



Industrial Manufacturing | SAP Business Suite

Revolutionizing industrial manufacturing with smart technologies

How digitalization can help manufacturers grow and simplify

It's a new dawn for industrial manufacturers and technology is the key

Smart manufacturing takes industrial manufacturing to another level by integrating digital technologies like automation, artificial intelligence (AI), and the Industrial Internet of Things (IIoT) to create smart, interconnected systems. The result? More efficient, flexible, and sustainable manufacturing environments that spur innovation, growth, and profits.

Making smart manufacturing achievable for midsize manufacturers

While the opportunities presented by smart technologies are clear, manufacturers face challenges in adopting these technologies—particularly midsize manufacturers. Because these companies operate with less budget and fewer resources than their larger competitors, prioritization of business objectives and technology investments is key to growth and longevity.

To understand what's currently driving midsize businesses, SAP Insights research recently surveyed 12,000 executives across 28 industries worldwide on their priorities for the coming year—and their plans to address them. Among the 900 midsize manufacturers who participated in the survey, 93.8% ranked growth and 90.9% ranked simplification as their top priorities over the next 12 months. How do they plan to achieve this? Let's take a look.



All eyes are on growth

93.8% of respondents say growth is a leading priority

With a focus on organic growth, midsize manufacturers are concentrating on expanding existing market presence (81.4% ranked as a top priority) and distribution channels and partners (78.6% ranked as a top priority) versus new product development (30.2% ranked as a top priority) and mergers and acquisitions (8.3% ranked as a top priority).

While new products and mergers and acquisitions can accelerate growth by instantly expanding a company's customer base, midsize manufacturers (having between 250 and 1,500 employees) don't typically have the resources, capital, and time needed for this approach. A more effective strategy for these companies is to build on their success, relationships, and market share to support growth with minimal costs, resources, and risk.

To realize their vision for growth, midsize manufacturers are prioritizing:

- Supplier and partner networks
- Cost control and spend management
- Customer experiences
- Business process automation and simplification
- Integration between enterprise systems
- Employee skills and talent

By expanding distribution channels, strengthening partnerships, and enhancing operational efficiency, midsize manufacturers can achieve sustainable growth while managing risk and resource constraints. Prioritizing employee development, supplier relationships, and customer satisfaction allows these companies to leverage their existing strengths and become future ready. With streamlined processes and improved integration across systems, they can position themselves to remain competitive in a dynamic market and capture new opportunities for long-term success.

Simplifying work and improving processes is also essential

According to 90.9% of respondents, simplification is top of mind

No one knows better than manufacturers what a jammed or broken piece of equipment can do to halt production. The same is true on the business side—inefficient processes, lack of visibility, and information silos can prevent organizations from running at peak performance—or break down altogether. With 90.9% of midsize manufacturers focusing on simplifying work and improving processes over the next 12 months, it's clear they recognize the value of a well-oiled machine.

Midsize manufacturers are looking for ways to simplify processes for developing new products and services (65.9% ranked as a top priority) and increase integration between enterprise systems (50.8 % ranked as a top priority), while also boosting process automation (38.1% ranked as a top priority). They're less focused on outsourcing operation processes (5.7% ranked as a top priority).

To streamline and optimize processes, midsize manufacturers are prioritizing:

- Business process automation and simplification
- Customer experiences
- Cost control and spend management
- Employee skills and talent
- Integration between enterprise systems

Through automation and integration, midsize manufacturers are positioning themselves to reduce inefficiencies and drive long-term success. As they streamline product development, enhance customer experiences, and optimize internal systems, these companies aim to create a more agile and resilient business model that can adapt to global economic disruptions while controlling costs and maximizing talent.

What's holding manufacturers back?

When asked about challenges to growth and simplification, midsize manufacturers' top concerns range from poor data quality to business silos to outdated or inefficient technology systems.

Among these challenges, procurement and supply chain disruption is the most significant hurdle for growth (according to 40.6% of respondents) as well as simplification (according

to 38% of respondents). While supply chains are more reliable today than during the pandemic, businesses are still dealing with a variety of factors such as geopolitical issues, labor shortages, and high energy costs. Visibility, strong analytics, and flexibility will be key to adapt and respond to minimize any potential disruptions moving forward.



Paving the way with innovative technologies

To enable growth and simplification, midsize manufacturers are looking to turn business challenges into opportunities—and technology is the key.

Over the next 12 months, companies focusing on growth plan to invest in new or updated analytics products and decision-making tools (50.6%) as well as new or updated business software systems (48.1%), while moving software systems to the cloud (42.2%). Similarly, companies looking at simplification plan to invest in new or updated analytics products and decision-making tools (51.7%) and new or updated business software systems (49.9%), as well as moving software systems to the cloud (39.6%). Recognizing the growing value of AI, 53.6% of midsize manufacturers are also preparing to integrate generative AI into business processes.

- New analytics tools and decision-making software will support growth by providing employees with better insights that can help them make data-driven decisions and optimize performance.
- Updated business systems and smart manufacturing software will streamline operations, improve workflow, and enhance collaboration.
- Moving systems to the cloud will simplify IT management, reduce costs, and allow for easier scalability, providing greater flexibility and access to advanced tools for growth and efficiency.
- Generative AI will enhance data security and privacy, enable agile and adaptive business processes, improve customer engagement, and optimize supply chain and logistics processes.

50%

of midsize businesses plan to invest in technology or tools to aid in decision-making.

As industrial manufacturing continues to advance through innovations such as AI, the IIoT, and automation, midsize manufacturers face unique challenges. To remain competitive, they must embrace smart technologies while managing costs, resources, and scalability. This is where cloud-based ERP solutions play a crucial role, enabling manufacturers to streamline operations, optimize production, and drive growth in an increasingly digital world.



A business suite for manufacturers

SAP Business Suite is a comprehensive set of integrated solutions that combines core ERP and line-of-business applications. Fueled by powerful business data and meaningful AI, SAP Business Suite empowers you to scale, innovate, and deliver exceptional value—faster and easier than ever. Now you can connect critical functions across your business, optimize manufacturing processes, and realize your aspirations for ongoing business growth.

How SAP can help

SAP is here to help you optimize your operations and improve visibility enterprise wide so that you can exert greater business control and drive efficiency. By orchestrating applications and unifying structured and unstructured data across your supply chain, SAP Business Suite gives you a complete picture of your business with the action-ready insights you need to execute and succeed.

About this research

SAP Insights research collected data from 12,003 respondents across 20 countries and 28 industries. Respondents had the highest levels of line of business responsibility and oversight. The study was conducted in April-May 2024 through an online survey, with additional in-depth interviews conducted August-September 2024 by telephone.