

# «Sustainable and profitable are not a contradiction»

**Logistics** *Andreas J. Wagner, Senior Vice President SAP Digital Supply Chain, believes that modernizing supply chains is the key driver to reduce CO2 emissions and packaging materials.*



«The supply chain of the future is CO2-neutral and digitally networked,” says Andreas J. Wagner.

PHOTO:SAP

*Does artificial intelligence (AI) also play a role here?*

Yes, definitely. Consider production facilities for example: If you monitor the data provided by sensors around the clock, it becomes much easier to detect machine failures in advance and react accordingly. AI is also used in the logistics sector, such as in transport management, when it comes to optimizing freight planning. The goal here is to reduce CO2 emissions on the one hand and save packaging materials on the other.

*In addition to AI and data analytics, cloud technology also comes into play.*

The cloud has the great advantage that it supports both agility and standardization within the company and within the supply networks. You can imagine how difficult it is when each factory has different IT processes. That compromises data transparency. Furthermore, the cloud also offers much more security and protection against attacks by hackers. That too is a sustainability issue.

*You often emphasize that sustainability begins with design. What does that mean?*

It's simple, in the design phase, you already start planting the "seeds of sustainability". In this phase, you can modularize product designs, reuse or repurpose elements. There are dedicated software solutions available to efficiently optimize the design process. Such choices lead to sustainability as well as to profitability.

*The global networked economy is under tremendous pressure. The COVID-19 lockdowns and the Ukrainian war have shown us how vulnerable the supply chains of companies are.*

We're seeing one supply crisis after another. Initially, people believed that the problem could be solved through short-term planning. However, that didn't lead to any progress. Companies are starting to realize that much deeper strategic planning is required, which increasingly involves the suppliers as well.

*During this time, many companies have lost customers simply because they were unable to deliver.*

This is a huge issue, especially in the automotive industry, to name just one example. As a customer, you have to wait for months if you want to switch to an electric vehicle. It's simply absurd. It is clear that supply chains need to become more agile and resilient in the face of disruptions and upheavals. Sustainable risk management that anticipates crises in a timely manner is also needed. And that brings us right to the topic of sustainability.

*Can you explain that? What significance do supply chains have for sustainability?*

If you take a closer look at the supply chains, from product design to delivery to the customer, you will find they are responsible for a very high percentage of CO2 emissions and waste. So, that's what we're going to do: if you want to enhance sustainability, you should address your supply chain. Most companies are aware of this.

*What specific actions should companies take to become more sustainable in this regard?*

The challenge is that they can accomplish these tasks only if they digitize and

standardize their supply chains. They need to record their activities and processes in more detail, meaning they have to collect, process, and analyze data. That's the only way it will be feasible. To build a more resilient and sustainable supply chain, three aspects are important: Firstly, it is about linking processes within the supply chain and breaking down internal silos within the company.

Secondly, you should "contextualize" your business decisions. This means that you must always have the relevant data available in real-time along the entire supply chain, or better yet, your "supply network", in order to make decisions: Is this particular process step truly sustainable. What are the costs? What possible alternatives could there be?

*And the third point?*

You need to collaborate efficiently with a diverse range of stakeholders within your respective ecosystem. Especially in Switzerland, where companies are highly international, you need to work extensively with your external producers, suppliers, and service providers. It is crucial to establish digital connections with these external partners. Only then will you gain the necessary transparency along the supply chain.

*Today, more than ever, companies must ask themselves: From where do I source my raw materials, and who are my suppliers? Under what conditions was the product manufactured? The pressure regarding sustainability is increasing.*

The reasons are diverse: The demands of consumers have significantly increased, and furthermore, legislators are imposing

increasingly strict regulations. As a company, you must always know exactly where your raw materials and materials come from. To be able to trace all of this, an end-to-end, standardized flow of data is crucial.

*Organizations also feel growing pressure from investors.*

That's true. And let's not forget about the employees. They expect clear answers too: How are you addressing sustainability? What strategy are you pursuing? Sustainability is no longer just a «nice to have» but a central factor for business success. Sustainability and profitability go hand in hand; there is no contradiction.

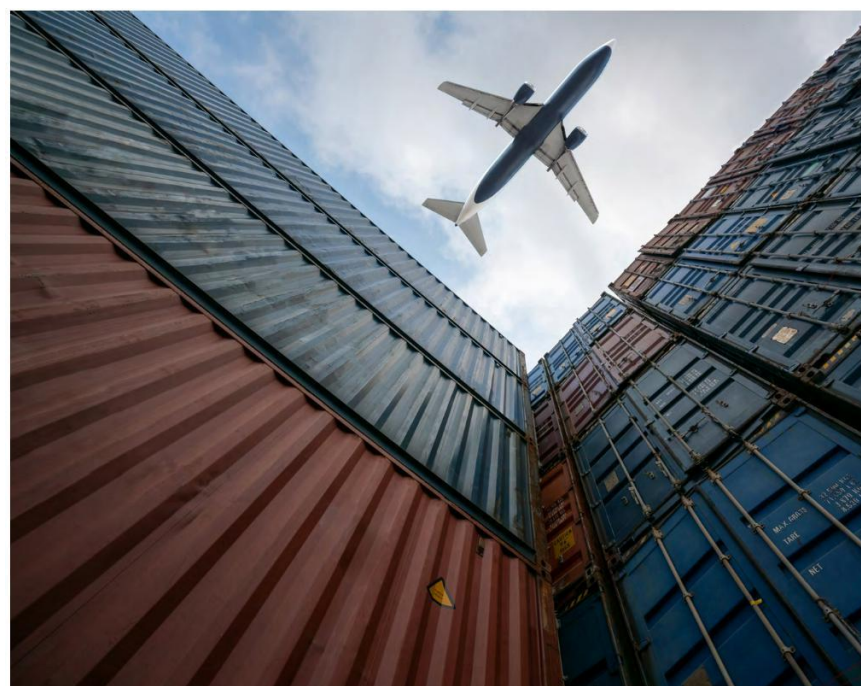
*To what extent can SAP help companies to do that? Sustainability managers, for example, dream of having a dashboard available that provides them with all relevant data at the push of a button.*

We generally recommend that companies start with process reengineering. A solution like SAP Signavio supports you in analyzing and optimizing your process landscape. In addition, we provide tools such as the SAP Sustainability Control Tower, an analytics tool that helps companies gain verifiable insights from reliable up-to-date sustainability data, thus supporting their reporting and project management. Automated reports make it easier for users to comply with numerous regulations and ESG requirements. Furthermore, dashboards enable close monitoring of sustainability aspects during the development of projects.

*Do you have an example for this?*

Take the consumer goods industry, where a significant amount of packaging materials are generated by default. With the appropriate software for a Responsible Design, it is possible to calculate in advance how much material needs to be allocated and how much packaging, especially plastic, can be saved. In general, the proactive calculation of CO2 emissions within an integrated planning process is becoming increasingly important. Companies also want to be able to simulate more and more scenarios: What are the effects, for example, if I replace a specific supplier who does not produce sustainably enough? For such business decisions, companies need consolidated, interconnected data. This is often crucial in making the right choice.

Interview: Elmar zur Bonsen



Supply chains need to become more agile in terms of disruption.

PHOTO: SHUTTERSTOCK

## Sustainability is determined in supply chains

Did you know? According to studies, 90 percent of a company's ecological footprint can be attributed directly or indirectly to its supply chains. Greenhouse gas emissions in this area are on average around 11 times greater than the emissions generated in the production process. Today, through digitalization, entirely new possibilities for optimizing resource utilization from A to Z are emerging.