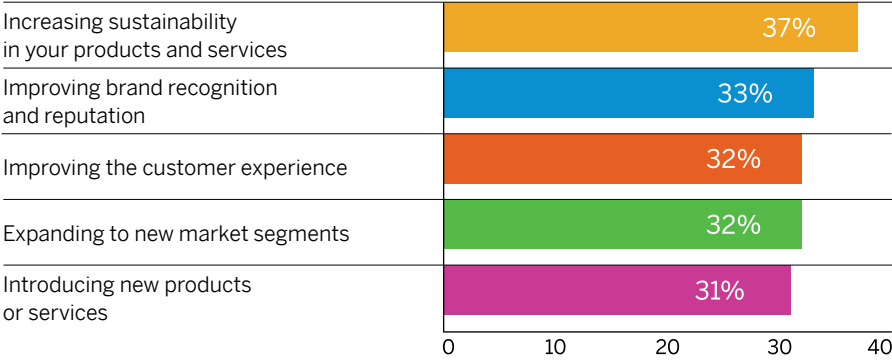
SETTING THEIR SIGHTS ON GROWTH

When asked to rank their top three organizational priorities both now and beyond the next 12 months, respondents reported achieving revenue growth as most important, followed by increasing operational efficiency, with mitigating risks as third. And they expect these priorities to remain the same beyond the one-year horizon.

In terms of generating revenue growth, supply chain leaders identified increasing sustainability of their products and services as a top priority. This finding suggests that sustainability is a key, albeit new, strategy for growing revenue, joining the ranks of traditional tactics such as improving brand recognition and reputation, enhancing the customer experience, and expanding to new market segments. (See Figure 1 for the top five priorities.) Lower on the list were expanding geographically (26%), introducing new business models (25%), and acquiring existing companies (17%).

Figure 1: Top Three Priorities for Improving Revenue Growth

What are your organization's top three priorities to improve revenue growth?



LOOKING AT SUSTAINABILITY AS A KEY TO REVENUE GROWTH

Our survey shows that sustainability has become an important consideration. Across the board, supply chain organizations are incorporating sustainability directly into their business strategies for increasing efficiency and driving revenue growth. This represents a significant shift in priorities.

Supply chain leaders prioritize sustainability measures that can help them run more efficiently while reducing their company's environmental and social impact. They often rely on strategies such as locating plants and using suppliers closer to the customer, reducing the distance goods travel around the world, and onboarding vendors that demonstrate ethical labor practices and regulatory compliance.

In addition, supply chain leaders are connecting sustainability to their overall brand recognition and reputation in response to customers' growing preference for purchasing affordable products. And these efforts are helping to limit any impact on the environment and improve people's lives.

The bottom line: Sustainability is now an essential element of the bedrock activities of growing revenue, increasing efficiency, and improving customer satisfaction.

TAKING ON EFFICIENCY DRIVERS

Surveyed midsize companies cited improving dependability, cost control, and spend management as their top focus in improving supply chain efficiency. Making operational processes more sustainable was also considered important. (See *Figure 2 for the top five priorities.*)

While increasing emphasis on supplier and partner networks is a traditional supply chain strategy, it's increasingly viewed as a top driver for efficiency. Other top priorities include increasing automation (33%), bringing supply chains closer to markets (32%), and divesting inefficient businesses (27%).

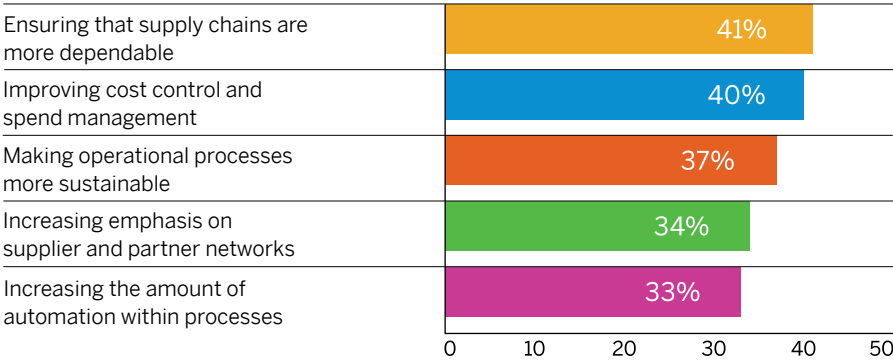
Supply chain leaders recognize that many of these high-priority areas are interrelated and can be tackled together if addressed strategically. For example, you can reduce costs and reduce

emissions by improving your transportation planning processes to optimize loads and reduce miles driven. Incorporating the use of waste and recycled products and packaging material back into the design and production of your products can help the business embrace the circular economy to improve brand image and customer perception.

Supply chain leaders expect to be impacted by the ripple effects of growing economic and societal concerns, including global resource shortages, economic stagnation, and crises in employment and livelihood.

Figure 2: Top Priorities for Improving Efficiency

What are your organization's top priorities to improve efficiency?



VIEWING RISK IN A NEW LIGHT

It's no longer enough for businesses to think about traditional risk areas, such as thwarting existing competitors and protecting against new market entrants. These factors have been pushed aside by threats rooted in current emergencies, such as supply chain fragility, resource scarcity, and cyberattacks, that can significantly erode a company's brand reputation (see *Figure 3 for the top five priorities.*)

These emerging risks have increased the spotlight on supply chains in recent years. By adopting a proactive strategy to avoid supply chain delays and surging demand, businesses can help build their brand reputation and value.

In addition, product designs that rely less on scarce resources and more on recycled materials can improve sustainability and reduce costs while lowering the risk of a supply shortage.

For longer-term global risks, surveyed supply chain organizations still rank the fear of global shortages in natural resources at the top of their list. However, they also consider economic stagnation, crises in employment and livelihood, and climate change as matters that are almost equally urgent (see *Figure 4 for the top five responses.*)

FUELING DIGITAL  
TRANSFORMATION PROGRESS

Surveyed supply chain leaders recognize that their organization’s digital transformation is critical to help increase business performance today, better respond to future risks, and remain competitive. In fact, approximately 90% see a positive relationship between profitability and competitiveness and their organization’s transformation.

Over three-quarters of respondents claim to have made progress, with 51% transforming some planned areas and 22% completing their journey as initially conceived. However, the survey findings do not portend good things for companies that haven’t already started transforming – most of them expect to make very little progress two years from now.

The technologies most sought by supply chain organizations reflect recent hardships in addressing supply chain disruption and fluctuating demand. These organizations are investing in technologies ranging from cloud computing and employee collaboration tools to cybersecurity infrastructure to transform their processes. Automated business intelligence (BI) dashboards, business process intelligence systems, and application development platforms (64%) also rank highly. (See Figure 5 for the top five responses.)

Surveyed supply chain leaders recognize that their organization’s digital transformation is critical to help increase business performance today, better respond to future risks, and remain competitive.

Figure 3: Top Three Priorities for Reducing Risks

What are your organization’s top three priorities to reduce risk?

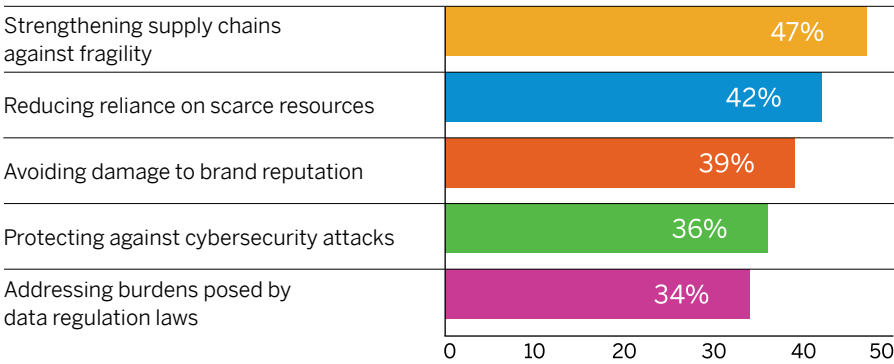


Figure 4: Future Global Risks for Which Organizations Must Prepare

Which of these future global risks will your organization need to prepare for? (Select any that apply.)

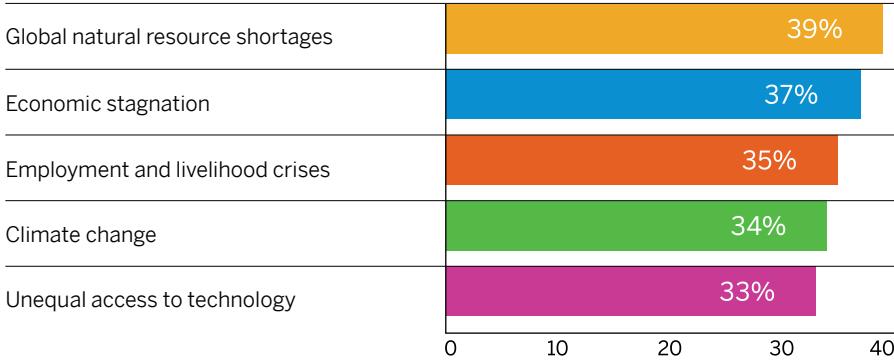
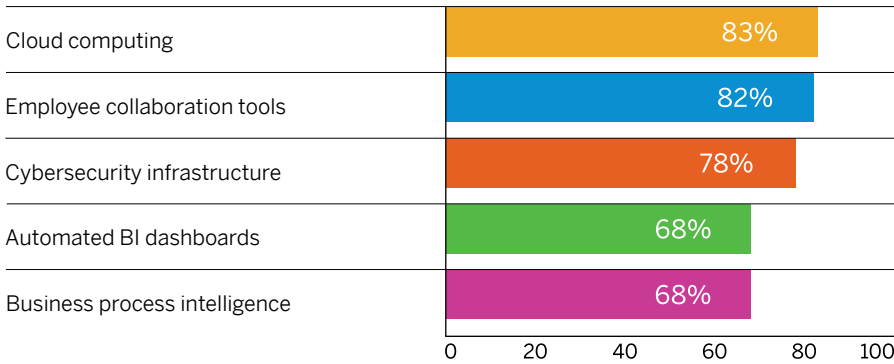


Figure 5: Critical Technologies for Improving Business Processes

Which technologies are important to the improvement of business processes? (Select any that apply.)





## RECOMMENDATIONS

Not surprisingly, supply chain leaders from midsize businesses highlighted resilience as a key driver for growing revenue and increasing efficiency. But an interesting new development has surfaced: sustainability as a high-priority area of focus. In light of this finding, sustainability should be considered by supply chain leaders when creating strategies for improving operational efficiencies, boosting revenue growth, and promoting their brand.

Sustainability should be viewed holistically, as it is driven by and influences multiple dimensions of the business. For example, investments in Industry 4.0 can affect how all participants in the supply chain work together to produce sustainable products and deliver them to the customer with as little impact on the environment and communities as possible. (Industry 4.0 technologies include cloud solutions, collaboration platforms, conversational AI, robotic process automation, machine learning, blockchain, and human-computer interaction).

Finding the right balance between sustainability and resilience is not only about decreasing the environmental impact of supply chains and adapting to change. It's also about promoting employee productivity and retention and keeping the critical knowledge base intact. Using a collaboration platform across the entire supply network can help ensure that internal and external groups understand current expectations, reasons behind change requests, factors that routinely impact capacity, and best practices for mitigating systematic risks.

Additionally, supply chain leaders can turn sustainability into a key revenue generator. They can focus on delivering products that help customers advance their sustainability efforts. Furthermore, continuous communication with suppliers can pinpoint lessons learned and new process discoveries that can help further reduce material waste, water and energy consumption, and emissions from plants and logistics.

While many growing companies struggle with balancing immediate needs, those with supply chains that quickly incorporate sustainability and the circular economy into their plans for growing revenue, increasing efficiency, and mitigating risk are well-positioned to differentiate themselves and gain a competitive advantage.

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## THE ROAD AHEAD

In a turbulent period of increased global risk, supply chain organizations place high importance on boosting revenue and efficiencies while continuing to mitigate risk and enhance innovation. Underlying these fundamental initiatives is sustainability, a new imperative that will become increasingly essential to core strategies in coming years. To make more progress on transformation, which is seen as critically linked to business performance, supply chain leaders need to further improve processes to increase flexibility and interconnectedness.

**Please contact your SAP partner to learn how SAP solutions can help your business transform.**

## ABOUT THIS RESEARCH

The SAP Insights Midmarket Senior Executive Priority study collected data from 10,507 executives from companies with annual revenues of less than US\$1 billion across 41 markets and 28 industries. Respondents possessed the highest level of line-of-business responsibility and oversight, with titles ranging from director to chief officer. The surveys were conducted from September 2021 through December 2021, with a 10-minute online survey used to collect the data.