

# How SAP Software Can Be a Catalyst for Change

## 4 Ways to Transform Your Organization to Adapt to the Modern Supply Chain

The evolution of the supply chain has not changed greatly in its primary objective: delivering the right product to the right place at the right time. Yet the modern supply chain has grown in complexity and diversity. With the expansion of omnichannels, user and customer behaviors are becoming even more unpredictable. Demand networks and predictive analytics can provide a technological solution to manage these variables, but they can sometimes fall short of providing a holistic solution to modern supply chain challenges.

So how do companies tackle increasingly integrated complexity and become more mature in the process? Companies must begin by addressing the issues in-house. To do this, organizations need to strategically use SAP technology as a catalyst for change and drive the business toward an integrated supply chain. Using the technology to help reveal the hidden value within their people and processes will drive transformative value. Four key principles need to be followed to ensure sustainable change.

*When siloed, the supply chain doesn't move at the speed of information. It moves instead at the speed of internal politics, manual interventions, and indecisiveness.*

## **1. Drive Change, Don't Enable It**

True transformation comes from directional change. When Spanish Conquistador Hernando Cortez landed on the shores of the New World in 1519, he burned his ships to symbolize that there was no turning back. His action also created directional change: The goal was clear, the direction had been set, the path was laid, and the option to return to the Old World was eliminated. Cortez was a driven leader; he had a clear mission of all or nothing.

To transform the modern supply chain, we need a smart use of technology, process optimization, behavior change, and, most importantly, directional change driven by leadership. Using SAP solutions to drive that change is imperative, since it is the single source of truth — or should be. Leaders who embrace the philosophy that SAP systems are a “way of doing business” set the direction for change. It moves the organization to adopt standard SAP processes as best practices that will create standardization, process harmony, and commonality — key success factors for scalability. Enabling the organization to retrofit the system to meet the business is akin to going back to the “Old World.” Burn the proverbial ships and chart a new course.

## **2. Organize Around Business Objectives and Measures**

In baseball, there are statistics for everything: runs batted in, walks, strikeouts, hits, and so on. Managers have always tracked traditional statistics like these, but as shown in the popular book and movie “Moneyball,” those who developed or exploited new statistics gained an advantage over the competition and performed better as a team. In a supply chain, however, companies often fail to do exactly this. A company might measure service level to the customer — basically, the scoreboard that indicates if the company is “winning” — but it frequently doesn't measure how well the supply chain is performing throughout its end-to-end cycle. Without this information, it is much more difficult to determine how the company can improve, so companies are left to wonder: How many exceptions occur in the supply chain (and are they declining)? Is the throughput per constraint increasing? Is the ratio between “dead” stock and average inventory improving?

The good news is that SAP software makes it possible to track all these measures. With specific focus, it can help modify behavior within the organization and drive change toward an integrated supply chain.

### **3. Find Opportunities for Quick Wins**

Every interaction, whether it's a system or human, requires information exchange. Information has no boundaries and can be shared the instant a change occurs. As soon as a flight is delayed, for example, the destination airport knows this information; it has already rescheduled the connecting flight and informed customers via email while they are in the air.

An integrated supply chain functions in the same fashion. If the information is accurate, the SAP system will communicate any exception to the process every step of the way. The challenge is that the information lives in an integrated environment, whereas a supply chain often lives in clearly defined silos such as those around procurement, manufacturing, distribution, and sales. Due to these silos, the supply chain doesn't move at the speed of information: It moves instead at the speed of internal politics, manual interventions, and indecisiveness.

A smart use of information will help identify pinch points in the process, such as under- and over-consumption of forecasts and a lack of supplier performance. Companies must learn to use this information and reports resident in the SAP system to identify quick wins and help drive the change in behavior.

### **4. Sustain the Change with Governance and Process Alignment**

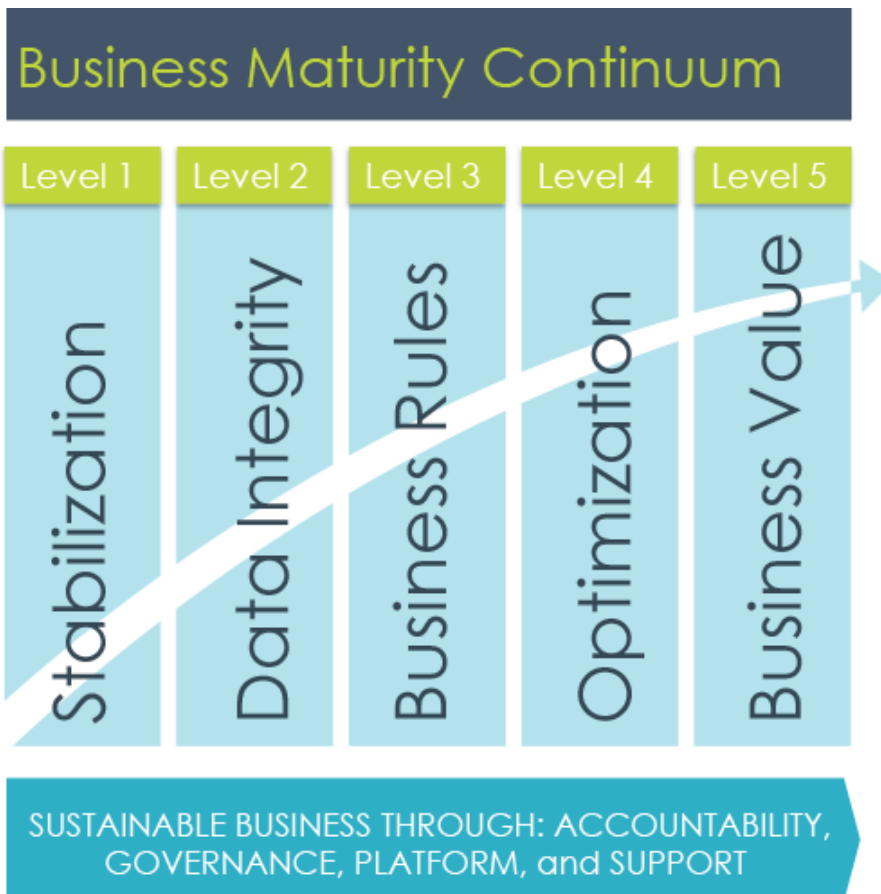
When people attend an event, there is a clear process: acquire tickets, pick them up at will call, find the seats, attend the show, and finally exit the theater — all of which is done in an orderly fashion, even though it may seem that thousands of people are just moving randomly. This is achieved because the process is aligned with the objective and governance structures are in place to manage the process. A supply chain functions no differently: It requires a governance structure to lead, guide, question, and facilitate the movement of products— and to manage exceptions to the process (as with an event when a disorderly person disrupts the natural flow). Process-aligned teams within an organization become the embodiment of this governance. This cross-functional mindset breaks down the organizational silos, allowing the supply chain to function efficiently, while providing guidance to the process.

### **The Business Maturity Continuum**

Businesses that have addressed these four principles and matured into a truly integrated supply chain have seen huge improvements not only in their earnings before interest and taxes (EBIT), but also in their abilities to scale for growth.

Reveal has developed its Business Maturity Continuum (see **Figure 1**) to evaluate how well businesses have addressed these issues and measure their level of SAP maturity. Mature, SAP-centric businesses that have successfully progressed through the five levels of Business Maturity have been able to:

- Reduce inventory by 10%-50%
- Improve end-to-end service levels by at least 20%
- Increase process efficiency by at least 20%
- Reduce operation cost by 15%-45%
- Reduce cycle times and lead times, and increase turns
- Increase data accuracy and user confidence
- Improve management control and decision making
- Increase visibility across the whole supply chain



*Image courtesy of Reveal*

*Business Maturity is a registered trademark of Reveal.*

**Figure 1** – The Business Maturity Continuum helps companies measure their level of SAP system maturity

Putting the SAP system at the heart of the transformation and using it as a catalyst for change, setting the path for directional change, measuring the success, and guiding it with governance and process-aligned teams are key factors for success. Discover how Reveal can help transform your company's supply chain by assessing the opportunities within the organization and transforming the people, processes, and technologies that ensure a sustainable, successful supply chain. To challenge the traditional thinking and to reveal the hidden value in your supply chain, conduct a self-assessment at [www.revealvalue.com/resource/self-assessment](http://www.revealvalue.com/resource/self-assessment).



SAPinsider is the largest and fastest-growing SAP membership group worldwide, with more than 400,000 members across 50 countries. It provides SAP professionals with invaluable information, strategic guidance, and road-tested advice, through events, magazine articles, blogs, podcasts, interactive Q&As, benchmark reports and webinars. SAPinsider is committed to delivering the latest and most useful content to help SAP users maximize their investment and leading the global discussion on optimizing technology.