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SOLUTIONS

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Supply Chain Trends & Insights:
Transformation

Introduction

Organizations in recent years have had no choice but to evolve to adapt to disruption. Between the pandemic, world conflict, and consumer expectations, transforming to keep up—and get ahead—is on the agenda of every business leader.

This is especially true for supply chain-based companies as more turn to technology like data and analytics to enable transformation. However, many CSCOs are struggling to match goals with actual results.

From talent to budget and technology, many issues stand in the way of transformation success. Not to mention, navigating the people side of change, including creating and executing an effective change management plan, is often as important as the initiative itself.

Dig in as we explore recent supply chain transformation trends and roadblocks, how data and analytics enable transformation, and strategies for effective change management and user adoption. Plus, hear from our team as they share insights into current trends they're seeing throughout the industry.

Bringing digital transformation to the supply chain can lead to

20%

increase in revenue

50%

reduction in process costs
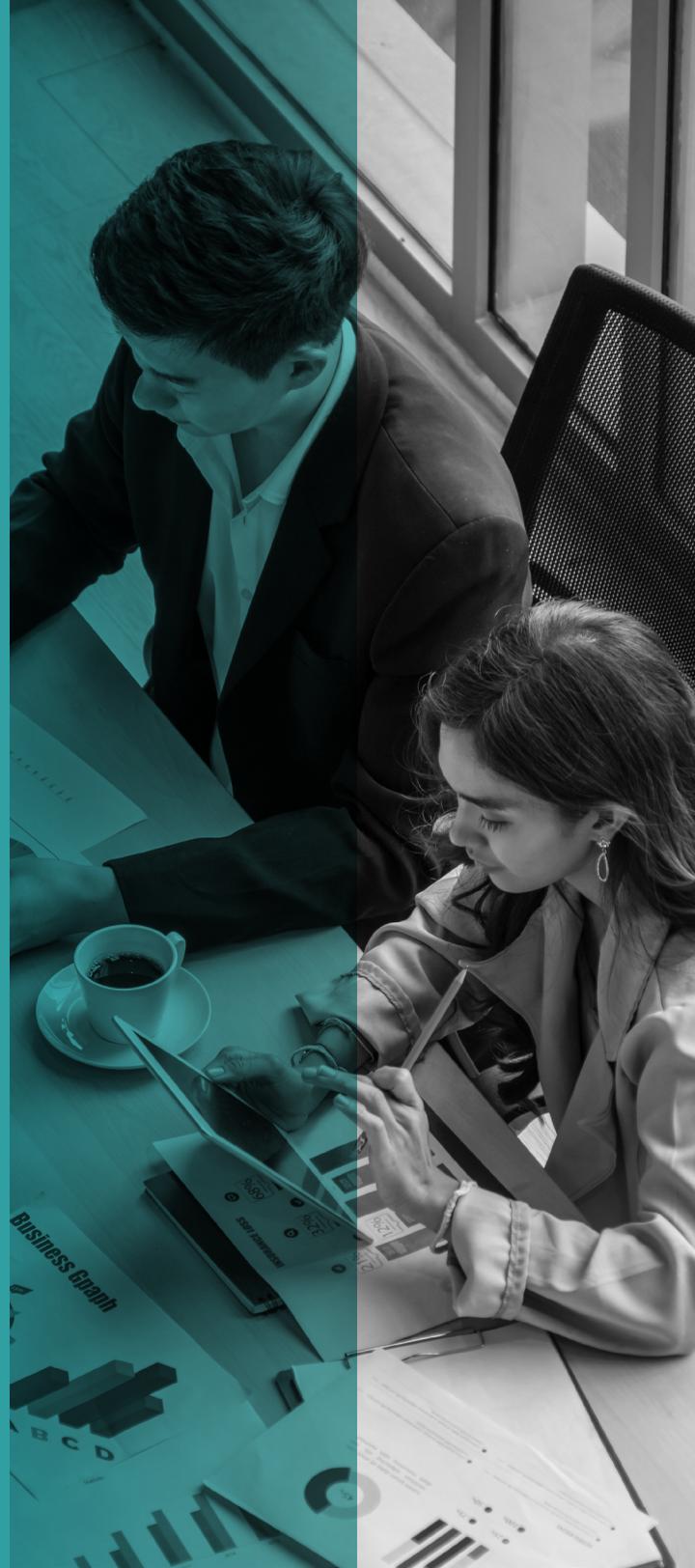
Transformation Trends and Challenges

More companies than ever before are focusing on digital transformation to build resilient and effective supply chains. It's clear why: bringing digital transformation to the supply chain can lead to a 20% increase in revenue and a 50% reduction in process costs.[1]

However, there's a significant disparity between digital transformation intentions and action. In a recent PwC survey, 54% of COOs planned to make changes in technology transformation for efficiency, and transformation initiatives ranked high on their priority list.[2] Despite its importance, COOs listed digital transformation initiatives as the second biggest challenge they face, second only to worker shortages and employee turnover.

What does this all mean? Even though it's a priority, many businesses are struggling to make digital transformation a reality. Keep reading as we highlight problems facing supply chains and what companies can do to jump start their initiatives.
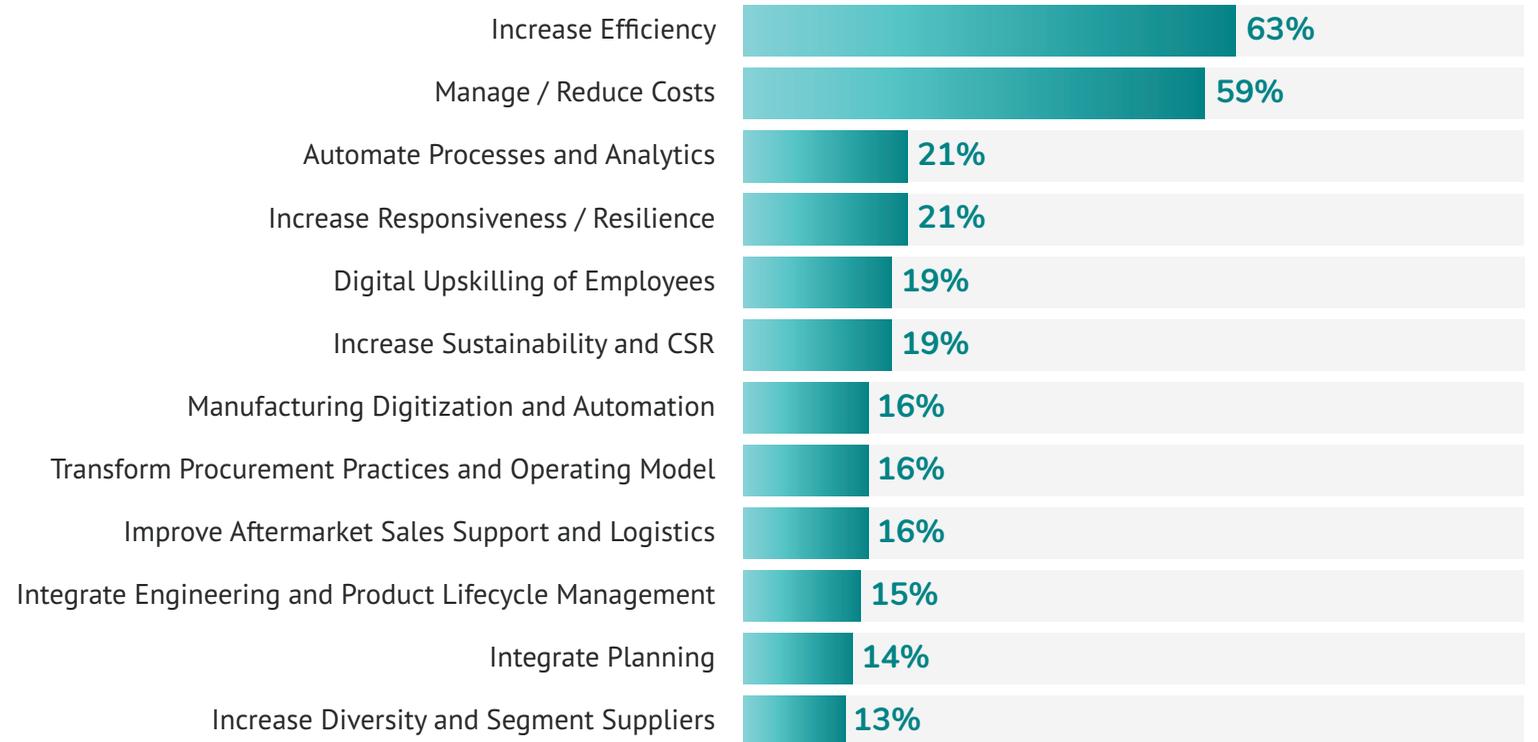
Supply chain digital transformation is moving slower than intended.

Digital transformation is the future of supply chains. However, though leaders overwhelmingly intend to focus on digital transformation efforts, many are having trouble moving the needle.

Case in point:

- PwC research has found that even though investments in supply chain technology are increasing, 4 out of 5 leaders said the technology didn't fully deliver expected results.[3]

- McKinsey research on supply chain transformations found that overall, companies' average supply chain digital capability scores have not increased from 2017 to 2021. Instead, the average industry capability score has held steady.[4]

- A recent PwC supply chain survey revealed that digital transformation, automation, and other value creation efforts lag far behind supply chain priorities such as increasing efficiency and managing/reducing costs.[5]

- Gartner research found more than half of supply chain-based organizations have not yet actively started to build a roadmap for supply chain digital transformation.[1]

Supply Chain Leader Priorities in 2022-2023[5]

Priority	Percentage
Increase Efficiency	63%
Manage / Reduce Costs	59%
Automate Processes and Analytics	21%
Increase Responsiveness / Resilience	21%
Digital Upskilling of Employees	19%
Increase Sustainability and CSR	19%
Manufacturing Digitization and Automation	16%
Transform Procurement Practices and Operating Model	16%
Improve Aftermarket Sales Support and Logistics	16%
Integrate Engineering and Product Lifecycle Management	15%
Integrate Planning	14%
Increase Diversity and Segment Suppliers	13%

"Though the industry is regaining a sense of normalcy after historic disruption, business leaders are still focusing on getting their companies back on track. Before CSCOs can focus on value-creating initiatives, they need to nail down operational challenges like increasing efficiency and reducing costs."

– Rich Medrano, Leader of Financial Transformation at Catena Solutions

Many obstacles, including money, technology, and talent stand in the way of organizational transformation initiatives.

Let's dive into the talent challenges a little more.

- In PwC's latest COO and operations leaders survey, worker shortages and employee turnover were cited by executives as the top operations challenge.[2]

- It's not just the lack of workers, though, it's the lack of workers with the right skills. Four out of five executives believe their organization needs to develop more employees with broad-ranging skills, rather than narrow technical competence, to enable them to solve complex, cross-industry problems.[2]

- Accenture research shows only 38% of CSCOs believe their organization's non-IT/non-technical workforce is mostly or completely ready to leverage new technology, and just 44% said they have adequate specialist talent (e.g., data-based positions) to evolve in the future.[6]

- In a PwC survey of operations and IT leaders, C-suite executives, and other supply chain officers, 58% of respondents reported seeing higher-than-normal turnover among supply chain employees, and only 23% fully agree they have the necessary digital skills to meet future goals.[5]

- A ToolsGroup and Council of Supply Chain Management Professionals survey of 300 supply chain professionals found that of companies actively engaging in digital transformation, the people and skills deficit is the number one obstacle standing in the way with 53% of companies surveyed reporting it as the top obstacle.[7]

> "Throughout the industry, we're seeing how the lack of skilled talent is impacting organizations that want to take their digital operations to the next level. The supply chain talent shortage is a very real issue, and leaders are trying to figure out how to not only evolve their digital supply chain, but how to properly develop their employees' skills alongside it."
>
> **– Geoff Coltman, Vice President at Catena Solutions**

The research is clear: There's a gap between past supply chain skills and the skills needed for the future supply chain.

What can be done about it?

While companies know they need to upskill employees, most are struggling with identifying specific skills to develop for a competitive advantage. In a McKinsey survey of global supply chain executives, only 6% of companies reported having a formal perspective on their organizations' strategically important skills and competencies.[4]

However, leaders may want to prioritize transforming employee skills along with their supply chain. The same research found organizations that invest in developing their people while launching a transformational program see a higher success rate than those that don't by a factor of up to fourfold.

Extensive Accenture research into the supply chain workforce of the future outlines the skills companies need to develop most in their employees.[6]

1. **Technology Understanding and Data Literacy**

   Companies need employees to act as translators between new technology and the business. Simply put, they need someone who not only understands advanced technology, like AI and machine learning, but knows how to use it to solve business problems. Organizations also need employees to have some degree of data literacy, as the ability to leverage new tools and make data-driven decisions is becoming important at all levels.

2. **Big Picture and End-to-End Problem Solving**

   There's a growing demand for cross-supply chain thinkers. While specialists will always be important, organizations now need employees who can solve for overarching initiatives, such as greater resiliency or cost reduction, across the supply chain. Companies are realizing that siloed departments working transactionally can't drive the big picture strategic initiatives that will propel the supply chain forward.

3. **Elevated Supply Chain Leaders**

   The supply chain no longer operates behind the scenes of a business. It's been elevated to the highest level, where we now see CSCOs sitting beside CFOs and COOs. This means supply chain leaders need the right business, finance, and supply chain skills to earn credibility with the board and C-suite. Supply chain issues now span sales, customer, talent, and technology, so being able to connect the dots between separate departments is crucial.

Enabling Transformation Through Data and Analytics

A recent EY study found

93%

of companies planned to increase investments in data and analytics.

In addition to developing talent and skills, leaders are turning to data and analytics to overcome challenges, maintain a competitive edge, and improve operations.

Consider these stats:

- 76% of supply chain executives said they're facing more frequent disruptions than usual[8]

- 72% of supply chain executives said the impact of the disruptions has increased[8]

- Data-driven companies are 3x more likely to make better decisions[9]

When used correctly, data, analytics, and technology can work together to mitigate disruptions that supply chains have been plagued with in recent years. Leaders know this, too. A recent EY study found 93% of companies planned to increase investments in data and analytics.[10] Keep reading to learn how data and analytics provide supply chain leaders with the insights they need to make strategic decisions and drive transformation forward.

How Data and Analytics Enhance Supply Chain Operations[11]

Ensure availability of raw materials, components, and products to increase order fulfillment and revenue

Anticipate and respond to market trends to manage risk and plan for disruption

Reshape operations and improve efficiencies to achieve higher margins

Gain insight into order fulfillment issues to enhance customer satisfaction and loyalty

Get a full view of business operations in real time

Enhance corporate initiatives by unifying data across enterprise silos

"The use cases of data and analytics across the supply chain are endless. From sourcing to manufacturing, distribution, and everything in between, data and analytics can—and should—be implemented for a more efficient network."

– Geoff Olsen, Leader of Supply Chain Transformation at Catena Solutions

Data and analytics are paramount to supply chain optimization and transformation.

However, there's a big problem with understanding data.

Though most organizations, especially those with complex supply chains, do gather data, it tends to be fragmented and unreliable. In fact, *Harvard Business Review* research shows 47% of newly created data records have at least one critical error, and only 3% of companies' data meets basic quality standards.[12] This prevents organizations from harnessing data to drive strategic, financial, and organizational decisions.

A study from the University of Texas-Austin found small improvements in data can lead to large financial returns. Specifically, if the median Fortune 1000 business increased its data usability by just 10%, it would translate to an increase in $2 billion in total revenue every year. Further, increasing both the quality of data and the ability of employees to access it by just 10%, the average Fortune 1000 company can increase return on equity by 16%.[13]

Between understanding data, cost, talent, and more, leaders have data-related problems they need to figure out before transformative initiatives can succeed.

The Main Data-Related Problems Facing Companies, According to Data Management Decision Makers[14]

Understanding Data:
76% said it was difficult to understand their data

Costs:
82% said controlling and forecasting data costs were challenging

Talent:
Leaders said talent challenges were the biggest barriers to data management

Cataloging:
80% said a lack of data cataloging is a top challenge

Data Governance:
82% cited confusing data governance policies as another top challenge

Data management is a problem for many companies. What best practices can organizations follow?[15]

Tip 1 — Improve Internal Data Use

What this looks like:
Look internally, not externally, for data to improve the supply chain. Oftentimes, other departments have data that leaders can harness to improve supply chain operations, but the data is siloed and fragmented, so leaders unknowingly bypass it and seek the same data externally.

Tip 2 — Incorporate External Data

What this looks like:
Outside information, like consumer purchase data, can be extraordinarily helpful for informing supply chain initiatives, such as demand planning. Distributor and supplier data can also give leaders better insight into consumer demand, lead times, and more.

Tip 3 — Automate Data Capture

What this looks like:
Incorporating new methods and tools for automation can put data at supply chain leaders' fingertips. Supply chain stakeholders should first identify the data needed to make supply chain decisions, then use the right software to automate data acquisition, management, and analytics processes.

Tip 4 — Improve Unstructured Data

What this looks like:
Structured data is data that's been put into a database with the intention of users gaining insight from it. Unstructured data, or data that doesn't conform to typical data models, can also provide powerful insights, but it's usually difficult to access. To get the most out of their unstructured data, companies should create a data foundation to handle it.

Tip 5 — Implement AI and Machine Learning

What this looks like:
AI and machine learning improve supply chains by finding data patterns and forecasting outcomes. Supply chain data, log data, and third-party sources can power AI and ML to create forecasts based on changing conditions, helping leaders respond quickly to new data, rather than only historical patterns.

"Data errors are often caused by manual entry or reentry, which also results in delays in reporting. Implementation of 'touchless' processes throughout the value chain simultaneously increases the accuracy and timeliness of data."
– University of Texas-Austin Study on Data Effectiveness[13]

Global spending on digital transformation is expected to reach 2.8 trillion in 2025, which is double the amount spent in 2020.

Change Management for Successful Transformation

With any transformation initiative comes the need for effective change management. At the end of the day, transformations are people initiatives that have the potential to fail if stakeholders and employees aren't on board. This is especially true for digital transformations and tech implementations facing today's supply chains.

Digital transformation initiatives aren't cheap. The International Data Corporation forecasts global spending on digital transformation is expected to reach $2.8 trillion in 2025, which is double the amount spent in 2020.[16] That's a lot of money and a lot of reasons to make sure transformation initiatives are done right the first time.

Keep reading to learn the common pitfalls of transformations and how effective change management can enhance user adoption and transformation success.

> "A business transformation is a huge undertaking for an organization. With the amount of time and money companies invest in these initiatives, giving impacted employees a voice and seat at the table is vital to ensure longevity and success."
>
> **– Matt Wessels, Leader of Human Capital Transformation at Catena Solutions**

Why do transformations fail?
What common challenges stand in the way?

According to CIO.com, these are the top reasons change initiatives go off the rails.[17]

1. **Spontaneous Transformation**
   When faced with challenges, business leaders want to find a solution ASAP and jump right in. However, most initiatives require comprehensive planning, strategic implementation, and long-term commitment.

2. **Lack of a Clear Vision**
   Without a clear strategy and being able to effectively communicate it, successful change isn't going to happen. There should be specific goals and targets along the way so everyone in the organization understands what to do and leaders know whether the transformation is progressing.

3. **Forgetting About the Customer**
   Digital transformations are for the benefit of customers more than anything. However, companies often neglect to keep the customer informed along the way. With some technological upgrades, training the customer is just as crucial as training employees.

4. **Culture Shock**
   Change resistance is often the top challenge with transformations. Stakeholders will be used to working a certain way and getting them on board will take time and effort. Training programs are crucial, as is listening to employee concerns and incorporating their feedback in the rollout process.

5. **Lack of Long-term Commitment**
   Most transformations take many years to see an ROI. However, some leaders abandon an initiative if it's not successful right from the start. This is a mistake, as most transformations require dedicated, multi-year budgets and commitments to achieve success.

6. **Not Picking the Right Tool**
   Many organizations approach technology transformation backward. Instead of assessing organizational needs and selecting tools to support those goals, they choose new technologies and try to make them fit into the organization. This leads to fractured expertise on multiple tools, organizational silos, and bigger problems.

7. Inadequate Leadership Support

For employees at all levels of an organization to embrace new initiatives, the C-suite should be vocal about their support and the benefits of the transformation. Though the CEO won't be the one spearheading the efforts, they should still be heavily involved in creating a message of positivity around the change.

8. Business Units Don't Understand Their Role

This goes back to why clear communication is critical for any transformation. Though a specific task force will most likely be driving the transformation, the rest of the organization needs to know exactly what their role is to make the initiative happen. The importance of communicating the benefits and the "what's in it for me" can't be overstated.

"With so many moving parts in the CPG and Food & Beverage industries, the stakes are especially high for business transformations. When working with complex organizations, stakeholders at all levels must be considered, and a comprehensive change management plan must be enacted to accommodate affected employees. Without it, big initiatives are unlikely to get off the ground."

– Jennifer D'Angelo, Vice President at Catena Solutions

The data doesn't lie: Initiatives are more successful with effective change management.

Transformations, even if digital, always have a people component. The best technology can be rendered useless if employees are resistant to its implementation and there's confusion around the roll out. In this age of constant transformation, change is inevitable. A change management strategy is needed to get it right.

Prosci has looked extensively into the correlation between change management and critical success factors for projects and initiatives. The data is clear: projects and initiatives are more successful when there's an effective change management plan in place.[18] Let's see how change management enables transformations to meet objectives and stay on schedule and within budget.
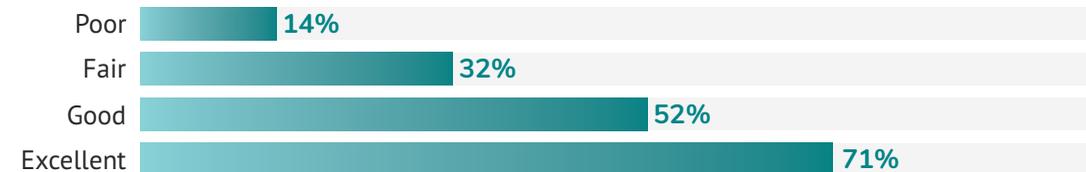
1. **Meeting Objectives** – Projects with excellent change management are 6x more likely to meet objectives than those with poor change management.

Correlation of Change Management Effectiveness with Meeting Objectives[18]

|	
Poor	15%
Fair	42%
Good	77%
Excellent	93%
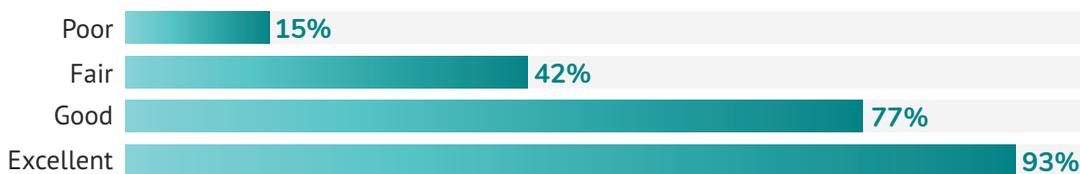
2. **Staying on Schedule** – Projects with excellent change management are 5x more likely to stay on schedule than those with poor change management.

Correlation of Change Management Effectiveness with Staying on or Ahead of Schedule[18]

Poor	14%
Fair	32%
Good	52%
Excellent	71%

3. **Staying on Budget** – Projects with excellent change management are 1.7x more likely to stay on budget than those with poor change management.

Correlation of Change Management Effectiveness with Staying on or Under Budget[18]

Poor	48%
Fair	62%
Good	70%
Excellent	81%
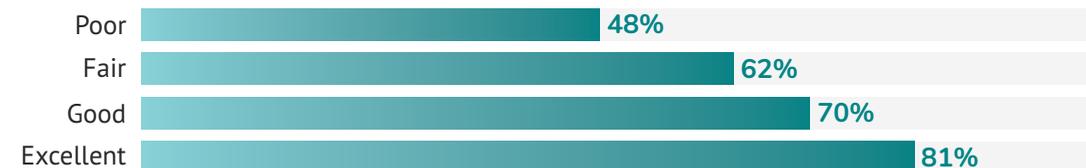
We know successful transformation is much easier said than done.

Catena Solutions is here to help.

Catena Solutions specializes in supporting supply chain organizations with their business initiatives including digital, financial, human capital, and supply chain transformations. We do so by meeting you where you and your company are on your journey, whether that's needing consulting resources for knowledge gaps or interim support for business continuance.

Our team of consultants has expertise in the areas of Change Management, Communications, Cost & Margin Optimization, Data Management/Visualization & Analysis, Organizational Design, Project Management, Total Rewards, and Workforce Planning.

For more information, visit us at **catenasolutions.com**

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