

Gartner®

How to Improve Supply Chain Effectiveness Through Supply Chain Benchmarking

Understand your contribution to business strategy, diagnose specific performance gaps, and plot high-value improvements



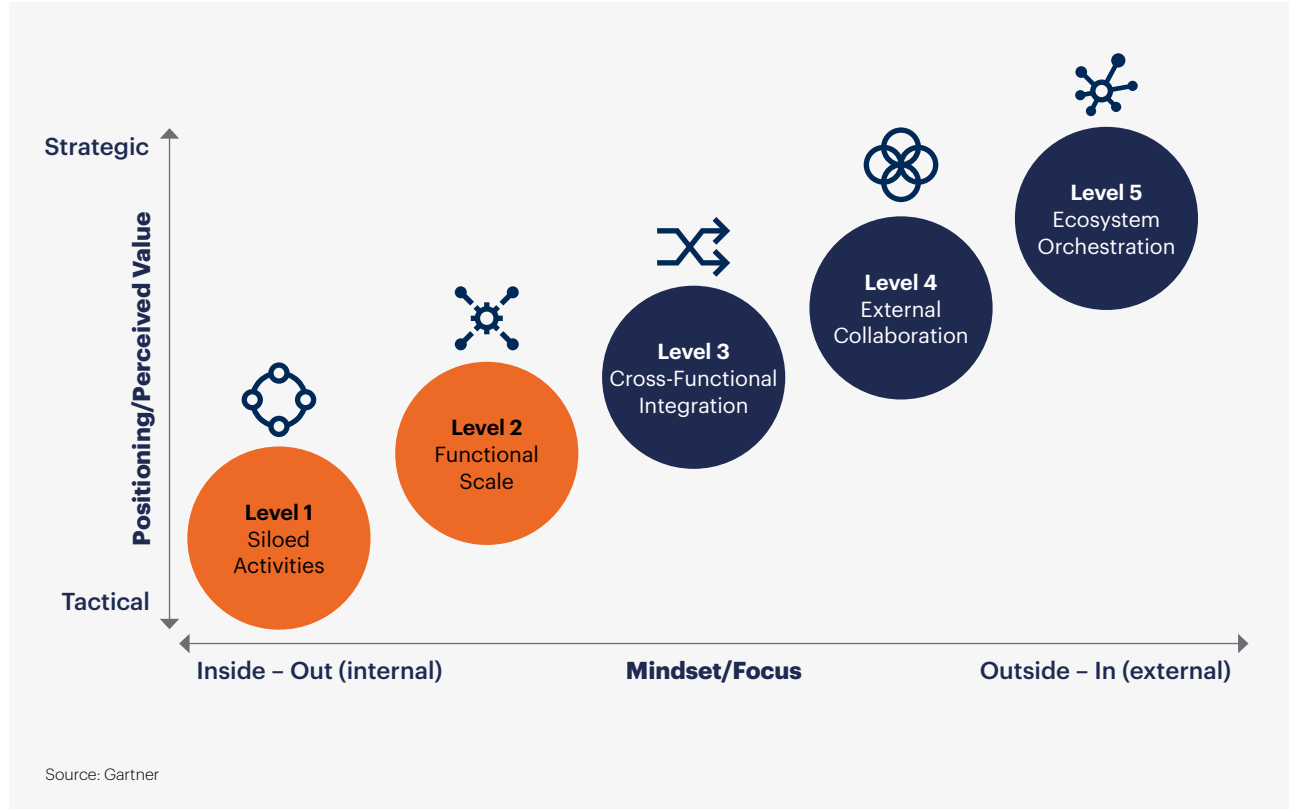
Introduction

The rate of disruption and change is increasing, putting tremendous pressure on supply chains. According to our research, 76% of supply chain executives say the number of disruptive changes has increased compared to three years ago.

Supply chain organizations best able to survive — and thrive in — disruptions have honed their ability to assess current capabilities as a starting point for strategic planning and prioritizing capability improvements. These leading organizations are perceived as strategic weapons by their companies instead of simply a cost that should be reduced. The chief supply chain officer (CSCO) has mastered the disciplines within each supply chain function, effectively integrated supply chain into overall business strategy, and developed productive relationships with trading partners and other third parties in the external supply base.

Supply chain organizations can leverage our supply chain maturity model to assess their performance (see Figure 1). The model details five maturity stages, requisite supply chain competencies and their defining characteristics in each maturity stage. These characteristics are based on best practices observed across a multitude of organizations along their maturity journey. The model also shows what supply chain excellence looks like as demonstrated by leading supply chain organizations. Striving toward higher levels of maturity can guide an organization's strategic planning and investments in capability improvements.

Figure 1. Gartner's Supply Chain Maturity Model



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End-to-End Supply Chain Maturity Model

Supply chains are supported by 10 major functions supported by 28 activities. These functions are: supply chain strategy; supply chain technology; organization design; supply chain performance; supply chain processes; supply and demand planning; sourcing and procurement; product manufacturing; customer fulfillment; and logistics.

There are five levels of maturity for each of the 28 activities. Each level is summarized below.:



Level 1
Siloed
Activities

Activities are siloed within a function, such as planning or procurement or a site within a function for those with physical operations, such as manufacturing and logistics.



Level 2
Functional
Scale

Activities are managed by each function but have expanded geographically or enhanced technically. Functions with physical operations, such as logistics, move from being managed by site to across sites.



Level 3
Cross-Functional
Integration

Activities are managed within each function but are integrated and coordinated with other functions.



Level 4
External
Collaboration

Activities are managed across functions and with immediate members of the value chain, including third-party logistics (3PLs), external manufacturers, suppliers and customers. Interactions and relationships move beyond tactical and transaction to strategic and collaborative.



Level 5
Ecosystem
Orchestration

Activities are managed across functions, with immediate value chain members and indirect organizations in the ecosystem that are not directly involved in the physical flow of goods or money. Examples of ecosystem partners include third-party digital service providers, platform providers and nongovernmental organizations (NGOs).

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Functions and Activities Can Exhibit Differing Supply Chain Maturity Levels

Based on our work with hundreds of clients that have conducted supply chain self-assessments using Gartner maturity models, we found that maturity varies within and across functions and activities in the supply chain. For example, a consumer goods manufacturer that assessed its maturity found that its planning and demand management function scored at Level 4, while its sourcing and procurement function scored at Level 2.

Maturity can vary by activity within a function, too. For example, within the product manufacturing function, your external manufacturing capabilities may score at Level 1, but your in-house production capabilities may score at Level 3.

Maturity can also vary by business unit at the same company. An industrial manufacturer with four business units found that one of the business units had an overall supply chain maturity at Level 2, while another of the business units had Level 3 maturity.

Although maturity levels differ within a company, we advise all organizations to advance their capabilities to at least Level 3 — an integrated supply chain. Starting at Level 3, organizations can manage their supply chains with a clear understanding of the cross-functional impact and trade-offs across siloed functions.

Interpreting and Making Decisions Based Upon Supply Chain Maturity

It is logical to assume that one should focus on improving the lowest maturity activities first. Things are not always so simple. A company's competitive positioning should drive the design and operation of the supply chain. That, in turn, should inform what aspects of the supply chain need to have higher levels of maturity.

The most effective CSCOs don't waste time, money and effort trying to get every capability to best in class or Level 5. They know what differentiates their company in the market and only drive capabilities to higher levels of maturity, where needed, to support the company's future strategy.

Effective supply chains provide optimal outcomes by driving higher capabilities and performance in the functions that deliver the results demanded by the overall business strategy. To achieve these optimal outcomes — the capabilities that govern the end-to-end supply chain — it is vital to have achieved an overall Level 3 maturity score before advancing individual functional maturity beyond Level 3.

The Role of Maturity Models in Strategic Planning

Strategic planning requires collecting and analyzing data and information from multiple sources. For example, competitor analysis, business unit priorities, economic forecasts and geopolitical outlooks all factor into strategy development. Quantitative and qualitative performance assessments are another, and this is where maturity models are used. Specifically, a maturity model helps strategic planners document current capabilities and qualitative performance. It also aids in defining future-state capability requirements. Strategic planners can use higher-level maturity capabilities to describe how the supply chain needs to perform to support overall company strategy, and the initiatives and investments being recommended as part of the supply chain strategy.

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Supply Chain Benchmarking: How We Help

How do your supply chain operations compare to peers? Understanding your operational metrics is vital. Forward-thinking supply chain executives use supply chain benchmarking to actively measure process efficiency, cost-effectiveness and risk management capabilities relative to industry competitors. They focus only on the metrics that matter most, and they avoid goal setting in a vacuum, which frequently leads to misaligned expectations and suboptimized performance. They define what supply chain excellence looks like and how to evolve supply chain management practices to drive innovation. When used correctly, supply chain benchmarking helps to mitigate supply chain disruptions by identifying high-value, actionable insights.


Gartner's supply chain benchmarking allows you to measure performance against peers, identify strategic priorities and future needs, and position the supply chain function to drive business goals. Supply chain executives use our supply chain benchmarking to:

- Make decisions and leverage empirical data on performance
- Defend budget and spend, spot risks of underinvestment, and quantify improvement goals and rates
- Excel where it matters, optimize costs and be more effective

Contact us at scbenchmarking@gartner.com to inquire about participation in Gartner's supply chain benchmarking.

Actionable, objective insight

Position your supply chain organization for success. Explore these additional complimentary resources and tools on supply chain benchmarking:




Tool

Hierarchy of Supply Chain Metrics

Prioritize the right supply chain metrics to improve end-to-end supply chain performance.

[Learn More](#)




Tool

Gartner Supply Chain Score

Redesign supply chain performance assessment to improve supply chain effectiveness.

[Learn More](#)



Tool

Supply Chain Budget Benchmarking

See how supply chain costs compare to industry and regional peers.

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Research

Strategic Planning for Supply Chain

Put key elements of supply chain strategy on one page to gain support of key stakeholders.

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