



A Guide to Growth

A global analysis of the defining characteristics of leading midsize companies

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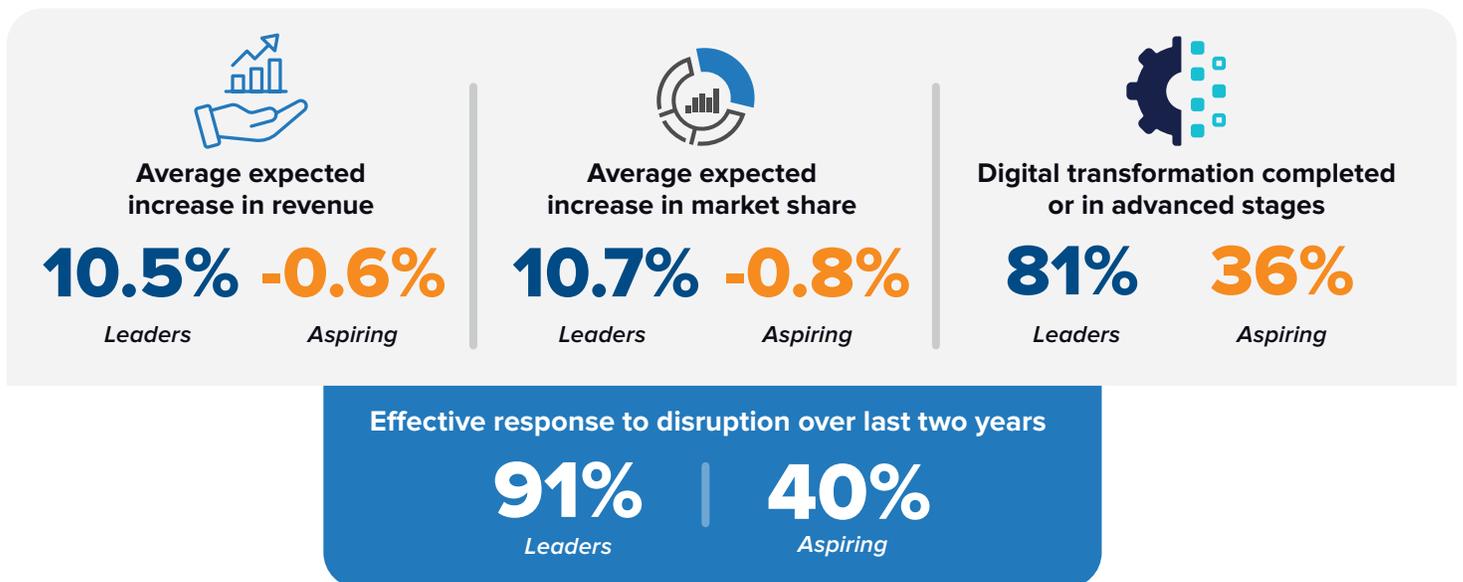
Identifying the Practices and Strategies of High-Growth Companies

Today's rocky business terrain is littered with challenges: supply chain pressures, inflation, and skills gaps, to name a few, and it takes strategic investments and careful planning to navigate. Yet many midsize companies are surviving — and thriving — despite the challenges.

SAP commissioned survey-based research with IDC to understand the key differentiators of leading midsize companies and the lessons other companies can learn from them.

We categorized each responding midsize organization into one of four levels of maturity (Leaders, Progressing, Evolving, and Aspiring) based on:

- ▶ Expected greater revenue and market share increases than the overall market in 2022
- ▶ Status of digital transformation
- ▶ Effectiveness of response to disruptions



We then investigated the defining actions and characteristics of Leaders. Based on this information, we've developed **A Guide to Growth**, a set of eight clear and actionable recommendations that can serve as a blueprint to help other midsize players weather challenges, achieve priorities, and chart a long-term path to growth.

- ▶ Evolve business models
- ▶ Diversify supply chain
- ▶ Dedicate resources to digital transformation
- ▶ Invest in sustainability
- ▶ Focus on employee efficiency
- ▶ Prioritize employee happiness
- ▶ Constantly refine the customer experience
- ▶ Track ROI

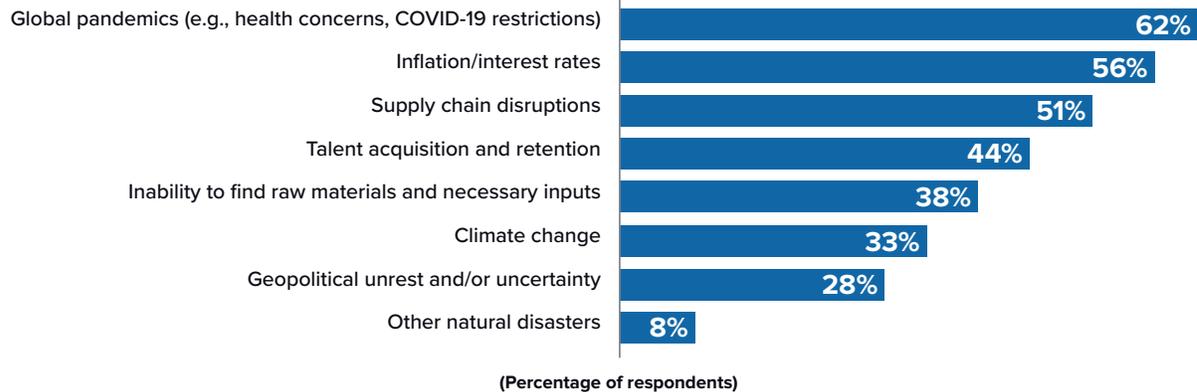
Source: IDC's SAP A Guide to Growth Survey, September 2022; n = 1,850

Setting the Stage: Challenges and Priorities

Top Challenges

In 2022, we talked about the winds of change as we emerged from the pandemic. The underlying theme then was uncertainty with a healthy dose of optimism. Now those winds of change have become storms of disruption. They are increasingly interwoven: international tensions, rising energy costs driving inflation, supply chain disruptions, and increased fees for skilled labor.

Top Macroeconomic Challenges



Top Priorities

Across a myriad of strategic goals, respondents reported that attracting new customers, growing revenue, increasing employee productivity, expanding into new markets, and improving sustainability were the top 5 business objectives to drive growth in 2023. These priorities are generally consistent with past IDC analysis of the midsize market, with the addition of a rising focus on sustainability.

Top Business Objectives in 2023



Source: IDC's SAP A Guide to Growth Survey, September 2022; n = 1,521 for chart 1, n = 1,549 for chart 2

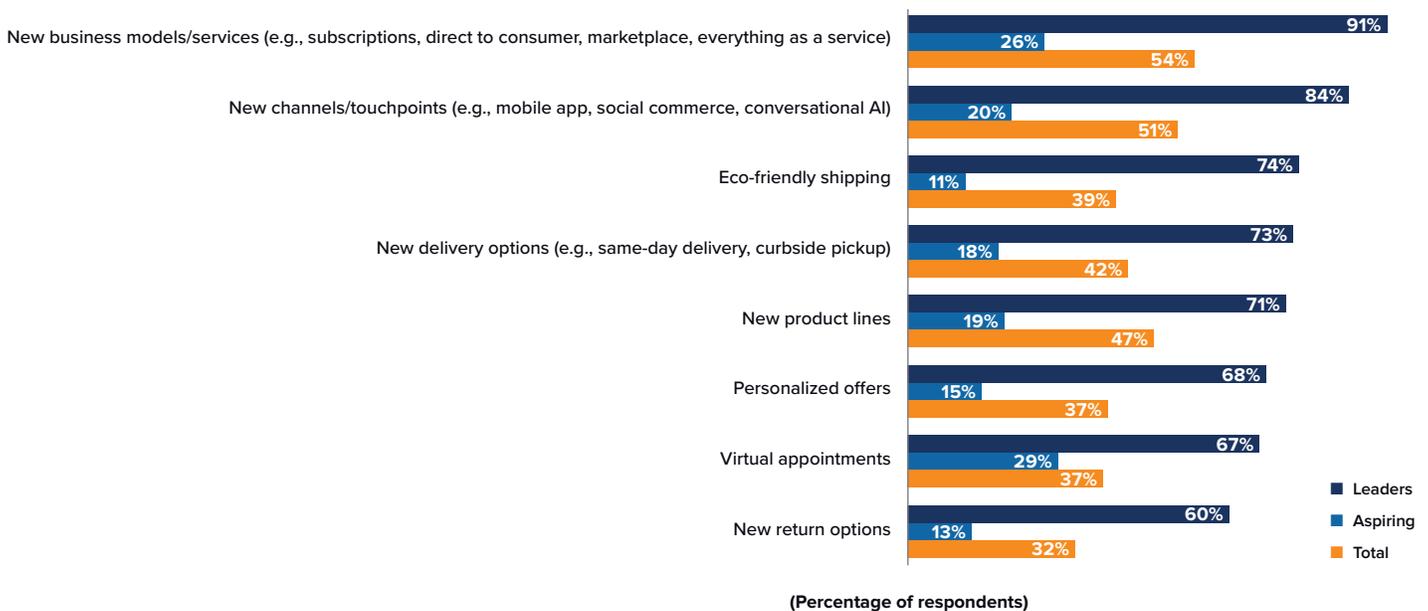
Growth Strategy: Evolve Business Models

Midsized companies that want to continue to grow must evolve. They must adapt to swiftly changing market conditions and consumer preferences — and fast.

This could mean delivering services to consumers in new ways, such as employing augmented reality to show shoppers just how a piece of furniture would fit in their room, to scale, so that they are not leery of buying it online. It could mean employing machine learning that will automate and improve marketing campaigns to save on employee costs, or using robotics in warehouses to reduce manual processes.

Leaders are constantly exploring ways to evolve their business models. Most Leaders (91%) said they plan to expand into new business models and services to address evolving consumer expectations compared with 26% of Aspiring companies. Leaders also rank higher in several other facets of evolution, including venturing into new customer channels such as mobile apps or launching new product lines.

Value-Added Services to Address Evolving Customer Expectations



Source: IDC's SAP A Guide to Growth Survey, September 2022; n = 1,850

My strategy for growth?

“Innovate to produce new products to attract wider market interest, with the hope for continuous development.”
 – Director, high-tech company, Spain

“Enter new markets and invest heavily in technological innovation”
 – CIO, professional services, USA

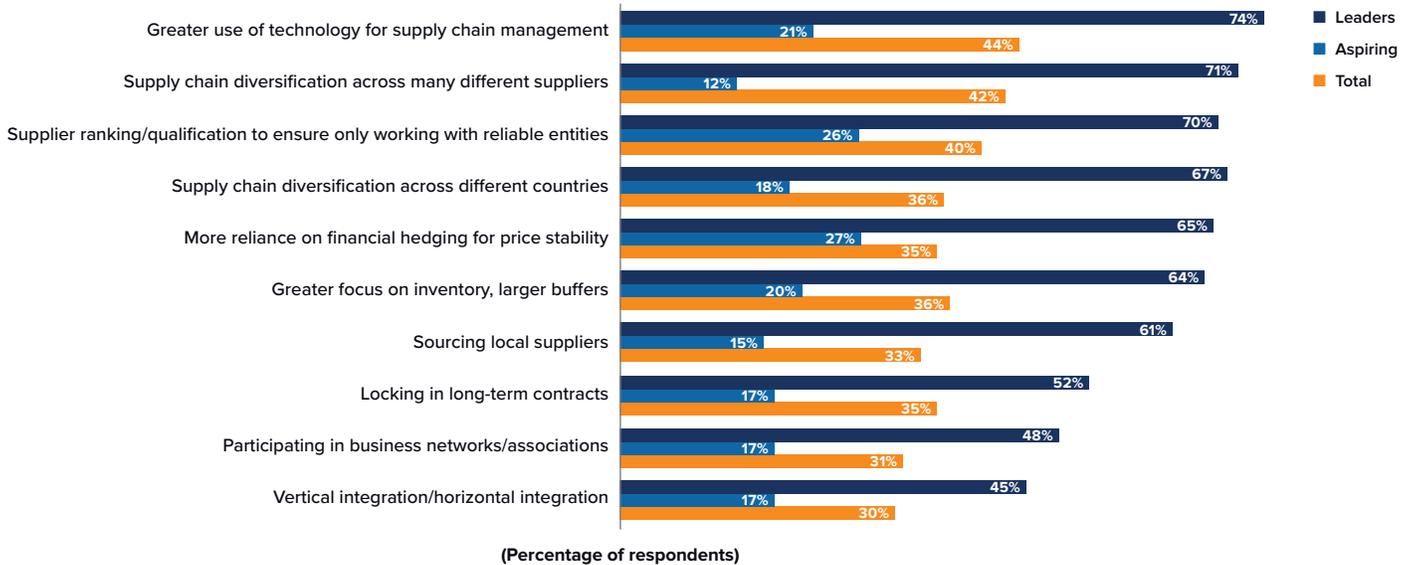
“Expanding into the ‘new’ – markets, categories, customer segments...”
 – IT director, consumer packaged goods, China

Growth Strategy: Diversify the Supply Chain

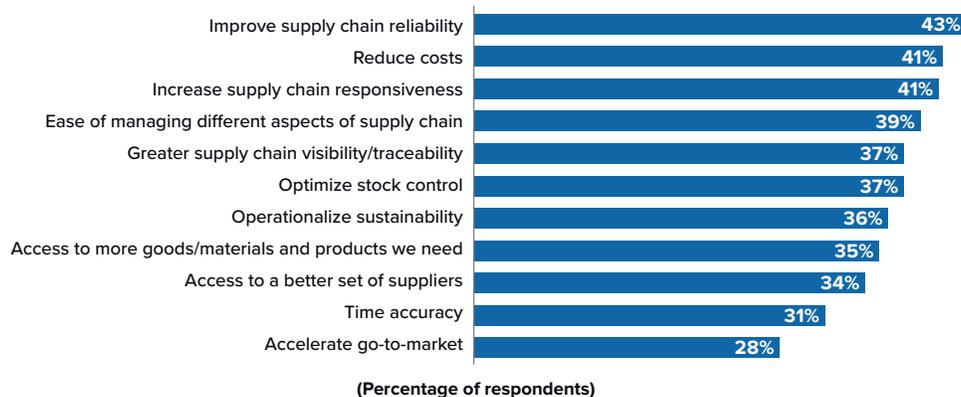
Leaders began strategically adding to their sourcing mix and finding new suppliers at the onset of COVID-19 (or before) and are now benefitting from that work as they navigate the new wave of macroeconomic issues.

The tactic with the greatest differential between Leaders and Aspiring midsize companies is the area of supply chain diversification (sourcing from several suppliers) to improve supply chain resiliency. Rounding out the top three strategies for Leaders are a greater use of technology for supply chain management and supplier ranking/qualification. The top desired benefits from implementing supply chain technology solutions across all midsize companies include improving reliability and reducing costs.

Important Strategies to Improve Supply Chain Resiliency



Desired Benefits of Implementing Technology to Manage Supply Chain



Source: IDC's SAP A Guide to Growth Survey, September 2022; n = 1,521 for chart 1, n = 1,549 for chart 2

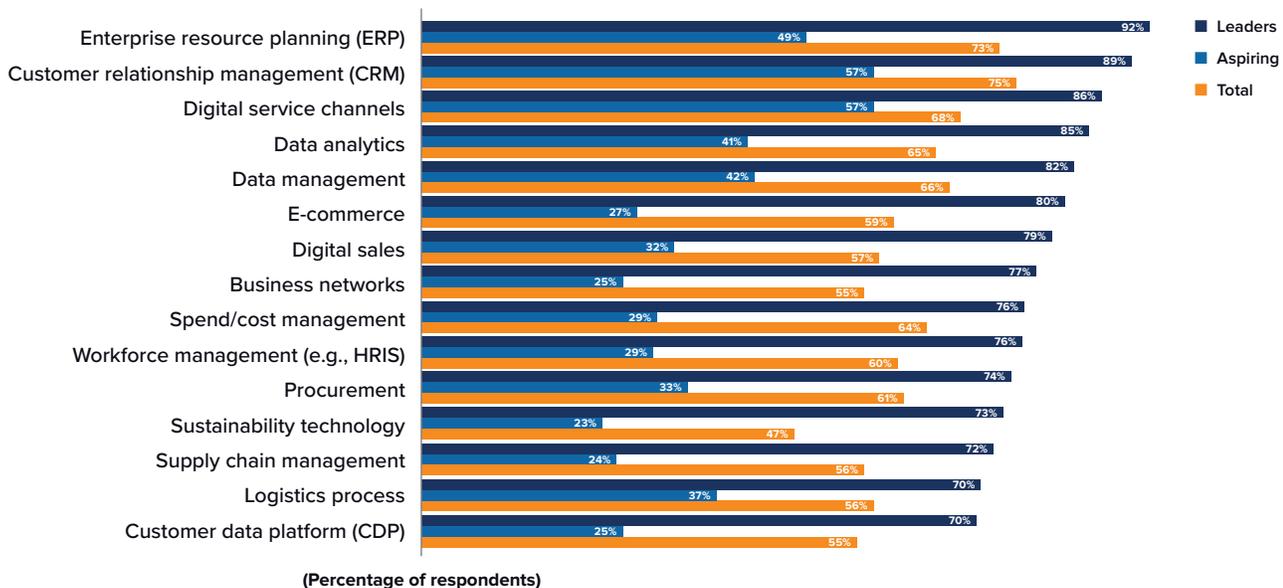
Growth Strategy: Dedicate Resources to Digital Transformation

Growth-focused companies are turning to technology on both the front and back ends to adapt to current changing macroeconomic conditions and consumer preferences coming out of COVID-19. Whereas 81% of Leaders have completed digital transformation (DX) or are in advanced stages, only 36% of Aspiring midsize companies have made significant progress in DX.

92%
of Leaders use/plan to use enterprise resource planning (ERP)

Since many Leaders invested in technology during the first wave of the pandemic or even before, they are better positioned to manage today's newest flood of stressors. As more consumers interact digitally with companies, midsize companies should strive to offer more digital service channels to enable consumers to connect using their preferred methods.

Technology Solutions Used or Planned by Organizations



Of all midsize companies, 67% say they use ERP to save time and improve efficiency. As midsize companies face increased fees for skilled workers, an ERP system that can reduce manual processes will deliver meaningful gains over time.

Improvements Desired with ERP Solution



My strategy for growth?

“Digitization of most production and sales decision-making processes to better respond to the impact of the epidemic.”

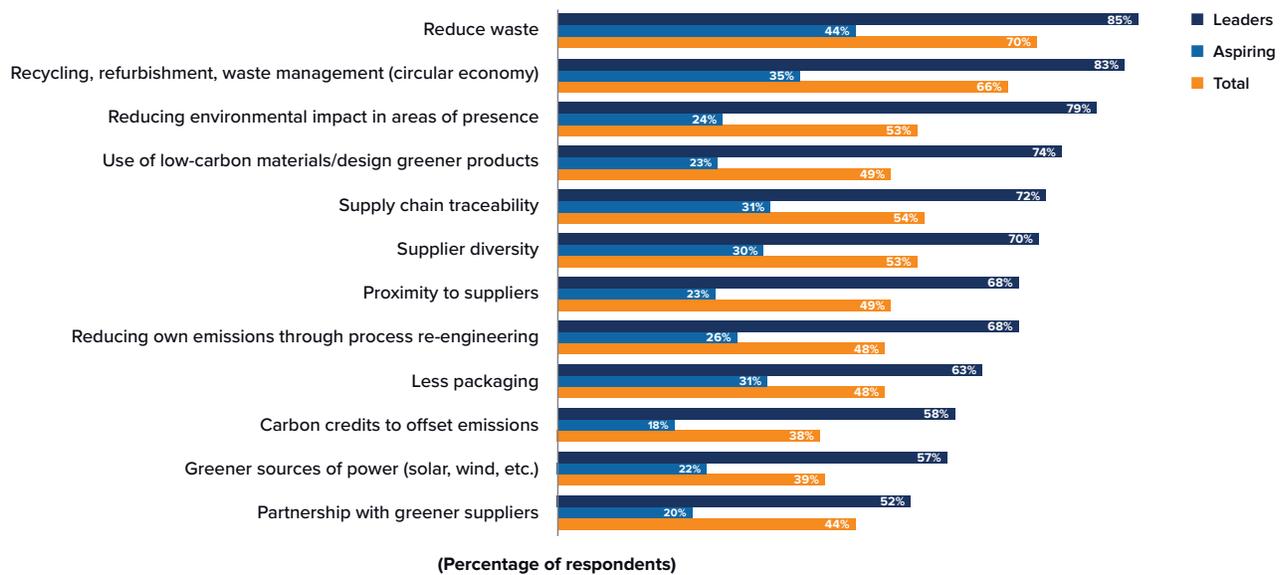
– Director, construction company, Brazil

Source: IDC's SAP A Guide to Growth Survey, September 2022; n = 1,850 for chart 1; 1,537 for chart 2

Growth Strategy: Invest in Sustainability

Sustainability is not just for the biggest enterprise players anymore. Consumers are demanding it. Savvy growth-focused companies are exploring sustainability more intensely for cost savings as energy, material, and shipping prices increase with inflation. Leaders are using sustainability initiatives to attract and retain talent, particularly younger workers. And they are also characteristically thinking ahead, preparing to comply with more sustainability regulations coming down the pipeline for smaller businesses. The top sustainability initiatives undertaken by Leaders include waste reduction, recycling/refurbishment/waste management, and supply chain traceability.

Sustainability Initiatives Planned or Implemented



Though implementing sustainability initiatives comes with unique challenges, such as cost and coordination with third parties, respondents cited a number of desired benefits, such as improved efficiency, long-term economic benefits, and supporting customer preferences.

Desired Benefits from Sustainability Focus



Source: IDC's SAP A Guide to Growth Survey, September 2022; n = 1,521 for chart 1, n = 1,549 for chart 2

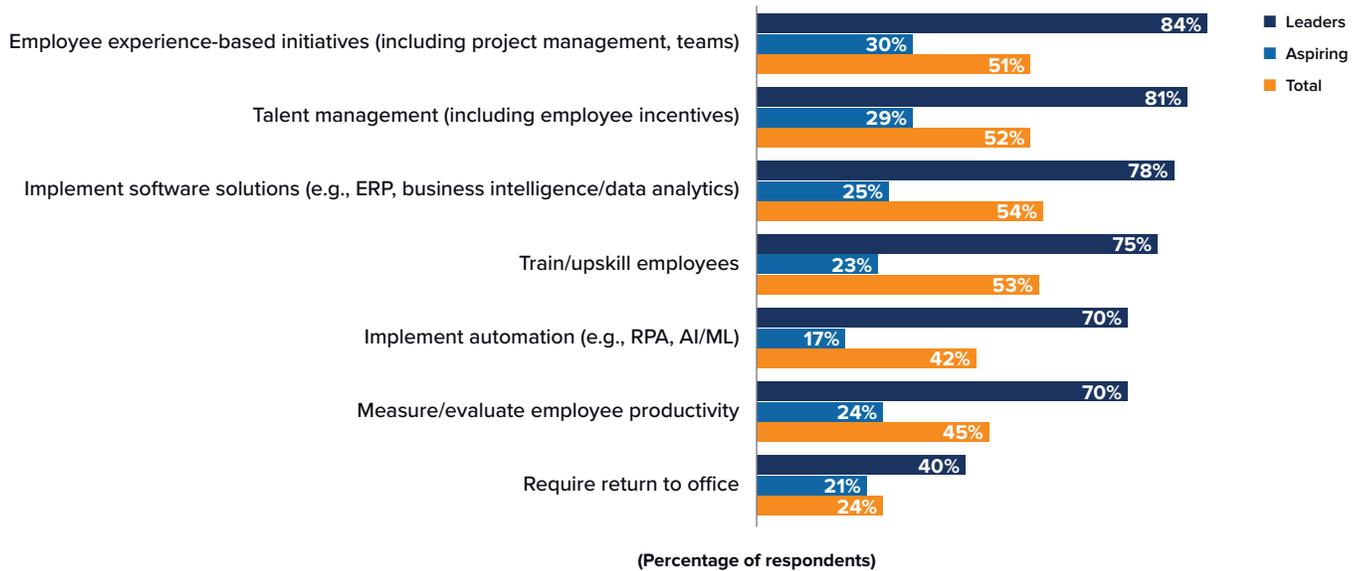
Growth Strategy: Focus on Employee Efficiency

Hefty salary increases in skilled labor as a result of inflation, hiring woes, and skill shortages all make employee productivity paramount for midsize companies. Leaders have made this a strategic investment and implemented the time and resources to equip employees with all the technologies, education, tools, and incentives to be as efficient as possible.

When asked about the strategies that they used to survey the disruptions of the last two years, 80% of Leaders mentioned that they had worked to improve employee efficiency. Only 28% of Aspiring companies had done so.

The top ways Leaders are working to drive productivity are employee experience initiatives, talent management, implementing software solutions and training/ upskilling employees.

Strategies to Improve Productivity



Source: IDC's SAP A Guide to Growth Survey, September 2022; n = 1,850

My strategy for growth?

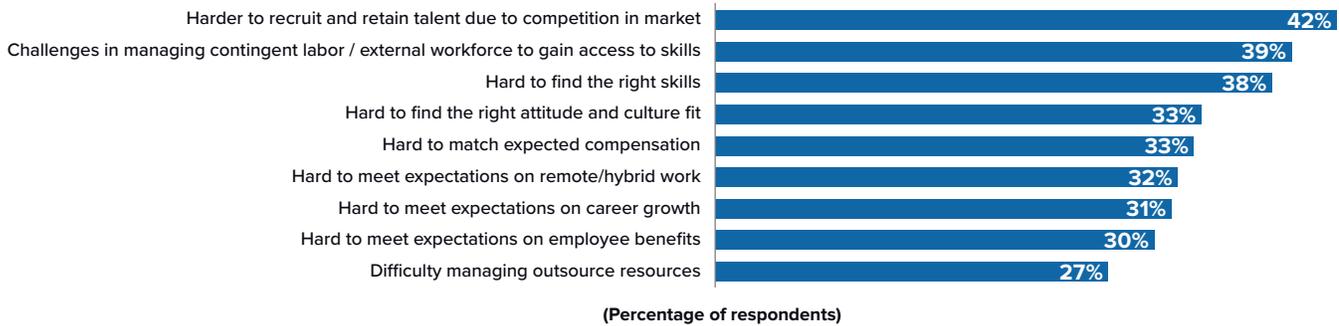
“Training programs for current and new employees to increase productivity. Campaigns to capture new talent.”
 – IT VP, high-tech firm, China

“Focus on employees with training and improvement of the work area so they can provide better service to customers.”
 – General manager, construction firm, Indonesia

Growth Strategy: Prioritize Employee Happiness

The talent war is real. Close to half of all growth-focused companies surveyed (42%) find it harder to recruit and retain talent due to competition. Many midsize companies cannot pay as much as larger enterprises or offer perks like unlimited vacation or tuition reimbursement. This makes the talent war especially tough.

Challenges in Recruiting and Retaining Talent



Given the battle for talent, growth-focused Leaders are more focused than ever on keeping employees motivated and engaged. Managing a workforce requires a range of tactics, and Leaders implement many to reduce turnover, attract highly skilled employees, and keep them motivated.

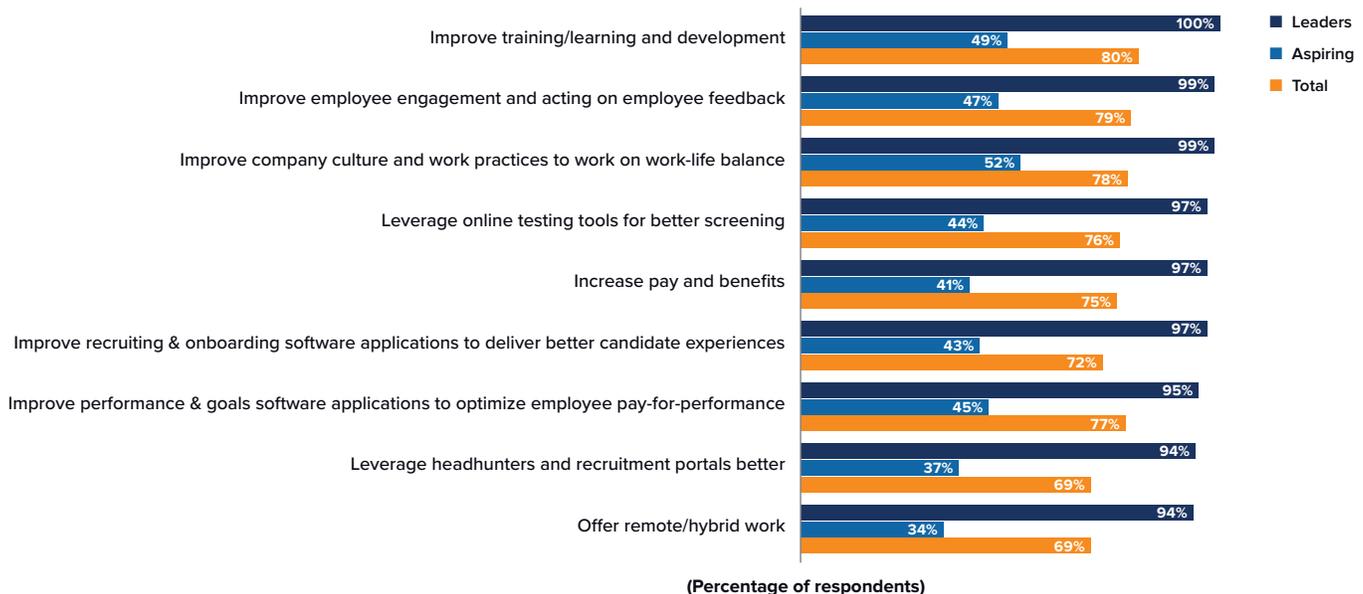
100% of Leaders listed improve training/learning and development as an important strategy to recruit and retain talent, compared to 49% of Aspiring companies. In general, Leaders also placed a higher emphasis on employee satisfaction.

My strategy for growth?

“Improve 100% the work environment so that my employees can give 100% of their capacity and thus feel excited to work and earn their salary.”

– CXO, consumer packaged goods business, Mexico

Important Strategies to Recruit and Retain Talent

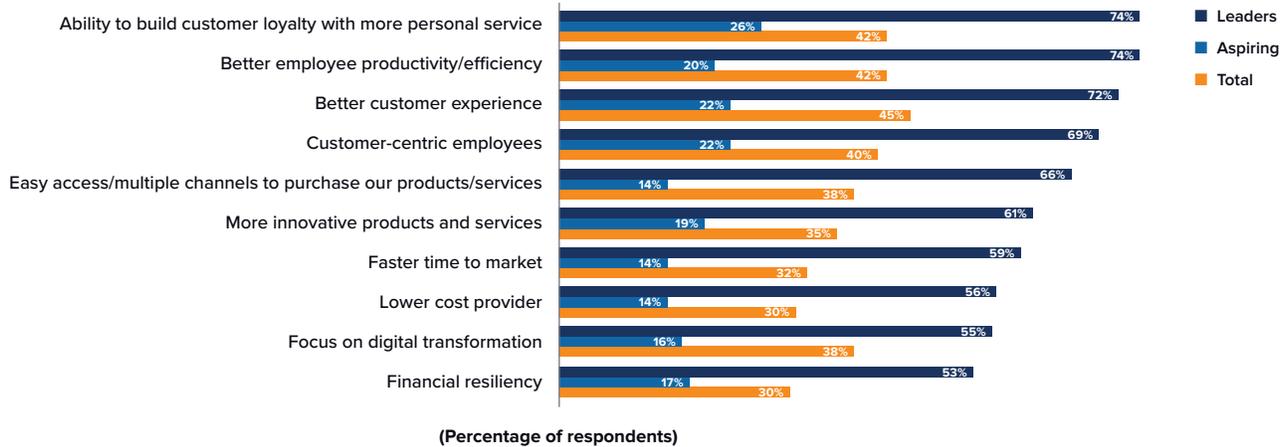


Source: IDC's SAP A Guide to Growth Survey, September 2022; n = 1,521 for chart 1, n = 1,549 for chart 2

Growth Strategy: Constantly Refine the Customer Experience

Midsize companies cite a more personal touch in their customer interactions as a competitive advantage over larger enterprises. The Leaders in our survey cited better customer experience, the ability to build loyalty with more personal service, and customer-centric employees as ways that they differentiate from larger organizations.

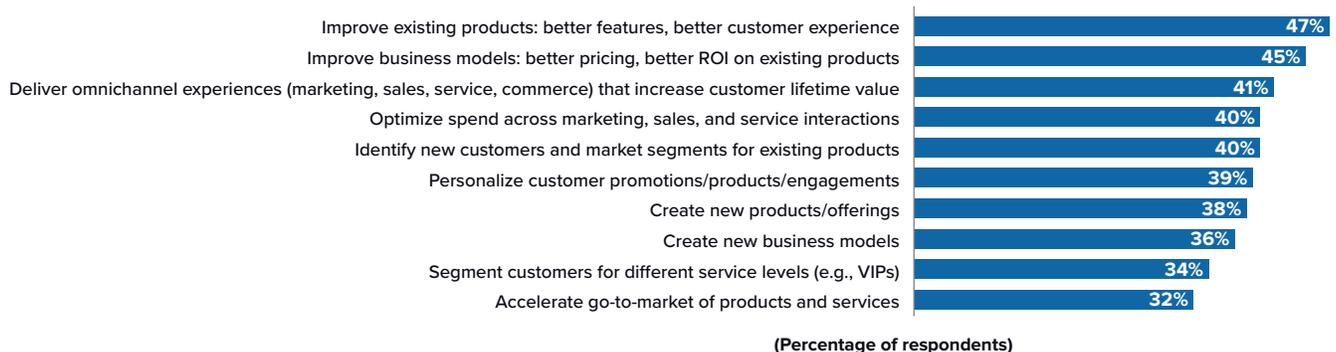
Competitive Differentiators



Many want to provide that local or human connection that separates them from their larger counterparts. That could mean offering video-based styling consultations, thoughtful packaging complete with a handwritten note, or surprisingly exceptional customer service.

It also means exploring the benefits of data, automation, machine learning, or artificial intelligence to connect with consumers on their terms. This combination of a personal customer experience along with digital sophistication is a sweet spot where midsize companies can particularly shine. Midsize companies see the value of using customer data to strengthen the customer experience by improving existing products and business models or delivering an omnichannel experience.

Applications of Customer Data to Improve Customer Experience



Source: IDC's SAP A Guide to Growth Survey, September 2022; n = 1,521 for chart 1, n = 1,549 for chart 2

Growth Strategy: Track ROI

There's a major push among growth-focused companies to have greater insight into the impact of their spend. Almost three-fourths of Leaders (73%) listed "understand and control spend/financial resiliency" as a change they implemented to survive disruptions over the past two years, compared with 19% of Aspiring businesses.

The importance of understanding the ROI of investments also showed up in several other areas of the survey, as 36% of respondents said that an inability to define the ROI or value to business was a top challenge in implementing technology solutions. And according to 42%, an inability to define ROI or value to the business was a challenge in implementing sustainability initiatives.

Having the right tools and strategies in place to generate ROI information is key. These could include analytics and business intelligence tools to track the performance of technology investments. Midsize companies should also develop clear KPIs to help them measure the impact of the technologies they implement.

Respondents who listed "understand and control spend/financial resiliency" as a change they implemented to survive the disruptions over the last two years:

73% **19%**
Leaders *Aspiring*

As the Leader data has clearly illustrated, growth-focused businesses need to invest to optimize their operations internally to deliver better experiences to consumers externally.

They also need to think about how to address future challenges and circumstances that may arise, whether by using ERP or other technologies to streamline systems and reduce manual tasks, diversifying the supply chain to keep up with consumer demand, or keeping employees engaged and efficient.

About the Analyst and Research Study



Katie Evans

Research Director, Worldwide Small and Medium Business Research Program, IDC

Katie Evans is a research director, Small Medium Business (SMB) Research Program within the Digital Transformation space. Katie’s core research coverage includes identifying and supporting the unique, evolving needs of the very small, small, and medium business technology buyer. Katie has a strong, SMB-focused research and writing background, having covered SMBs in the retail and ecommerce space for over 12 years. Most recently, her primary coverage area was researching the technology needs of SMB retailers and analyzing the vendor offerings on the market to meet those evolving needs. Katie has also conducted extensive writing and research on mobile and international ecommerce and has authored several custom reports for vendors serving SMBs.

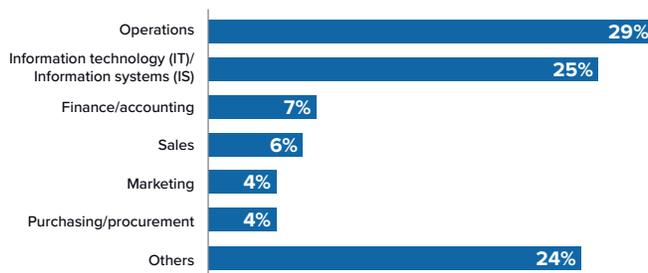
[More about Katie Evans](#)

Survey Demographics

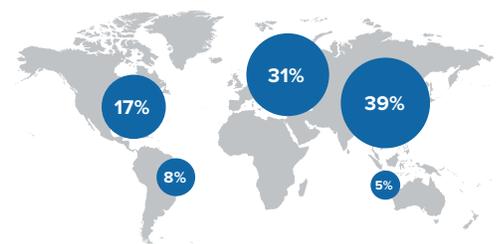
The IDC’s SAP A Guide to Growth Survey took place in September 2022 and had a sample size of 1,850. All charts in this study are based on this survey.

Sample size: n = 1,850

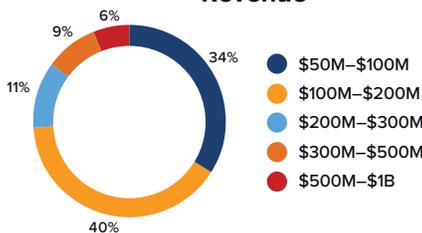
Business Area



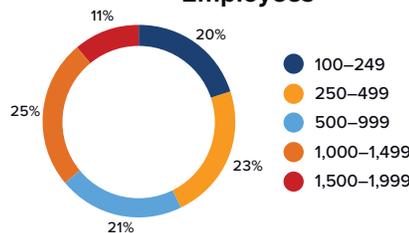
Region



Revenue



Employees



Current Title or Role



Message from the Sponsor

About SAP

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Approximately 80% of our customers are small and midsize companies. With SAP, you get a growth engine that can take you anywhere, and we'll be beside you every step of the way – no matter where you take your business next.

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