Five Tips for Digital Transformation:
What Supply Chain Leaders Need to Know

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Globalization has presented business leaders with numerous opportunities – and challenges – to become more competitive and innovative and to drive more value. These opportunities and challenges seem to increase in number and complexity every year – whether it is the challenge of scaling limited human and technological resources, sourcing from low-cost countries halfway around the world, or going to market with the latest product innovations.

Supply chain leaders have grappled with these and myriad other challenges for decades as they uncover new opportunities and markets and seek to capitalize on them. Markets shift quickly and for different reasons. What used to be common business practices – outsourcing to low-cost countries – is giving way to new trends, like re-shoring, as international political and economic trends converge. Market leadership and innovation demand that successful business leaders have the pulse of consumers, stay on the bleeding edge of trends, and adapt to customer needs in order to deliver what they want...today and tomorrow.

In order for supply chain leaders to mitigate the risks of conducting business in a globalized economy and remain competitive vis-à-vis market changes, they need to take a holistic approach that includes digital transformation via process automation, enabling visibility into both performance and risk of the extended supply chain. The benefits of globalization can be offset by the risks of not tracking and fully understanding the performance and risk of your supplier base. They can be erased altogether as the risks increase in scope and impact and the consumer becomes more informed and has more options. Thus, you need to leverage the right mix of people, processes, and technologies in order to scale and allocate resources; you need to view strategic and operational processes together holistically; and, you need to standardize and codify their processes to ensure consistent, widespread technology adoption – particularly within large, or multinational organizations. To guide supply chain leaders, this report offers five tips to help them prepare for digital transformation in a globalized economy where process automation and analytics drive efficiency, intelligence, and value.
Tip #1: Think holistically about technology adoption

For organizations that have relied on manual, paper-based processes or Excel spreadsheets to manage supply chains, digitalization and automation can provide many benefits – from scalability of resources and greater visibility into processes and compliance, to enhanced records keeping, and greater workforce agility. While some supply chain organizations are starting from scratch, others have already begun the digital transformation process. As a result, supply chain leaders need to think holistically about technology adoption and define the scope of digital transformation for their organization. Does it need to encompass direct goods and services only, or does it need to extend to indirect categories, like business travel and contingent labor? For manufacturing organizations, supply chain digital transformation should, at a minimum, encompass product management, procurement, supply chain, and supplier management, and then extend “downstream” to invoice- and payment-processing.

Process automation, however, is not enough; supply chain leaders must link processes and align all their constituents for a truly end-to-end supply chain management ecosystem. Information needs to flow from product management teams (product design and lifecycle) down to the sourcing teams that will source the goods and services to fulfill the business need. From there, product specifications must be included in contract documents that will codify business relationships with suppliers. Contract terms and conditions must be exported to ERP systems to ensure that purchase orders (POs) comply with negotiated terms. Supplier management teams must access product, commodity, contracting, and risk data in order to effectively manage supplier performance. Supply chain planning and execution processes must be integrated with the ERP system and the suppliers. Accounts payable (AP) / finance departments must access POs and receive supplier invoicing in order to remit payment. And, inventory management teams must ensure that the organization has sufficient inventories to fulfill the business need, as an organization has no supply chain if it has no inventory.

There are many moving parts that connect to the supply chain, and supply chain leaders like you must consider how digital transformation will impact processes and operations. You also must consider whether and how to consolidate processes under one business platform for an end-to-end approach to digital transformation. This can speed up solution deployment, streamline solution and vendor management, and provide seamless visibility into all related processes. Moreover, current market conditions dictate that enterprises must continually innovate or they risk falling behind. Thus, you also must consider whether a solution or vendor can support your business needs now and as they change or grow.
Tip #2: Ensure correct project planning/preparation including a number of key organizational aspects

Driving digital transformation within a supply chain organization is a complex process that is equal parts project management and change management. You are attempting to change the wings on an aircraft while it is in flight. Business leaders need to develop a detailed deployment plan that includes all of the principals: product management, sourcing, supply chain, supplier management, AP, and IT. All stakeholders will be impacted by the sweeping changes that will take place in the event of a digital transformation project. As a result, supply chain leaders need to consult these principals early in the process to win their buy-in – to ensure that their voices and concerns are heard – and to incorporate their feedback into the project plan to ensure tight execution and minimal disruption.

Whether you and your organization move forward with on-premises solutions or cloud-based solutions, you will benefit from consulting with IT leaders for their expertise and guidance. They can assist with requirements vetting and solution selection early in the process to ensure that you and your team select the deployment model, solution, and customizations that best fit your needs. And they can also provide best practices for incentivizing adoption in order to drive use – after all, the value of IT solutions is maximized with high usage and throughput. Supply chain leaders will also want to consult with AP/finance leaders to ensure that any proposed systems adoption is compatible with their existing systems; or that the needs of AP/finance are incorporated into a “big bang” approach to digital transformation that spans end-to-end. Systems that are incompatible or unworkable are not only wasted investments; they are also lost opportunities that can be avoided with early and frequent constituent consultations.

Tip #3: Prioritize supplier enablement and the cloud for greater collective value

One of the challenges of adopting technology solutions is that it often “takes a village” to support the initiative, a “village” that many organizations simply do not have. But the beauty of supplier enablement strategies is that you can use business networks and third-party teams to accelerate enablement. You can also use networks to perform more of the heavy lifting if your organization cannot scale up human and technological resources to organically support adoption. Leveraging a business network can allow your enterprise to benefit from
other buyers and the suppliers they have enabled on the network. Your supply chain teams simply need to tap into that network to realize the benefits.

Supplier enablement, particularly through business networks, allows buyers and suppliers to connect quickly, efficiently, and securely. From there, supply chain teams can collaborate more closely with their suppliers around order management, delivery, and inventory management, which (as previously discussed) are critical to supply chains. This collaboration and tight coordination will be critical if/when an organization runs a promotion and forecasts that sales orders will increase by a specific percentage or amount. Supply chain management teams need to communicate this to their suppliers in order to prepare them for the increased demand for raw materials or components. If the supplier base cannot support that increased demand, the supply chain team then needs to source additional capacity. And then they need to coordinate the logistics of it all – transportation, tariffs, delivery, warehousing, inventory management, etc. All of these details become even more important when you consider indirect spend categories, such as contingent labor. Supply chain leaders need to tightly coordinate with their supplier base in order to ensure that they are all on the same page and can support one another when and where they need it. The value of supplier enablement through business networks is that some networks can connect the demand signals back to the supply chain.

**Tip #4: Prioritize gaining visibility into data...and into processes**

Supply chain leaders looking to transform their operations with digital processes and systems need to prioritize gaining visibility into the data that flows in and out of the enterprise as well as the performance of the supplier base. It is estimated that roughly 90% of the world’s data has been created in the last two years, thanks in large part to the rise of connected devices with sensors and transmitters – the so-called “Internet of Things.” As a result, Big Data flows in and out of enterprises and overwhelms many practitioners and business leaders. Data is supposed to serve business leaders, but increasingly, enterprises find themselves serving it. That it is why it is essential for supply chain leaders to harness the power of Big Data by centralizing, categorizing, cleansing, enriching, and analyzing it in order to drive visibility. Raw data by itself is practically useless; but, refined analysis can provide actionable *intelligence* and *visibility* into processes, systems, and key relationships.

Case in point: supplier performance. Supply chain practitioners need to have visibility into how well their suppliers are performing against contract terms and conditions, service-level agreements, on-time delivery rates, quality metrics, service up-times, and other criteria.
Maintaining robust and resilient supply chains, under the status quo and peak/surge times, alike, is critical for maintaining continuity of operations. Supply chain managers and leaders need to have faith that their suppliers can deliver – literally and figuratively – when it matters.

Another case in point: Supply chain leaders must maintain visibility into systems adoption and usage, for the value of digital transformation is realized only when systems are consistently and fully used in the intended manner. Supply chain leaders may consider employing a “carrot and stick” strategy for driving technology adoption: Incentivize where you can, but mandate where you need to. Gaining visibility into adoption levels helps supply chain leaders thoughtfully and appropriately employ this strategy to drive usage.

**Tip #5: Engage key stakeholders early and throughout the process**

To hammer home an earlier point, supply chain leaders need to engage key constituents early and often throughout the process of driving digital transformation across a supply chain organization. Product management teams, whether they are product design or product lifecycle management, will rely on the systems and processes that you deploy and will be the ones to ultimately adopt them. The same goes for line-of-business users that will either support or neglect the adoption of these systems. Supply chain leaders need to engage with these constituents to ensure that goals and best practices are communicated, concerns are registered, and risks are mitigated. Failing to establish and build relationships here risks undermining the overall goal of automating and linking processes, scaling resources, gaining greater visibility, and returning more value to the enterprise.

**Conclusion**

For business leaders seeking to transform their supply chains, there has never been a more exciting or important time than now to embark upon this journey. Digital business solutions have the potential to enhance supply chain processes, clarify much of the “noise” in a Big Data world, and enable business leaders to exercise greater control over processes and risk. But, if supply chain leaders are going to drive digital transformation inside and outside of their organizations, they need to engage their constituents early in the process, win their buy-in, gain their feedback, and plan holistically for change. They need to prioritize supplier enablement as a way to quickly connect, communicate, and collaborate with their supplier base, which is critical to any supply chain. And, they need to prioritize gaining the visibility into their processes and data that allows them to make informed business decisions, change behaviors, and mitigate risk across the supply chain.
Appendix

About The Author

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Matthew York is a Research Analyst at Ardent Partners who for more than a decade has been fascinated by emerging technologies like artificial intelligence, Blockchain, and connected devices, and how they can enrich business operations. At Ardent Partners, Matt researches, analyzes, and writes about the intersection of people, processes, strategies, and technologies in supply management and how they are changing the business landscape of tomorrow. He has been lead author on data-driven, thought leadership reports ranging from advanced analytics to contract management to strategic sourcing to supply risk management. Matt has been named a “Pro to Know” by Supply and Demand Chain Executive magazine and is a sought-after speaker. He earned a B.A. in Political Science/International Relations from Stonehill College and an M.A. in Political Science/International Politics from the University of New Hampshire. Matt can be reached at myork@ardentpartners.com.

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