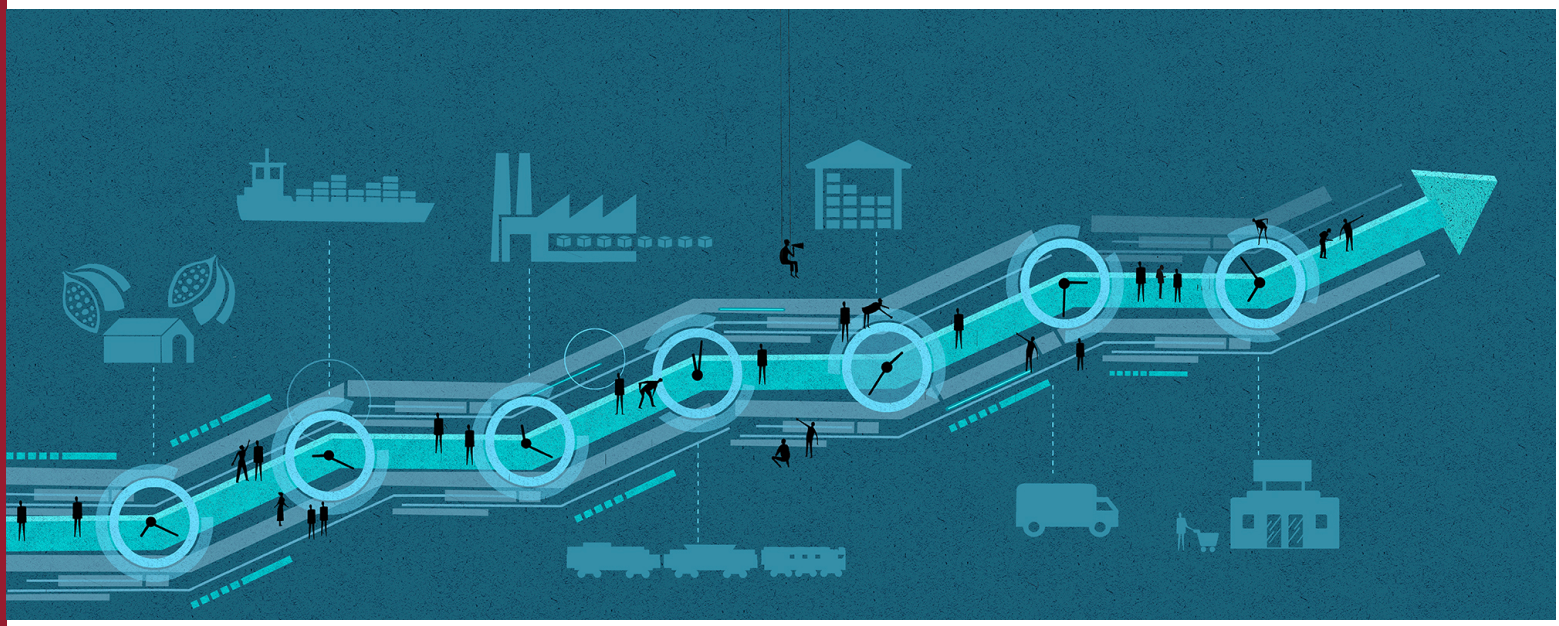


From Fragmentation to Integration: Supply Chain Digitization in the GCC

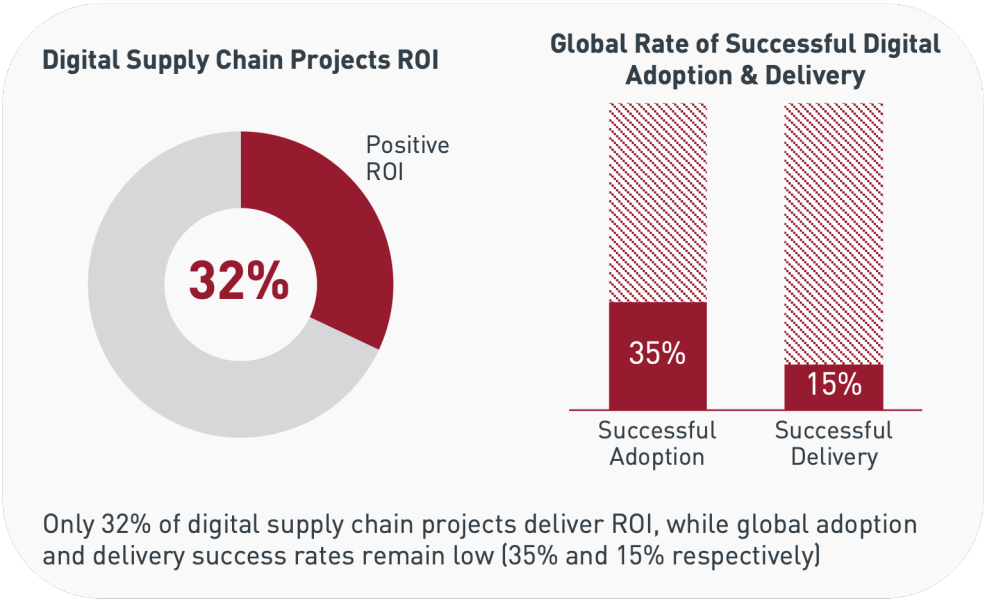
Despite massive investment in technology, most companies are simply not seeing the projected benefits. Our team took a deeper look focusing on the GCC and KSA to understand why. Their study showed that the available technology is not the issue, neither is the level of investment made by GCC companies, it is the level of consequence with which the fundamentals such as master data quality, training and adoption are addressed. The level of dedication to following through on these points is what distinguishes the global leaders and the rest. The difference in performance from the same technology that they achieve is substantial.

Despite massive investment in technology, most GCC companies are simply not seeing the projected benefits of Supply Chain digitization investments.

What is the state of Supply Chain digitization today?

Despite years of investment globally, supply chain processes are only about 43% digitized, making supply chain the least digitalized business function in most enterprises. More than 40% of organizations admit they have little or no visibility into the real-time performance of even their Tier-1 suppliers

Even when systems are installed, the expected benefits rarely materialize. Around 95% of supply-chain professionals report they have not realized the intended value from their digital investments, and over 90% of programs fall short of their ROI targets
Only about 35 % of digital supply-chain projects are successfully adopted, and a mere 15 % reach full delivery. Most initiatives stall at the pilot stage.



Is digitization in KSA and the GCC any better or worse than the Global trend?

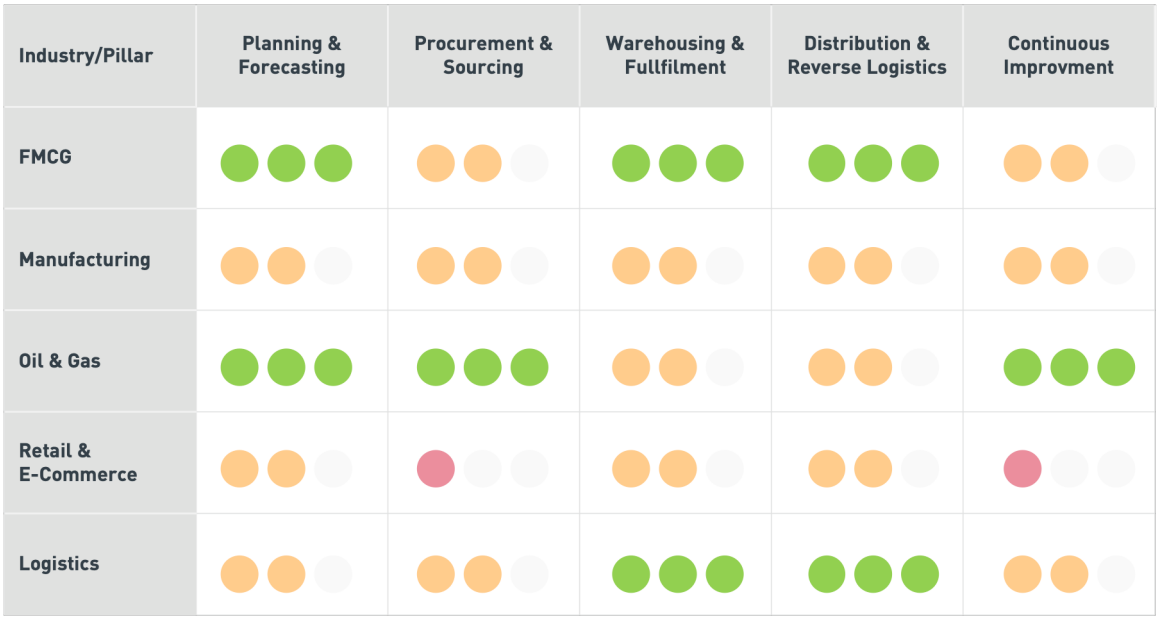
Not better, just different, particularly across industry sectors. At FP, our team was curious as to whether the results seen globally held true for the GCC and specifically KSA. The results of their study were quite interesting.

The overall level or lack of success in supply chain digitization was similar to global levels. However, there is another layer of complexity driven by rapid national-scale expansion, diverse operating models, and fast-growing industries.

The result is a mixed picture: What our team noticed was that the level of digital maturity varies sharply not only across industry sector, which was expected but also across sections of the value chain, which was not expected.

Comparing organizations with high maturity vs low maturity, our team has identified differences such as 2X higher inventory turnover, 10 percentage points better order fulfillment, 66% shorter fulfillment lead times and 23% less order fulfillment cost.

But that is not the entire story. The difference in performance is just the result of less mature organization being less able to implement advanced technologies such as AI and ultimately falling farther behind their peers.



Highly mature sectors have fared better. Industries such as; Oil & Gas, Chemicals, Large Manufacturing and FMCG show higher maturity. Their higher exposure to global markets and tighter margins has driven their persistence with digitization efforts. They also operate with clearer governance and standardized processes while possessing stronger data discipline. However, these organizations still have gaps across the value stream.

By contrast, less mature sectors such as; Retail, Food Service, Distribution, Construction, Contracting, and many Manufacturers still rely heavily on manual planning and spreadsheets. Workflows are siloed, automation is limited, IT landscapes fragmented not to mention the absence of data governance. Even when technology is deployed, adoption is weak.

So, what is the impact of poor Supply Chain digitization on companies' results?

Our team found that the effects sum very quickly when the effects across the value stream are considered. Up to 27% of gross revenue or 45% of EBIDA in some cases.

Despite the significant investments, most GCC companies have not yet achieved end-to-end supply chain digitization due to deep-rooted structural and operational barriers.

If technology is everywhere, why is transformation still so slow?

Technology itself is not the issue, nor are the business cases for investment. The real barriers lie in the foundations that support it. Across the GCC, companies continue investing heavily in digital tools including ERP upgrades, BI applications, control towers, automation, AI pilots, yet the expected impact remains limited.

Why? Digitization initiatives tend to be viewed as projects that affect discreet parts of the organization rather than stages in organizational capability building. Because of this, preparations are poor, implementation isolated and adoption low.

Our team studied over 25 implementation projects with our clients to identify the key structural barriers to success in Supply Chain digitization

The five Structural Barriers slowing digital transformation:

1. **Outdated & Disconnected IT Systems:** Most companies rely on legacy platforms that operate in isolation, limiting system integration and preventing real-time data sharing across the supply chain.
2. **Siloed Decision-Making:** Information is fragmented across departments—even when integration is possible. Functions like planning, sourcing, and logistics rely on separate data, causing poor coordination and delayed decisions.
3. **Poor Master Data & Item Classification:** Inaccurate or inconsistent master data, such as item descriptions, units of measure, vendor codes, and duplicate entries—leads to unclear consumption data and limits the effectiveness of automation and inventory visibility.
4. **Resistance to Change:** Many organizations resist the process changes required for digitization, continuing to rely on manual workarounds even when digital solutions are available, slowing adoption and limiting impact.
5. **Lack of Capability Development:** Advanced tools are often adopted without building the organizational structure, digital skills, or governance frameworks required to scale and sustain transformation.

While the key structural and operational barriers have been clearly identified, their combined effect is what drives low overall maturity levels. It is a cycle. Until the organization makes a conscious effort to break out of this cycle, digitization efforts will never yield the intended results and ultimately the intended ROI.

What does good look like? Lessons from global supply chain leaders.

Our team examined organizations at the other end of the scale to understand what they do differently. Organizations such as Toyota, P&G, and Unilever achieve superior results not because they own better technology, but because they operate with stronger fundamentals. It is how they govern, standardize, and continuously improve the environment in which the technology operates.

They are simply more consequent. Due to this level of consequence, they are already able to leverage advanced technologies and methodologies such as;

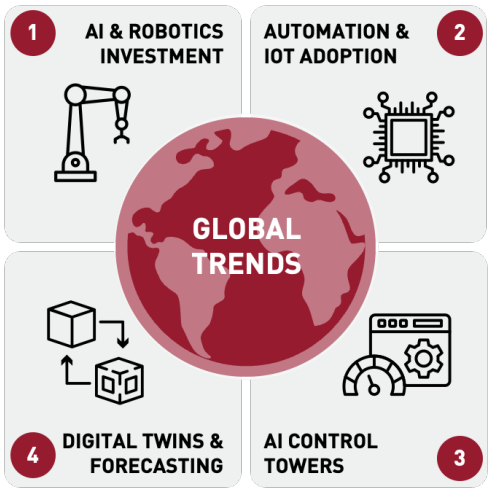
- Embedding machine learning into demand planning
- Using digital twins and predictive analytics to simulate scenarios
- Managing performance through digital control towers
- Integrating suppliers to create end-to-end visibility, VMI, and automated replenishment
- Drive continuous improvement and make savings across the entire supply chain

What does Supply Chain leaders' level of consequence help them to achieve?

To use an analogy, Cost is just like a language. It is a way of expressing what we do operationally in terms of money. But like learning to speak any language, it takes time and effort to understand the rules, practice and become competent.

Typical results that our team found:

- 20–30% improvement in forecast accuracy
- 30–50% reductions in lead times
- Up to 15% reduction in inventory waste
- Higher service levels with lower cost-to-serve
- 5–6 Sigma stock accuracy across warehouses



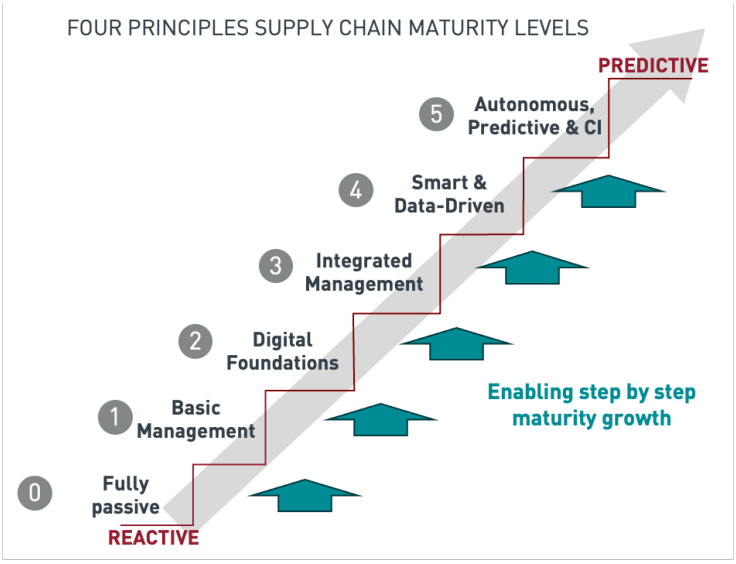
The implementation puzzle

The real puzzle is: if organizations are willing to invest significant sums in the technology, why are they not similarly investing the time and effort in following through with the fundamentals? It would seem logical that if they were consequent with one, they would be consequent with the other. So, there must be some other barriers to organizations raising their maturity and seeing the same benefits as global organizations. This is actually the more complex question for organizations: where do we stand today in terms of supply chain maturity and what is the specific path forward?

Digital maturity in Supply Chain develops in stages. Success comes from consequence, progressing systematically, building data integrity, process alignment and automation step by step.

A simple answer to a very complex question: where does the organization stand today?

Vague management consultant advice on the levels of commitment in your organization does not help. What organizational leaders need to have is concrete advice as to where they stand today, what the gaps are and what the path forward is. Through multiple implementation projects in the GCC, our team has distilled the theory into a refence model containing five maturity levels:

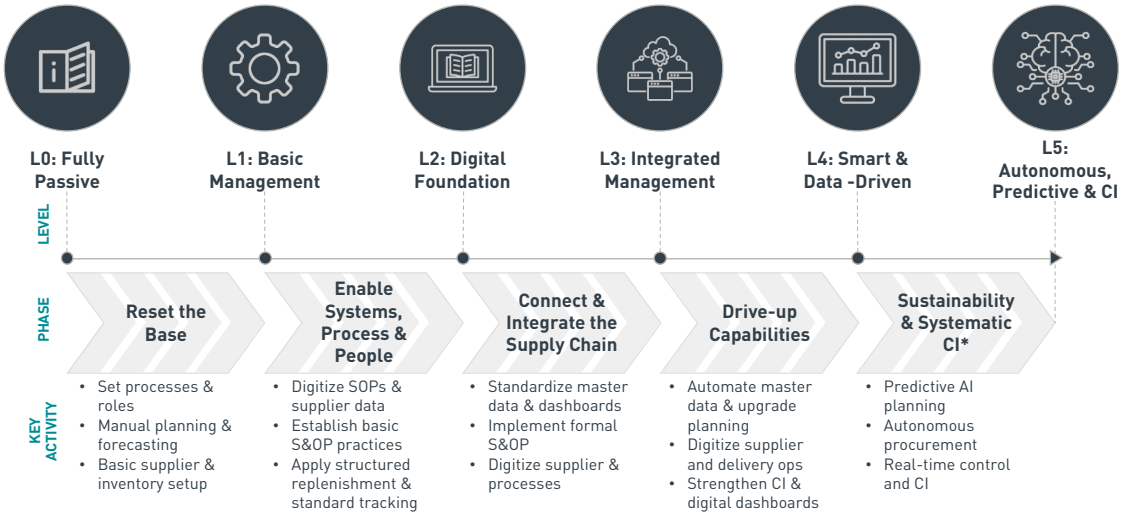


1. **Basic Management:** Planning, inventory, and operations are manual and reactive, with no digital tools, no system integration, and no real visibility across the supply chain.
2. **Digital Foundations:** Basic ERP functions are introduced, workflows become more consistent, but forecasting, alerts, and real-time visibility remain limited and largely manual.
3. **Integrated Management:** Core systems are connected, data is shared across functions, and warehouses begin automating, although supplier and customer integration is still partial.
4. **Smart & Data-Driven:** Advanced tools such as APS, inventory simulation, and tracking systems improve accuracy and enable predictive insights, shifting decisions from reactive to proactive.
5. **Autonomous, Predictive & CI:** AI-driven planning, automated analysis, and a digitally integrated ecosystem enable real-time visibility, high accuracy, and continuous improvement.

A practical roadmap: Closing the right gaps with a clear, structured path forward with measurable targets

Behind the maturity levels that our team developed is a full framework of global best practice, standards and success enablers. Through a structured assessment, we help companies diagnose their current capability level across data, systems, processes, and people capability, and understand the gaps to be closed at that level. Once the baseline is clear, we define a tailored maturity path using the best practices at each level, set targeted improvement goals for each level, and guide teams through the implementation of each element.

This creates a clear and practical roadmap that moves the organization from reactive operations toward integrated, data-driven, and ultimately autonomous supply chain performance.



How to catch up the global Supply Chain leaders?

In our work across the GCC, we see that many companies struggle with the basics: they lack visibility, do not know their true maturity level, and often have no clear roadmap for where to start or how to progress. They are in a fragmented state with multiple systems that do not communicate, inconsistent data, manual workarounds, and unclear governance.

The reality is that digital maturity does not happen through isolated projects or system upgrades by IT; it requires a structured evolution that strengthens foundations such as data, processes, and capabilities layer by layer.

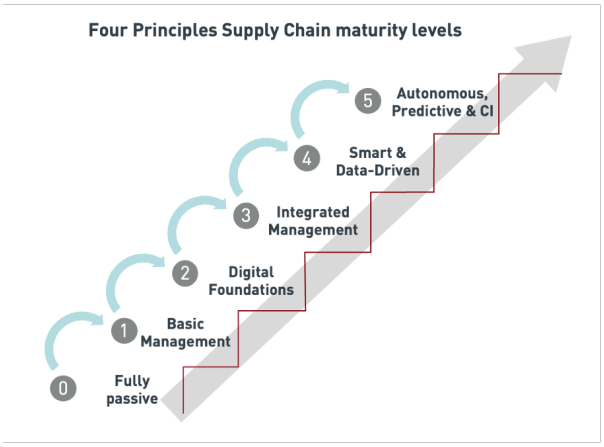
If success in digitizing the Supply Chain comes though consequently addressing the fundamentals and the benefits after raising the maturity of the organization on top of the investments in technology, is it worth all the effort?

Regardless of the technology, the organization needs to be capable of quickly adapting new ideas and technologies to stay competitive

Our teams' research has shown that despite massive investments in technology, organizations are not seeing the benefits. Why? Due to deep rooted structural and operational barriers in their organizations. Based on global best practice and multiple implementation projects, our team has also developed a framework with maturity levels. This enables organizations to progress systematically, building data integrity, process alignment and automation step by step. Judging by the results achieved by leading global organizations the benefits are clear.

But this is clearly coupled with a lot of time and effort on top of the investment in technology. For leaders, this then presents its own challenge: why make this a priority? Why invest all the effort and time? The next technology advancement may come before the current has reach maturity, all of the current effort may be rendered useless. All true however, an organization that is immature today will not be able to integrate new technologies and will fall farther and farther behind its peers and eventually be rendered uncompetitive.

The next phase of market transformation will not be won by the organizations that deploy the most systems, but by those that build the clearest processes, the strongest data foundations, and the most capable people. When these elements align, digital tools stop being standalone projects and become engines of continuous improvement and long-term competitive advantage.



From Fragmentation to Integration: a continuous improvement journey that yields tangible benefits

For GCC and KSA organizations, the path forward follows the same principle, but with even greater potential. The region is investing at unprecedented speed, building new industries, expanding supply chain infrastructure, and moving toward global competitiveness.

At FP, Lean is not just a tool or even a methodology. It is in everything that we do. This combination of Lean and know-how in supply chain best-practice is what underlies our maturity framework that we deploy to support clients. The impact is tangible: organizations that combine digital tools with Lean operating routines unlock improvements across sourcing, planning, fulfilment, and customer experience. These gains compound over time, strengthening competitiveness and resilience. Across our recent supply-chain engagements in the GCC, the results are consistent and repeatable.

FP's supply chain transformations have delivered consistent, measurable results:

The conclusion is simple:

The steps are clear. The opportunity is substantial. And for those who build the right foundations today, the future of supply chain performance in the GCC will not simply improve; they will redefine global benchmarks.

GET IN TOUCH

Should you be interested to know more about our services regarding this topic, then please contact:

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