

The Nontraditional Supply Chain

More than half of supply chain organizations across a range of industries believe that they are at risk of disruption in the coming years. The highest perceived risk comes from a range of nontraditional competitors, including digital giants, companies from other industries trying to diversify, emerging startups and innovative suppliers.

Nontraditional competitors are reshaping industries through disruptive innovation, the ability to meet the needs of varying customer expectations and very agile supply chains.

This research brief breaks down two critical capabilities that chief supply chain officers (CSCOs) must develop to create a nontraditional supply chain.

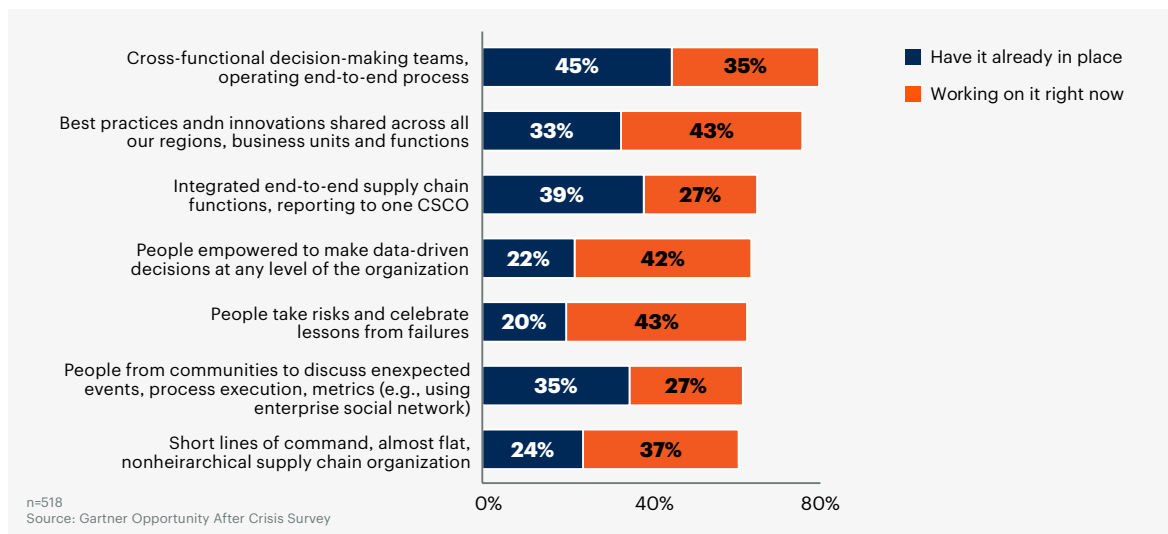
1 Create an agile organizational design

Large organizations tend to have long lines of command and internal silos. This often creates complexity and slow-paced decision making, harming innovation and change. Complexity also impacts productivity, as many employees spend hours fixing complexity-generated issues; for example, those created through data errors, miscommunication and blaming each other.

An agile supply chain organization uses self-forming teams and data-driven decision making to become more responsive, and innovation sprints and hackathons to innovate the supply chain. By embracing less hierarchical organizing and leadership models, companies are able to engage more of their talent to develop new ideas across operations, products and customer service.

Today, 43% of CSCOs (see Figure 1) are working to ensure that innovation is shared across all regions, business units and functions, while also enabling their people to take risks while celebrating lessons from failures. They are also busy covering other key gaps when compared to nontraditional competitors — including empowering people to take data-driven decisions at any level of the organization (42%), and shortening lines of command to create an almost flat, nonhierarchical supply chain organization (37%).

Figure 1. Agile organizational design capabilities



CSCOs planning an agile supply chain must examine their organization against that of nontraditional competitors, instill an innovation mindset among employees, break down silos and enable end-to-end, and reduce hierarchies and chains of command. People at all levels of the organization must be empowered to use data to make informed decisions and foster collaboration. CSCOs should also allow their employees to take risks and celebrate lessons from failures.

2 Align the supply chain operating model to new business models

Supply chain segmentation is an effective method to make targeted changes to parts of the operating model to match those of new competitors. Segments are often aligned to product, customer type, customer needs or geography and allow a smaller implementation of a new capability, which in turn lowers resource need — people, time and money. Separate supply chain segments also support emerging new products within a global supply chain.

Segmentation helps CSCOs focus on increasing the agility needed to support new business growth, but it requires a willingness to trade off some efficiency, which may be a significant departure for supply chains at established companies. Nontraditional competitors, especially emerging startups, often solely focus on achieving innovation as their business goal, instead of having to maintain the performance (such as revenue, profitability and free cash flow) that management and markets expect from established companies.

Still, established companies shouldn't lose the advantages of their well-run supply chains. When segmenting operations to accommodate emerging new products and business models, CSCOs shouldn't forget to capitalize on key advantages of incumbent supply chains. Cost-efficient, global and financially solid supply chains are capabilities not easily replicated by entrepreneurial competitors, specifically scale, experience and breadth.



Connect With Us

Get actionable, objective insight that drives smarter decisions and stronger performance on your mission-critical priorities. Contact us to become a client:

U.S.: 1 855 811 7593

International: +44 (0) 3330 607 044

[Become a Client](#)

Learn more about Gartner for Supply Chain

gartner.com/en/supply-chain/products/gartner-for-supply-chain

Stay connected to the latest insights   

Attend a Gartner conference

[View Conference](#)