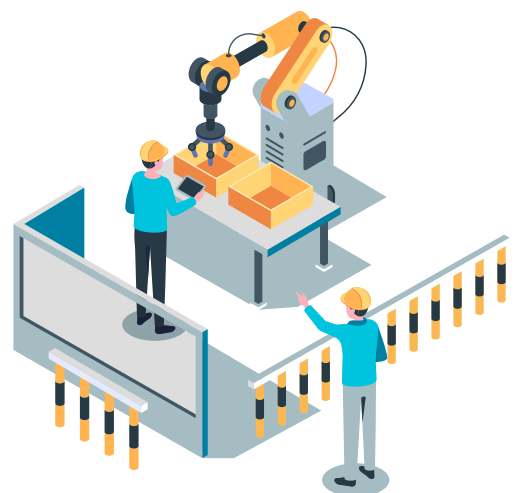


THE INFLECTION POINT FOR THE FACTORY OF THE FUTURE

Study into How Manufacturers and Distributors
Handled the Shift During Covid-19

Contents

Executive Summary	3
Research Methodology	4
Audience Attributes	5
Understanding the Extent and Impact of the Shift on the Industry	6
Mobilizing the Remote Workforce	7
Managing Supply Chain Disruptions	8
Long-term Trends Emerging from 2020	9
The Inflection Point for the Factory of the Future	10
The Role of ERP in Driving Digitalization	11
▪ Manufacturing Operations Management (MOM)	11
▪ Material Requirements Planning (MRP)	12
▪ Supply Chain Portals	12
▪ Cloud Native Capabilities	12
▪ Digital Citizens	12
▪ Inventory Forecasting & Optimization	12
Think Forward with Digital Transformation	13



Executive Summary

2020 has been a year that has seen unprecedented disruption for most industries due to the COVID-19 pandemic. Amid the pandemic, the world could not afford for manufacturing and distribution to grind to a halt. From food on our shelves, to medical necessities, these were some of the sectors that remained at the heart of our economy and needed to keep going at all costs. Although the global supply chain is usually a well-oiled machine comprising of organizations, people, processes, information and resources, disruption became the new reality.

In order to understand how manufacturers and distributors handled the shift presented by the pandemic, we conducted a global industry survey looking at business resilience during COVID-19. The survey touched on the rise of the remote workforce and the need for increased collaboration, the impact of supply chain disruptions and emerging trends that will shape the industry moving forward.

 **47% OF BUSINESSES WERE UNABLE TO FUNCTION DUE TO OPERATIONAL STAFF RELIANCE ON-PREMISE.**

Many industry professionals were unprepared for the pandemic. Global lock downs saw the rise of the remote workforce, yet **47%** of businesses were unable to function due to operational staff reliance on-premise.

 **29% OF BUSINESSES DID NOT HAVE THE AVAILABILITY AND ACCESSIBILITY TO MANAGE CHANGES.**

29% of businesses felt that their business systems did not provide them with the availability and accessibility to manage the changes that the pandemic introduced.

 **60% OF BUSINESSES WERE IMPACTED BY SUPPLY CHAIN DISRUPTIONS.**

Under those constraints, businesses still needed to contend with supply chain disruptions. In fact, **60%** were impacted by supply disruptions, which in turn affected the ability to supply their customers.

 **67% OF BUSINESSES COULD TRADE EFFECTIVELY DUE TO DIGITAL INITIATIVES.**

In the months that have passed, those organizations that were impacted by supply chain disruptions have started to understand that they now need to shift their operations and accelerate their digital transformation journeys. In fact, **67%** stated that due to digital initiatives such as e-commerce, digital supply chains and remote working, they could continue to trade effectively during the pandemic.

 **29% OF BUSINESSES WILL BE PERUSING A CLOUD-BASED SYSTEM MOVING FORWARD.**

They are now looking at business systems to not only fulfill functional requirements, but to be the catalyst for digital transformation. These companies are starting to look at adopting emerging technologies and industry 4.0. Where the industry was slow to adopt the cloud, they are certainly considering it now. **29%** of businesses stated that overall business systems availability and accessibility were inadequate, and they would be pursuing cloud-based business systems moving forward. We have now reached the inflection point for the factory of the future.

At SYSPRO we are working closely with our customers as they make this **SHIFT** and **THINK FORWARD**.



Research Methodology

In order to understand how manufacturers and distributors handled the shift during COVID-19, an online survey was shared with industry professionals of different managerial levels within each of our key regions. This included the United States, Canada, EMEA and APAC.

The survey was conducted in August 2020 and was directed to both office workers as well as operational workers in departments including operations, office of finance, IT, logistics, marketing and sales.

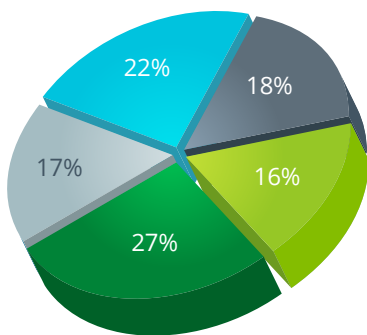
In total, **144** responses were received from top tier business decision makers.

27% of our respondents were at a Managerial level, of which **22%** were at a Senior Managerial level.

27% of the respondents were in roles of operations, while **24%** sit in roles within the office of finance.

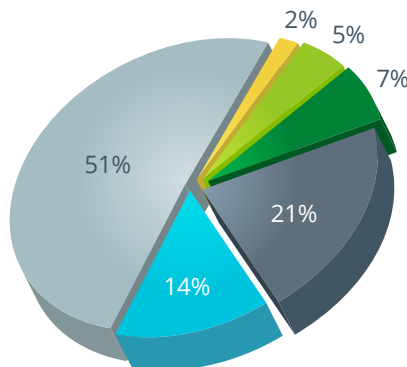


Management Level



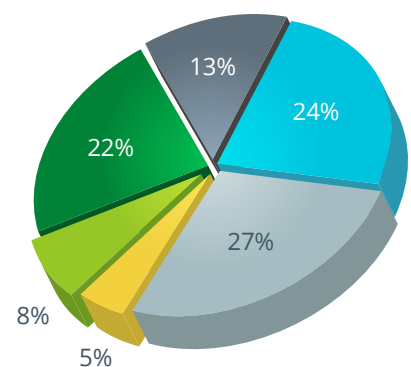
- Executive
- Manager
- Owner/CEO
- Senior Manager
- Supervisor

Geography



- Africa
- Asia
- Australasia
- Canada
- United States
- Other

Departments



- Finance
- IT
- Marketing and Sales
- Operations
- Logistics
- Other

Audience Attributes

In addition to reaching top tier decision makers across various organizational departments, businesses that responded to our survey displayed a number of attributes:

69%

of respondents operated physically in more than 1 geography

62%

have predominantly local customers

70%

consider themselves to be operating on lean principles, where they look at creating more value for customers with fewer resources

49%

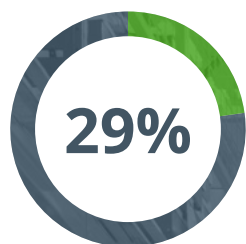
predominantly use local suppliers

40%

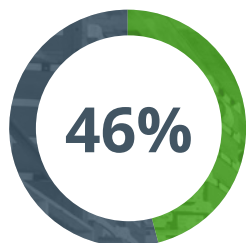
stated that they are reliant on outsourced supply-chain or sub-contracted operations

Understanding the Extent and Impact of the Shift on the Industry

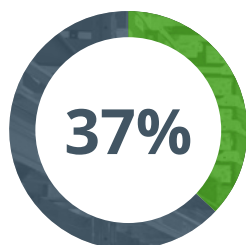
Our research reveals that industry professionals were not prepared for the pandemic. In total, **38%** of businesses felt that their business systems were adequate to cope with the disruption due to the pandemic. When diving deeper into these findings, we found that business systems lacked the necessary accessibility, availability, insights and basic planning tools needed by the industry to react to the pandemic.



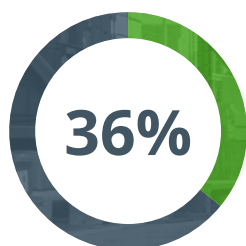
Of businesses felt that their **business systems did not provide them with the availability and accessibility to manage the changes that the pandemic introduced**, for example the remote workforce.



Felt that their systems **lacked the insights** that were needed to respond to the change.



Agreed that their business systems **lacked those basic planning tools** that could adjust according to day-to-day changes in the environment. This meant that they could not effectively plan for what was happening.



Said that **business continuity was a major issue** and business systems in fact hampered their business continuity.

AS A RESULT

23% of businesses stated that they expected to lose customers through the inability to supply enough products or services in meeting market needs.

Mobilizing the Remote Workforce

There is no doubt that the global COVID-19 pandemic has been a catalyst for change. As social distancing became the new normal, entire workforces needed to connect as well as collaborate remotely. The perception in the manufacturing sector is that factories are heavily dependent on operators to keep machines running and it's simply not possible for resources to work remotely. This survey provided the following outcomes:



37% of companies were unable to provide the remote work capabilities to employees that were required.

This included back office positions such as administrative functions as well as front end operations.



Our survey has shown that **19% of businesses could not perform administrative functions remotely.** In fact, one of the biggest areas that was impacted was the payroll function – where manual processes still play a huge role in month end processes.

Almost three quarters **73% of businesses stated they would need to invest in capabilities to facilitate remote working.**

Businesses have also realized that there could be consequences should remote working not become a permanent fixture.

45% of businesses have realized that they could lose talent in the future if they do not embrace remote working moving forward.

As a result, **57% of companies would allow employees to continue remote working post COVID.**

COVID has had a ripple effect in many areas but remote work is here to stay and will need to be supported by systems that allow for easy communication, collaboration and performance management.

Impact on the Labor Force

While the pandemic led to most of the workforce to operate from a home-based office, staff contingents also faced the prospect of retrenchments. Our study showed that 31% of businesses agreed they had no choice but to furlough staff and 24% indicated that not all staff would return from furlough.

Additionally, 27% indicated they had to reduce overall headcount, resulting in a long-term impact on business operations.



Managing Supply Chain Disruptions

There is no doubt that COVID-19 has tested all companies' contingency and business continuity plans to the fullest.

Our study showed that **60%** of businesses were **impacted by supply chain disruptions** during the pandemic. This in turn affected their ability to support their customers through the pandemic.

When the pandemic struck, the closing of borders, airports, and ports led to procurement teams scrambling for locally-based suppliers to ensure they can fulfil existing orders and continue with new orders.



At the same time, **only 34%** considered **government schemes** adequate to protect their business and their industry.

When digging deeper into the reasons behind supply chain disruption, **29%** agreed that the disruption of material supply was due to **disruptions in materials transiting through affected countries.**

Additionally, **43%** stated they had highly-integrated supply-chains that were **disrupted due to the impact on the raw materials** from the country-of-origin.

For decades, supply chains have been heavily integrated and increasingly **reliant on foreign raw material**, in particular from Asia.



When looking specifically at distribution, **45%** agreed that they **were unable to operate** at the same levels of distribution efficiency enjoyed before the pandemic.



In response, **56%** of businesses are already **investigating dual sourcing** and other initiatives to reduce supply-chain risk, and **37%** were looking at **planning tools** that could actually **incorporate visibility into the supply chain.**

Long-term Trends Emerging from 2020

Businesses have come to realize that in order to overcome supply chain disruptions, their business operations need to become more agile moving forward. The study revealed a number of ways in which the industry may metamorphose.

1

In the past, companies looked to offshoring with the knowledge of the potential risk of quality control, but with the benefit of lower labor costs.

2

The pandemic meant that businesses needed to urgently adjust operational strategies. Besides the inability to source raw materials from other countries due to national lockdowns, other factors such as trade restrictions have made the prospect of near or re-shoring increasingly attractive.

3

60% stated that they would have to reconsider existing business models for sourcing, manufacturing and distributing.

4

One possible way for this to be achieved is through near or re-shoring or the practice of transferring a business operation that was moved overseas back to the country from which it was originally relocated.

5

Moving forward, 42% of businesses stated that they will near-shore or re-shore manufacturing operations. This reconfiguration of supply chains has both an impact on localized requirements as well as dual sourcing policies for supply certainty.

6

In fact, 56% stated that they are already investigating dual sourcing and other initiatives to reduce supply-chain risk. Here, industry-built technology solutions will deliver industry specific functionality for manufacturers and distributors to optimize and simplify operations, stay current and in control.




The Inflection Point for the Factory of the Future

In asking businesses why they decided to off-shore in the first place, business leaders stated that it was due to local inefficiencies. This includes cost and processing inefficiencies.

Prior to the shift, manufacturing had been defined by manual inspections, manual recording and disconnected processes. Some companies had also invested in best of breed business systems that work in one center but had failed to connect to the downstream and upstream operations. During the pandemic, all of these disconnections were the reason why businesses opted to re-shore or near-shore in the first place.

Now is the time for SMB manufacturers to embark on their digital transformation journey and embrace the promise of Industry 4.0. Here, industry-built technology solutions will deliver industry specific functionality for manufacturers and distributors to optimize and simplify operations, stay current and in control.



By adopting **Robotics** and integrating advanced **Quality Control**, manufacturers can improve operational efficiencies to drive better outcomes and results.

Machine Learning and **Artificial Intelligence** can help to identify trends, get predictions, and identify anomalies. There is also a huge opportunity presented by chatbots or **'Digital Citizens'** to solve most customer service issues on their own.

Big Data Analytics will provide insights for better decision making and **Sensors** or **IoT** will connect and digitalize processes.

In order to make this a reality, manufacturers and distributors are shifting their preference towards a cloud deployed business solution, not only to address immediate needs, but as a catalyst to accelerate their digital transformation journey.

The Role of ERP in Driving Digitalization

ERP is an industry acronym for Enterprise Resource Planning. Broadly speaking, ERP refers to the automation and integration of a company's core business to help them focus on effectiveness and simplified success.

ERP can support manufacturers to digitalize by providing the systems and platforms that resolve the biggest areas of impact; remote workforce enablement, implementation and automation of business systems to handle procurement and sourcing policy changes, distribution and lead time planning; and analytics providing data real-time to support improved decision-making. While there has been downtime, manufacturers have the opportunity now to make a change to improve operational efficiency and thrive now and into the future.

There are a number of existing technology solutions that provide a business with the capabilities to control, react, survive and thrive during disruptions of this nature, and these are:

Manufacturing Operations Management (MOM)

A holistic and complete manufacturing lifecycle management solution encompassing planning, scheduling, publishing, collecting, tracking and analyzing to optimize and improve manufacturing operations.

MOM systems offer the following capabilities:

- **Optimized shop floor data** collection by connecting people, machines and other devices to digitize the factory (Industry 4.0), promoting real-time analytics and automation.
- **Productivity Analysis.** Manufacturers can measure production performance to drive toward world class standards of operation for overall equipment and labor effectiveness.
- **Advanced planning and scheduling**, allowing businesses to plan resources and constraints, allowing them to react quickly to changes in plans and schedules as well as make best use of available resources.



Material Requirements Planning (MRP)

Assists manufacturers and distributors to automate the process of managing the balance between material supply, product and service demand, allowing them to optimize the ordering processes and take advantage of batching and realizing economies of scale. Improving profitability & cashflow.

Supply Chain Portals

Assists manufacturers and distributors to automate the process of managing the balance between material supply and product and service demand, allowing them to optimize the ordering processes, take advantage of batching and realizing economies of scale. Improving profitability & cashflow.

Cloud Native Capabilities

Provide a portal platform for fostering collaboration with suppliers, allow request for supply quotes to be responded to automatically, and supplier performance information to be surfaced and actioned independently of purchasing team or supplier management interventions.

Digital Citizens

ERP connected and enabled chatbots can be used to service customers 24/7. These AI-powered 'digital citizens' even have the built-in skills to do a price and stock enquiry, customer account related information and transactional enquiries, such as resending invoices and providing statements independently of human interaction.

Inventory Forecasting & Optimization

Having a systematic and automated process to predict and control stock levels, based on desired customer service levels, is key to reacting quickly to satisfying the right orders for the right customers, to retain strategic contracts and ensure survival of key account relationships.

Think Forward with Digital Transformation

○ If the pandemic has taught business leaders one thing, it is that being agile and embracing digital transformation and automation technologies is no longer a luxury, but a necessity.

○ Moving forward, we anticipate that organizations will start to adopt different approaches to sourcing strategies and will shift their focus away from cost and efficiency control towards certainty and quality. This shift will be long lasting and innumerable. Technologies that will shape this shift will be the uptake and adoption of business process automation, collaboration portals and messaging gateways.

○ Now more than ever, for organizations to remain relevant, and to thrive in the future, movers and makers need to roll up their sleeves and tackle the transformation challenge head-on so they can create real-world impact and take manufacturing and distribution to the next level. Benefits of transforming digitally will be far-reaching. This includes the ability to innovate rapidly, the ability to offer a shorter time to market and a capability to prevent wastage by storing less inventory. Long term results include more efficient supply chains and higher capital efficiency.

○ The good news is that you can use ERP to support your overall digital strategy. The key is to ensure that it is future-fit.

Think Forward with SYSPRO

Learn More about SYSPRO ERP at [SYSPRO.com](https://www.syspro.com) and how you can make the shift towards digital transformation.



syspro.com

Copyright © 2020 SYSPRO. All rights reserved.

All brand and product names are trademarks or registered trademarks of their respective holders.

721667 1010