

# SUPPLY CHAIN LEADERS

## • COLUMNIST •

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**Designing and managing  
supply chains in a  
post-Covid world**



**ONLINE**

## ■ Introduction

Contemporary supply chains have been developing as a field of scientific management since the late 1960s. Along the way, there have been disruptions, some severe, but despite this, designers have largely pursued a deeply flawed ‘one-size-fits-all’ philosophy — because it assumed that all customers buy the same way and have similar expectations.

However, during the first 50 years of development, growth was able to hide many of the deficiencies of this philosophy. But all that changed with the worldwide disruption caused by the Covid-19 pandemic in 2020. Indeed, the one positive thing that has come out of Covid is that it has accelerated change by at least a decade, and perhaps even more.

## ■ The operating environment pre-Covid

In the decades before the onset of Covid in early 2020, supply chains were progressively becoming more vulnerable anyway. Years of focusing on efficiency and cost reduction hollowed out enterprise supply chains, made them brittle, and eliminated their potential to positively impact revenue.

Supply bases were heavily rationalised, and global sourcing took over from local and regional sourcing as Procurement personnel relentlessly pursued their spend reduction objectives, mostly without any regard for what was happening on the demand-side. Many global companies centralised production, and their distribution networks to further reduce costs. So, customer expectations did not receive much focus in this singular flight to a lower cost structure.

At the same time, especially over the first two decades of the 21st Century, volatility was increasing on both the demand and supply sides, brought about by increasing incidences of natural disasters, growing cybersecurity threats, and different patterns of buying behaviour emerging from customers.

Indeed, in the opinion of management guru, Jim Collins, this set the scene for an extended period of ‘ferocious instability’ in the years ahead. But we were, with few exceptions, largely unprepared because of a long history designing ‘one-size-fits-all’ supply chain configurations in the misguided hope that they would reduce costs- in fact, the opposite happened as the level of exceptions to the rule increased.

A new approach is sorely needed, complete with embedded resilience in enterprise supply chains, the capability of satisfying a range of different customer expectations.

## ■ Designing for a future world

My own search for a new design philosophy has been going on since the late 1980s. This philosophy focused on achieving a more precise ‘alignment’ between the enterprise (and the supply chains within it), and the target market- we originally called this Strategic Alignment, but later changed to Dynamic Alignment, when we realised that customers could change and have more than one buying behaviour, depending on the situation they were in and the pressures on them.

This new ‘outside-in’ driven philosophy, powered by primary research in the target marketplace, supplemented by demand data analytics, led over the years to the conclusion that companies would need a minimum of (4) different supply chain configurations to service up to 80 percent of the target market.

We call these supply chain configurations: Collaborative; Lean; Campaign; and Agile. Together, they represent the business-as-usual (BAU) capability to manage in markets that exhibit +-40 percent variability.

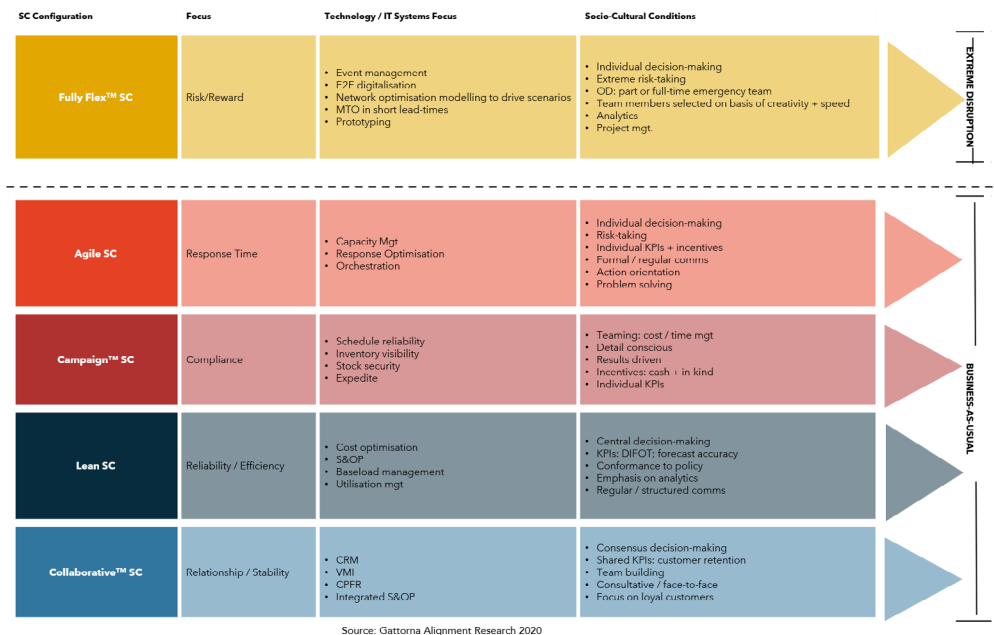
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However, Covid exposed global supply chains to a more extreme disruption, one that demanded a correspondingly extreme response, hence the new Fully Flexible supply chain configuration, that caters for extreme unplannable disruptions, with up to +100 percent variability.

So, in effect, if we take Jim Collins' prediction seriously, we need to prepare to manage a 'parallel universe' of supply chain configurations in the decades ahead. The description of each of the five (5) configurations required to achieve this is outlined in the schematic below.

## Managing in a parallel universe



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But it does not stop there. Once we have the outline design of our supply chain network, we have to tie it all together with digitalisation in order to provide the required end-to-end (E2E) visibility so necessary in managing our future supply chain, in real-time.

A lot must change to reach this desired state. Our internal IT systems must be linked through an integration layer in order to achieve E2E visibility, preferably with a Control Tower in place to monitor the progress of orders over 24-hr and 1-week time horizons. A IoT-driven 'track & trace' capability should be installed, preferably with a proof-of-delivery (PoD) capability at the destination point, supplemented by payment options. And all this must be achieved sustainably.

### ■ The final task; getting the transformation done on the ground

Unfortunately, our field research indicates that up to 60 percent of best laid plans are never actually delivered on the ground, not because of competitors' actions, but because of the internal resistance to change. Covid has helped here by overcoming much of this resistance, but it could come back post-Covid if we are not on guard.

For this reason, it is vital to supplement the above stated design and technology changes, with changes to how we configure the human-side of the business. After all, supply chains, which are a huge part of most businesses, are dominated by the presence of people and their behaviour, e.g., customers; suppliers; and people employed by the company.

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A good start would be to recognise that while retaining elements of the current functional design, we need to add a new sub-structure that runs cross-functionally, driving the supply chain streams that align with customers. These two organisational sub-structures, vertical and horizontal, run separately but in synch. This is not matrix design.

Once we have these two sub-structures in place, we can work on the composition of the teams that populate them in order to shape the subcultures necessary to drive these work streams efficiently and precisely, without the usual loss of energy due to misalignments.

#### ■ **A final word**

Covid has been a blight on global economics, but it has also brought with it an 'opportunity window' for enterprises who are prepared to seize it. Now is the time to re-design your global/regional/local supply chain networks; fundamentally change your organisation design; achieve E2E visibility through digitalisation; increase the clock-speed of internal processes, thereby reducing decision-making times; and improve the alignment with your demand and supply-sides.

If you follow this prescription, you will find that the cost-to-serve your target markets will reduce significantly; customer satisfaction will increase, and so will top-line revenue. We know, because we have actually achieved this rare combination with a number of our global clients in the field. Good luck!

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