Supply Chain Integration: A Competitive Advantage for the Mid-Market

Manage Supply Chain Complexity to Ensure Resiliency

An IDC InfoBrief, sponsored by OpenText
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Disruption Is a Constant Companion in Today's Supply Chain

In light of cost pressures (inflation), labor markets (shortages and talent gaps), and disruptions, executives continue to highlight consistent top priorities:

- Efficiency (cost)

- Speed (responsiveness and intelligence)

- Resilience (visibility and agility)

- IT infrastructure (enablement and orchestration)

Global supply chain disruptions continue to be top of mind, materially impacting operations and strategic priorities. Companies continue to focus on integrated solutions to enhance visibility and responsiveness (resilience).

Mid-market companies see lack of collaboration, integration, speed, and visibility as the biggest gaps to supply chain success. Scalable analytics and insights to keep up with ever-growing volumes of data and data sources, migration to the cloud, and the use of business networks are key technology focus areas.

Using Technology and Analytics to Solve Business Problems

Mid-market companies have supply chain challenges that larger-sized companies do not face in the same way.

Mid-market companies are held to the same business process standards by their customers as large enterprises, but they lack broad resources. However, despite needing to be judicious about where and how to spend limited resources, they have an agility — a nimbleness — that their larger counterparts lack.

By nature, supply chains are complex. Instead of simply accepting it, mid-market companies should look for the right tools, technology, and approaches to better manage complexity.
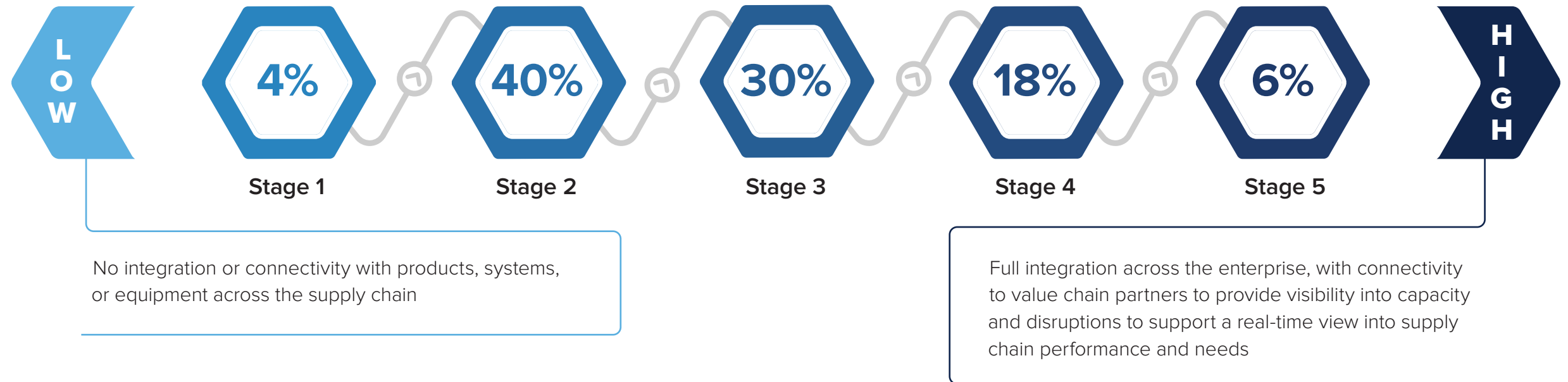
Supply chain resiliency remains a top priority to better adapt to changes in their business environment and to adapt more quickly to new business models.

Efficiency has re-emerged as a top priority.

Technology and analytics

can help solve business problems that could not be solved previously.

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Supply Chain Resiliency Requires Effective and Comprehensive Integration

LOW

4%	40%	30%	18%	6%
Stage 1	Stage 2	Stage 3	Stage 4	Stage 5

HIGH

No integration or connectivity with products, systems, or equipment across the supply chain

Full integration across the enterprise, with connectivity to value chain partners to provide visibility into capacity and disruptions to support a real-time view into supply chain performance and needs

Across organizations of all sizes, integration maturity remains a work in progress: Only about a quarter of companies report they are in the most mature two stages of supply chain integration. This means that companies are either throwing labor at the problem or seeing business performance lag their most advanced competition.

"The ability to easily integrate supply chain business processes and applications is more important to us than that last little bit of functionality."
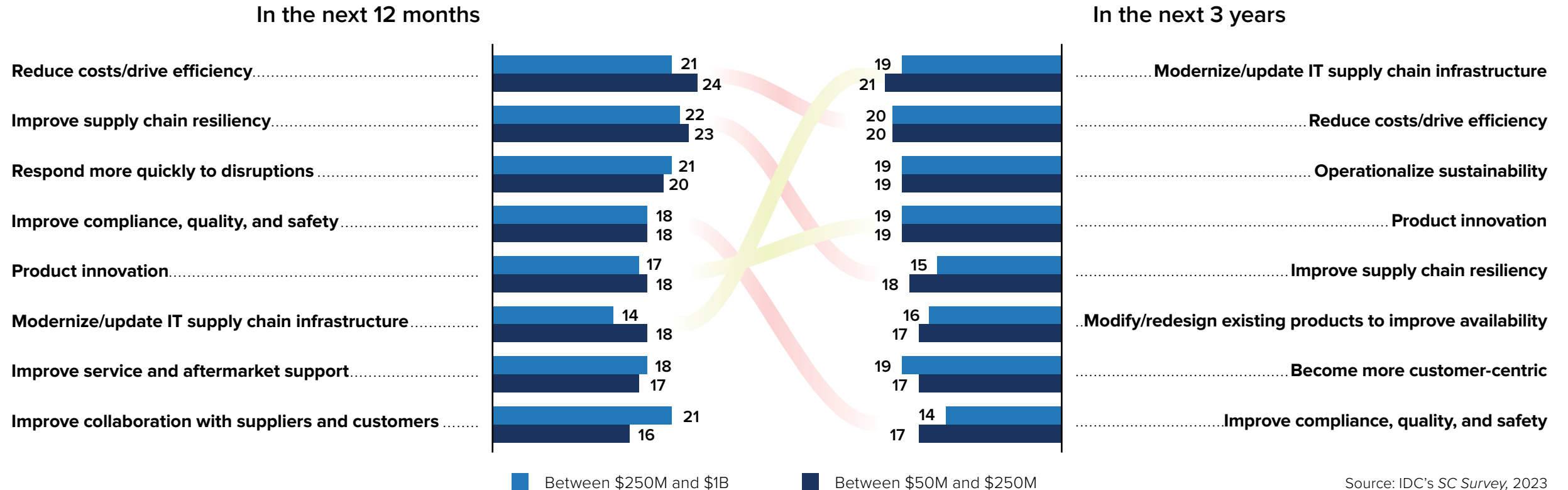
—Manufacturing CSCO

"Supply chain/B2B integration is a muddle of manual processes, in-house developed tools and Excel. Certainly not best in class."

—Manufacturing EDI Manager

Supply Chain Priorities for Mid-Market Companies

What are the top three priorities for your supply chain over the next 12 months, and in the next three years?
(% of respondents)

In the next 12 months

Priority	Between $250M and $1B	Between $50M and $250M
Reduce costs/drive efficiency	21	24
Improve supply chain resiliency	22	23
Respond more quickly to disruptions	21	20
Improve compliance, quality, and safety	18	18
Product innovation	17	18
Modernize/update IT supply chain infrastructure	14	18
Improve service and aftermarket support	18	17
Improve collaboration with suppliers and customers	21	16

In the next 3 years

Between $250M and $1B	Between $50M and $250M	Priority
19	21	Modernize/update IT supply chain infrastructure
20	20	Reduce costs/drive efficiency
19	19	Operationalize sustainability
19	19	Product innovation
15	18	Improve supply chain resiliency
16	17	Modify/redesign existing products to improve availability
19	17	Become more customer-centric
14	17	Improve compliance, quality, and safety

■ Between $250M and $1B   ■ Between $50M and $250M

Source: IDC's *SC Survey,* 2023

In the near term, efficiency and resiliency (both visibility and agility to see it and respond) are top two priorities, as both are ways to ensure margin improvements and more reliable operations. IT modernization is on the radar as an important driver of performance but takes a back seat for now. Responding more quickly to supply disruptions or changes remains top of mind in the shadow of recent global supply chain disruptions. Notably, collaboration is a bigger priority for larger mid-market organizations.

In the medium term, efficiency remains a top priority as mid-market companies see margin erosion and input cost pressure continuing. IT modernization increases in importance to drive better business performance, while operationalizing sustainability joins the list of top priorities.

Throwing People at Supply Chain Integration Is a Problem

Mid-sized companies are **struggling to find affordable skilled labor** (supply chain planners, schedulers, and analysts).
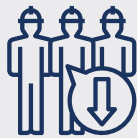
Over the next decade, almost 40% of mid-market companies view **labor availability as a persistent problem**.

The top priority for these companies in 2023-25 is to reduce cost/eliminate waste to **mitigate the effects of persistent inflation**.

Hiring more people to address **B2B/supply chain integration challenges** is not an effective answer.

Mid-market companies need **better and simpler tools** to help them manage their own integrations and to automate integration onboarding of tools with ERP.

Within your supply chain, in which of the following areas are you experiencing the most acute people shortages?

(% of respondents)

Skilled labor/white collar – supply chain planners and schedulers .... 55 / 55

Temporary labor/blue collar – warehousing (pickers, fork-lift drivers, etc.) .... 39 / 33

Skilled labor/white collar – warehouse operations (mechanics, maintenance, analysts, etc.) .... 38 / 26

Temporary labor/blue collar – transportation (loaders/unloaders, truck drivers, etc.) .... 16 / 8

Skilled labor/white collar – transportation operations .... 16 / 9

■ Between $250M and $1B   ■ Between $50M and $250M

Source: IDC's *SC Survey,* 2023

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How Are Mid-market Companies Approaching Risk?

To mitigate risk, companies need better tools to align and integrate the supply chain.
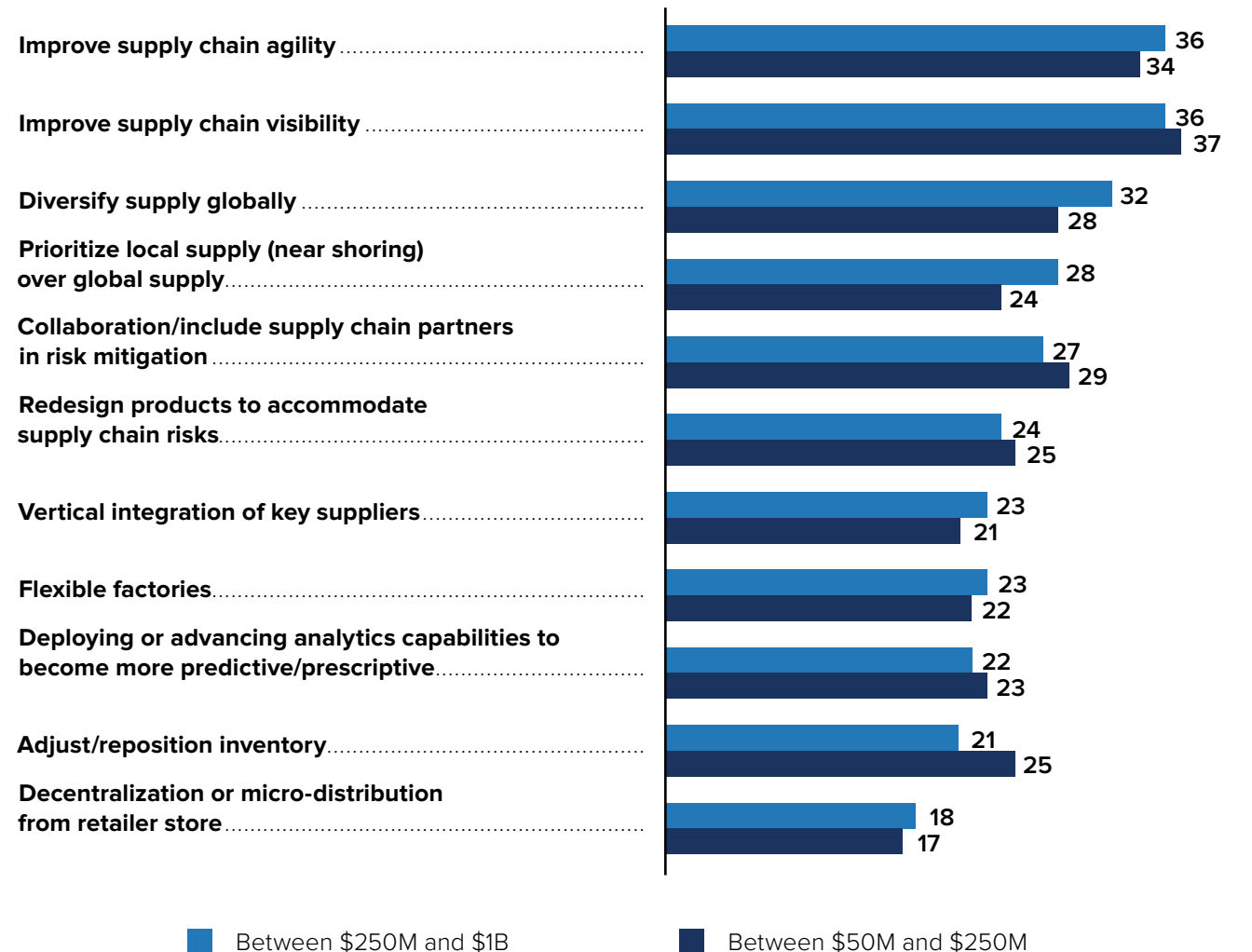
- Managing risk for the mid-sized company means seeing and acting across a broader range of suppliers.

- Getting competitive advantage requires a company to respond more quickly, particularly in an environment where resources are scarce.

- Supply diversification specifically means more suppliers, more documents, more exchanged information and greater potential for things to go wrong. Diversification is more important to the large end of the mid-market.

"Attempting to predict major disruptions, the black swan events, if you will, have proven to be an almost complete waste of time for us. What we need is the visibility and integrated systems to be able to respond more quickly than our competitors."

–High Tech COO

What steps are you taking to mitigate risk within your supply chain?
(Overall rank)

	Between $250M and $1B	Between $50M and $250M
Improve supply chain agility	36	34
Improve supply chain visibility	36	37
Diversify supply globally	32	28
Prioritize local supply (near shoring) over global supply	28	24
Collaboration/include supply chain partners in risk mitigation	27	29
Redesign products to accommodate supply chain risks	24	25
Vertical integration of key suppliers	23	21
Flexible factories	23	22
Deploying or advancing analytics capabilities to become more predictive/prescriptive	22	23
Adjust/reposition inventory	21	25
Decentralization or micro-distribution from retailer store	18	17

Source: IDC's *SC Survey,* 2023

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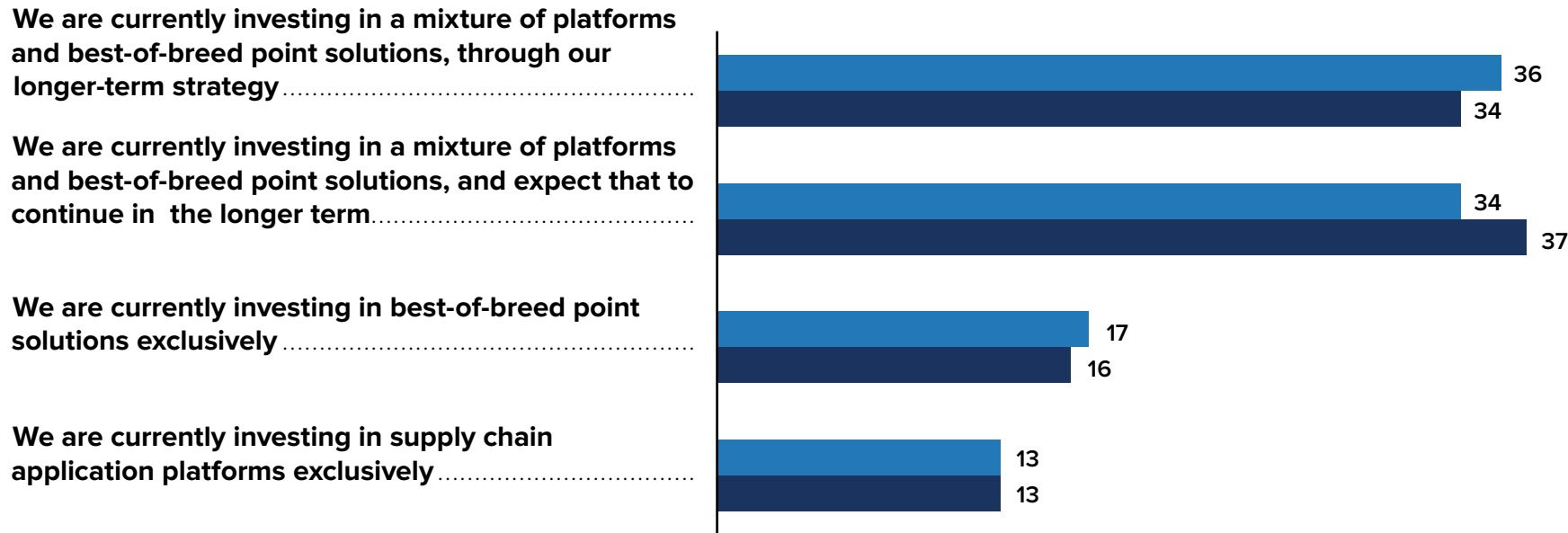# Mid-Market Companies Continue to Invest in Disparate Supply Chain Systems

Although supply chain 'platforms' are the focus for many application vendors, the reality is that mid-market companies expect to continue to run multivendor and multitool IT environments. These multivendor and multitool environments will also need to be able to navigate the reality of persistent legacy/on-premises applications that must integrate to newer, cloud tools.

This means that the ability to integrate remains of singular importance.

What approach are you taking when purchasing or replacing supply chain systems?
(% of respondents)

Legend: ■ Between $250M and $1B   ■ Between $50M and $250M

We are currently investing in a mixture of platforms and best-of-breed point solutions, through our longer-term strategy
- Between $250M and $1B: 36
- Between $50M and $250M: 34

We are currently investing in a mixture of platforms and best-of-breed point solutions, and expect that to continue in the longer term
- Between $250M and $1B: 34
- Between $50M and $250M: 37

We are currently investing in best-of-breed point solutions exclusively
- Between $250M and $1B: 17
- Between $50M and $250M: 16

We are currently investing in supply chain application platforms exclusively
- Between $250M and $1B: 13
- Between $50M and $250M: 13

Source: IDC's *SC Survey,* 2023

> "*Although we are moving to reduce the variety of vendor tools and adopt fewer, broader platforms, this will take some time. In the short to medium term we must find ways to better integrate disparate tools to best support our supply chain.*"
>
> **—Manufacturing CSCO**

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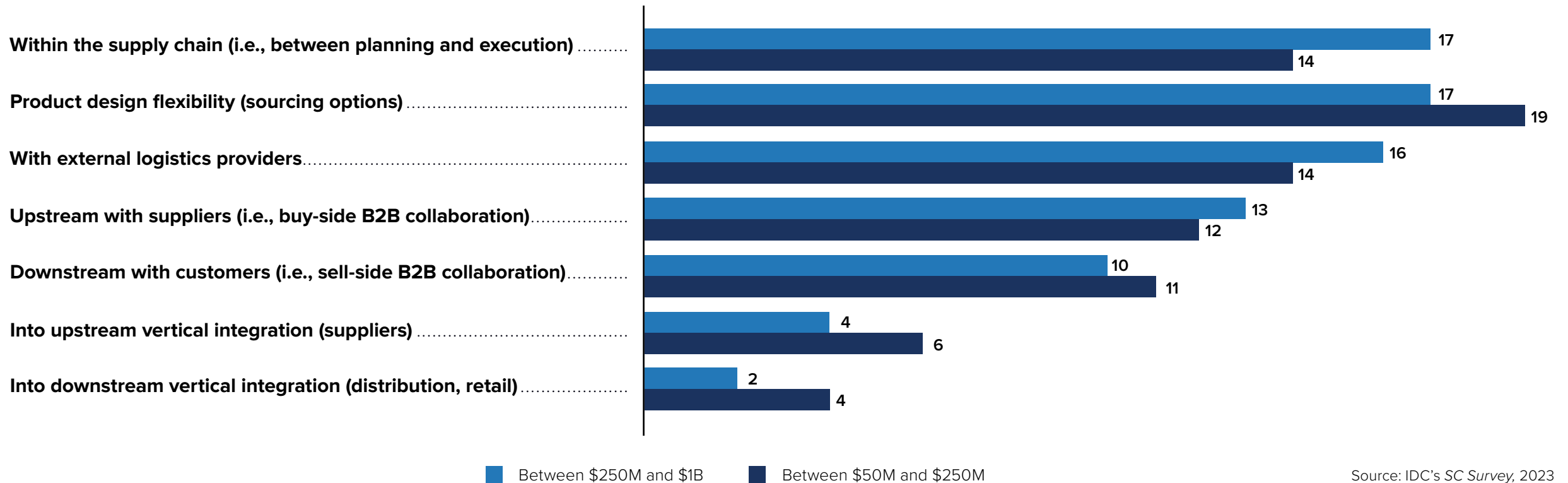# Collaboration Persists as a Major Challenge for Mid-Market Companies

Despite decades of effort to improve collaboration, mid-market companies report only modest progress, and many more persistent challenges exist within the business or even within the supply chain. Companies report to IDC that a lack of system integration further hampers their efforts to collaborate effectively.
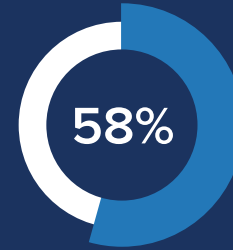
58%

of mid-market companies said insufficient/ineffective collaboration is a major impediment to better business performance.

From a business collaboration perspective, where is the biggest opportunity for your supply chain?
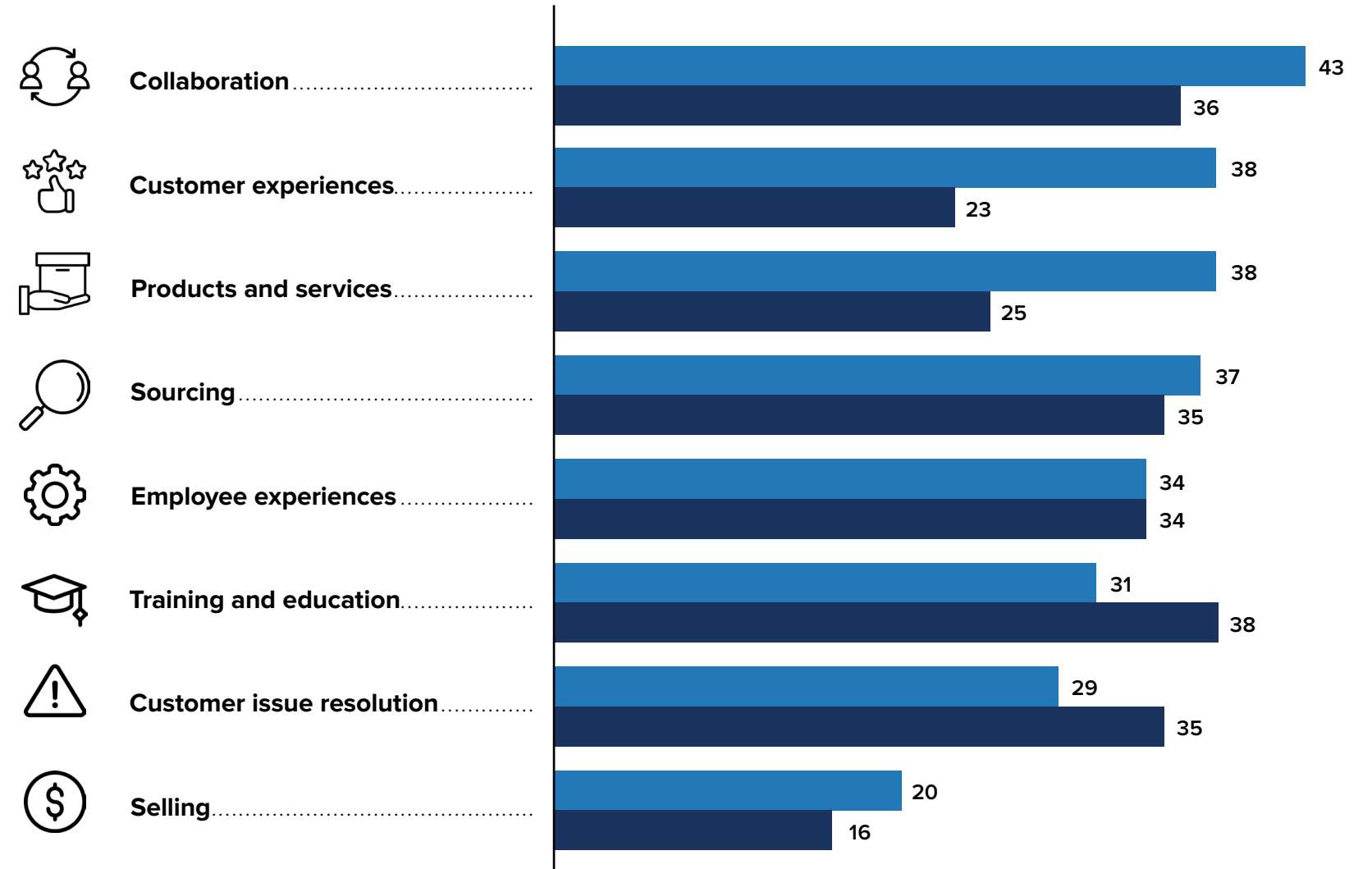
(% of respondents)

	Between $250M and $1B	Between $50M and $250M
Within the supply chain (i.e., between planning and execution)	17	14
Product design flexibility (sourcing options)	17	19
With external logistics providers	16	14
Upstream with suppliers (i.e., buy-side B2B collaboration)	13	12
Downstream with customers (i.e., sell-side B2B collaboration)	10	11
Into upstream vertical integration (suppliers)	4	6
Into downstream vertical integration (distribution, retail)	2	4

Source: IDC's *SC Survey,* 2023

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Business Networks Offer an Opportunity to Dramatically Improve Collaboration

- The use of business networks is a way to both **improve collaboration and enhance sourcing effectiveness**.

- Within the next three years IDC expects that **70% of companies will have adopted at least one network**. Inevitability the 30% who say they currently have no plans for business networks will relent as they see the benefits that accrue.

- The smaller end of the mid-market views business networks through a transactional lens, **focusing more on training, education, and customer issue resolution** than larger mid-market companies.

What do you see as the opportunities for your supply chain from engaging more with your industry ecosystem?

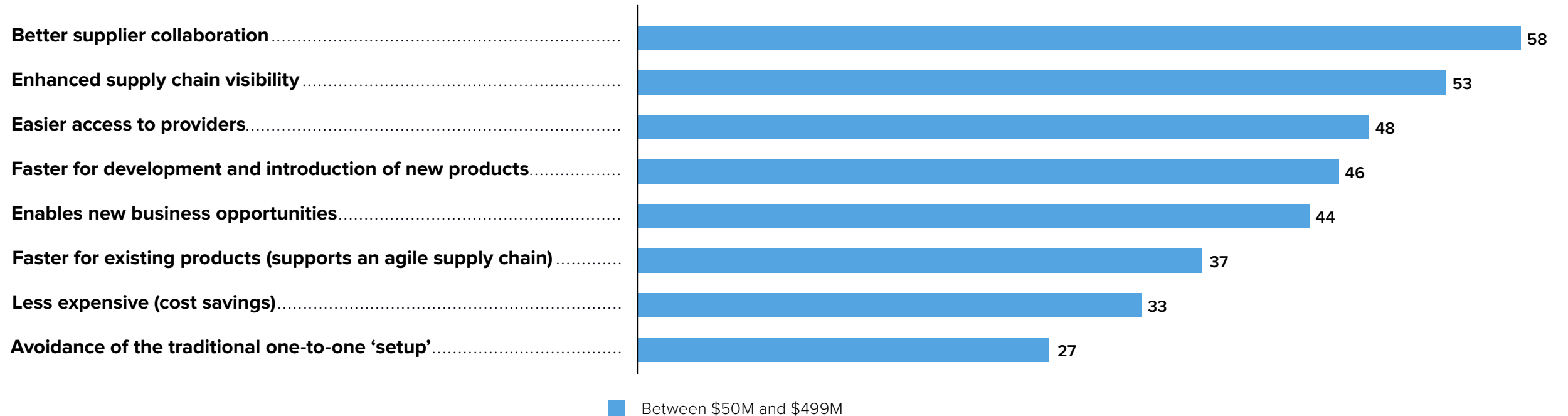(% of respondents)

Category	Between $100M and $499M	Between $50M and $99M
Collaboration	43	36
Customer experiences	38	23
Products and services	38	25
Sourcing	37	35
Employee experiences	34	34
Training and education	31	38
Customer issue resolution	29	35
Selling	20	16

■ Between $100M and $499M   ■ Between $50M and $99M

Source: IDC's *FoIE MS Benchmark Survey*, 2023

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Business Network Participants Report Significant Benefits

What benefits have you seen from business network participation?
(% of respondents)

Benefit	Value
Better supplier collaboration	58
Enhanced supply chain visibility	53
Easier access to providers	48
Faster for development and introduction of new products	46
Enables new business opportunities	44
Faster for existing products (supports an agile supply chain)	37
Less expensive (cost savings)	33
Avoidance of the traditional one-to-one 'setup'	27

■ Between $50M and $499M

Source: IDC's *FoIE MS Benchmark Survey,* 2023

- The benefits all align to top business priorities, particularly **better visibility and better collaboration**.

- Business networks also allow mid-market companies to **find more quickly the suppliers and partners** to take advantage of new business opportunities.

- Despite some concerns, the reality is that the **security capabilities** of business networks usually outstrip those of end-user-run data centers.

Your data is safer on the network.

Managing Complexity for Competitive Advantage for the Mid-Sized Company

Leverage simpler, more intuitive and integrated systems that enable differentiated performance.

Maximize the potential of data with modern analytics, better visibility, and collaboration and the ability to quickly identify insights.

Balance the longer-term goal for aligned/integrated supply chain platforms while recognizing the short-to-medium-term need for tools to manage hybrid IT environments.
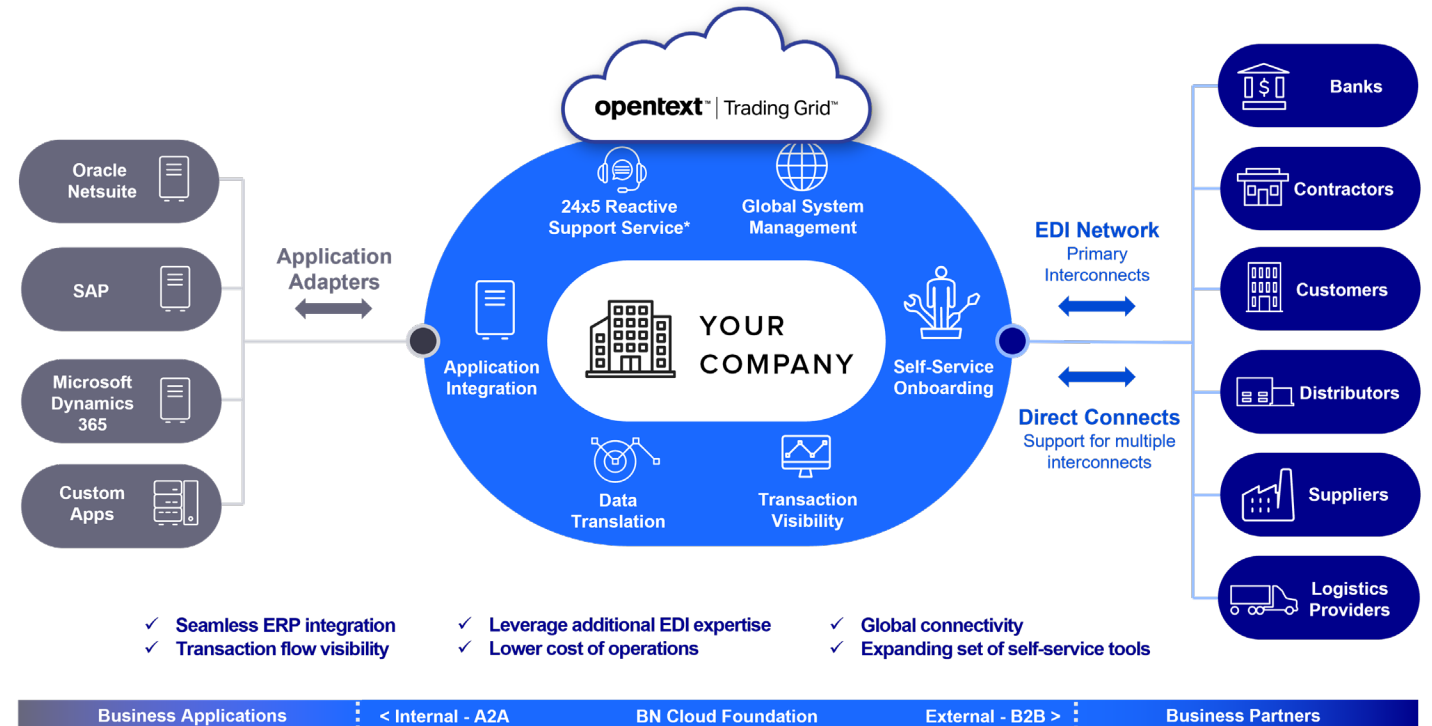
Ultimately, managing complexity is about enabling mid-sized companies to solve problems that could not be solved before. Help them to help themselves.

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