

Executive Report Excerpt

Sense Critical Shifts First

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To identify the most critical strategic shifts quickly and translate them into insights about creating value and competitive advantage for their businesses, chief supply chain officers (CSCOs) should:

- Make strategic planning continual and adaptive
- Translate customer knowledge into insights and advantage
- Collaborate with commercial to focus designs for advantage

Make Strategic Planning Continual and Adaptive

When supply chains must respond to structural context changes, strategy processes orchestrate the design factory — transforming strategic insights into a competitive advantage. Strategy processes have traditionally been driven by calendars and reliant on assumptions remaining static and certain. Annual strategies are often irrelevant before implementation begins, which is only exacerbated by more continuous context change. To be fit for fluid and uncertain business environments, you must add new, more continual approaches to strategy to complement your existing periodic strategy processes. Today, 15% of supply chains are pursuing both emergent, continual strategy plans and long-term, multiyear strategic plans (more

than three years).¹ Figure 1 shows the three time horizons for supply chain strategic decisions.² As shown, strategy processes need to be both periodic and set to capture emerging risks and opportunities.

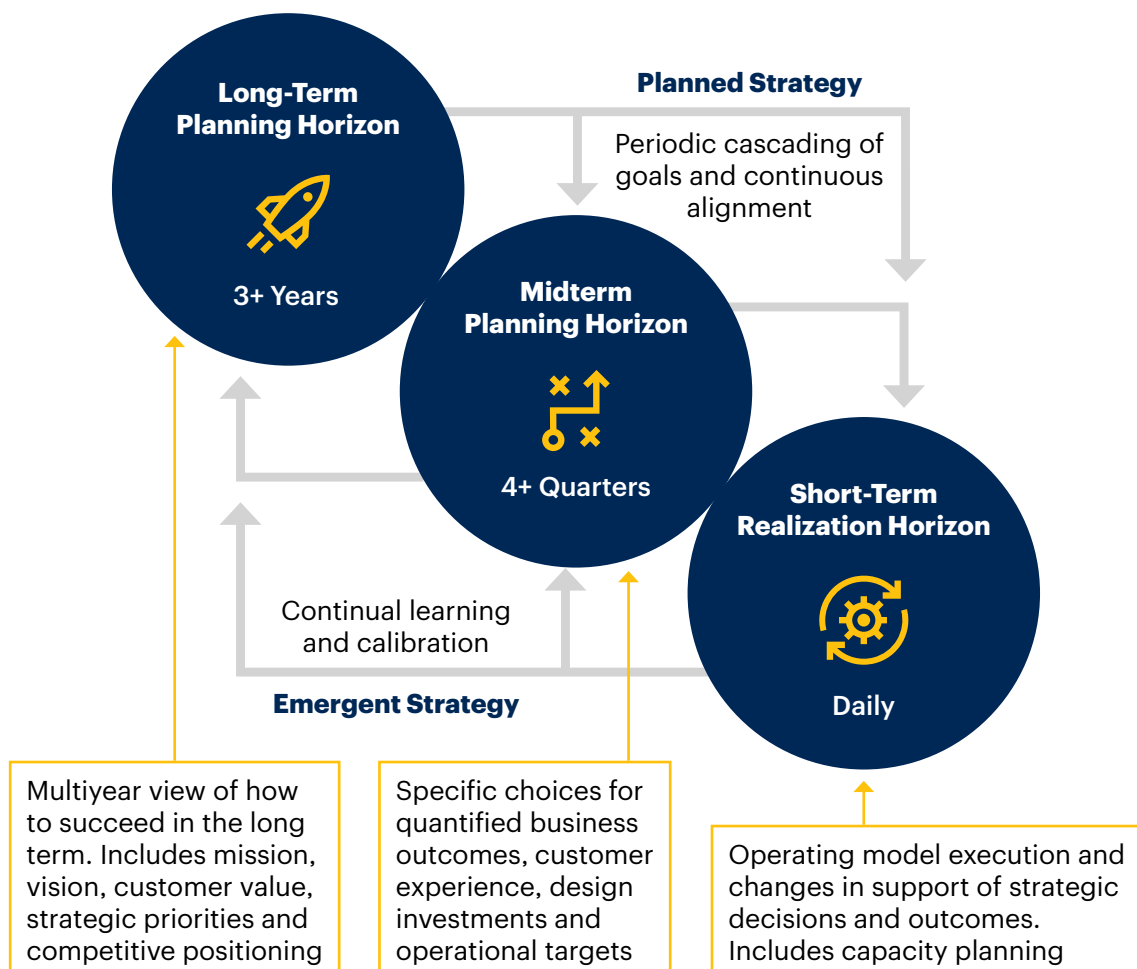
The long-term planning horizon strategy sets direction with vision, mission, value and scope statements. Analysis leads to decisions on how the supply chain enables the corporate competitive advantage and how the supply chain creates its own competitive advantage. It is important to have this foundation and stable direction to help align and mobilize the organization.

In continual strategy, you create feedback loops from employees, customers, partners and the business to surface new concerns or opportunities. Strategy can become continual in two ways — it can increase the frequency of activities you traditionally do or become event-based.

Continual strategy is not about reviewing roadmaps or projects more frequently. It is about ensuring you are working on the right things, given the latest view of the business context.

For example, recognizing that the retail environment will continue to experience disruption as technology and consumer demands change, Tractor Supply Company updated its strategic planning process to be more adaptive to a changing business environment through quarterly reviews. Each quarter, it prioritizes new themes that are not accounted for in the current strategy or that are likely to have a significant impact on business outcomes.

Figure 1. Three Time Horizons for Supply Chain Strategy



Source: Gartner

It assesses these emerging themes against supply chain capabilities and competitive position, then adjusts strategic plans to address capability gaps. The average time it took the supply chain organization to assess and scale a new capability decreased by 98%. By having this process in place during COVID-19, it accelerated a two-year plan to scale same-day delivery to its stores to cover all 1,863 stores in two weeks.

In event-based strategy, you track risks, issues, assumptions, trends and triggers that are deemed important in the planned strategy process. Comprehensive scenario and risk analysis is a critical input from the planned strategy process. As an event occurs or uncertainties evolve, adjust only the portions of the strategy requiring an update — a minimum viable strategy approach. (See *Creating Supply Chain Strategy at the Speed of Business Change Amid Uncertainty*.)³

For almost a decade, corporate strategy practitioners have moved toward more continual, adaptive strategy processes. Sixty-six percent of strategy leaders agree adaptive planning is the future of the strategy function.⁴ Supply chain strategists need to adopt adaptive strategy to remain competitive in a highly changeable market, providing them with the infrastructure to enable quick pivots that keep them ahead.⁵

Translate Customer Knowledge to Insights and Advantage

Three-quarters of organizations surveyed in Gartner's 2019 Customer Experience Management Survey calculate a positive relationship between customer satisfaction and business outcomes.⁶ This helps explain why Gartner research on supply chain agility leaders shows that they more greatly emphasize improving the CX (see *The Agile Supply Chain Imperative: Defining How Companies Can Sense and Respond to Change*).⁷ To improve customer experience, you must know what customers want. The best way to do this is to use attitudinal user research. Attitudinal research is focused on understanding customer needs, feelings and motivations. Measurably improved customer perceptions are more than two times more likely in organizations effective at conducting user research. Additionally,

attitudinal methods are more than three times more likely to improve effectiveness of user research.⁶

Jobs to be done (JTBD) is an attitudinal methodology with a proven ability to improve new product development and innovation. According to Nielsen, of the 20,000 new products launched from 2012 to 2016, only 92 had sales of \$50 million or more in the first year, and sustained sales in the second year. Nielsen's analysis shows that each of the 92 successes solved a poorly performed and clear job.⁸

“Innovation can be far more predictable — and far more profitable — if you start by identifying the jobs that customers are struggling to get done.”

Harvard Business School
Professor Clayton Christensen⁹

Using JTBD to Understand Customer Supply Chain Needs Best

JTBD theory builds on the idea that customers are not buying products, they are hiring a company to help them get a “job” done. The job — not the product or the customer — is the unit of analysis to discover needs. Once you know why customers are selecting a product, it allows a discussion of the problems that they are trying to solve. You fulfill an unmet need when you design the product or service to help the customer solve the problem in ways that are less challenging or wasteful, or more convenient, timely or consistent. Better fulfilling unmet needs can improve existing products, drive disruptive innovation and target new “blue ocean strategies.”

Henry Ford said, “If I had asked people what they wanted, they would have said faster horses.” Ford’s quote highlights the challenge with asking customers what they want. The answer is vague, solution-focused and hard to identify new ways to create value around. In a quest to become more customer-centric, supply chains are actively asking commercial partners and customers what they want from the supply chain. Inevitably, the responses received are lower cost, faster delivery, more choice, reliable service and quality. These are all the equivalent of “faster horses.” More detail is needed to create true customer value and competitive advantage.

“People don’t want to buy a quarter-inch drill, they want a quarter-inch hole.”

Harvard Business School
Professor Theodore Levitt¹⁰

With a JTBD lens, we build on the idea that horses are “hired” to travel from point A to point B. When you frame the problem you are trying to solve for the customer this way, it opens up potential solutions and technologies to use. Beyond being functional, jobs may also be social or emotional. When we design a solution for the overall experience, we do not just get a car, but an environmentally-friendly car that helps us feel like a steward of a healthier planet, or we get a service such as Uber. Traveling without cash on hand, knowing exactly when your driver will arrive and finding transport in various cities around the world are all needs that transportation services, such as Uber, fulfill better than the alternatives.

From a supply chain perspective, we often think in terms of product lines, customers and channels. A “jobs” view considers what customers are trying to do on different orders or interactions with the supply chain.

Customers need different things from the supply chain when it comes to the job to be done. The job for end users could be to have a present for a birthday or to find shoes that fit. For a business customer, the job might be to start up a distribution site, recover from a disaster, launch a new product, support a promotion, optimize warehouse operations or improve cash flow. In each of these situations, there are a variety of features that the “supply chain product” might offer, such as gift wrapping, easy returns, precise delivery times, coordinated delivery of multiple products, custom packaging or extended financial terms. For environmentally conscious customers, providing carbon-neutral operations might solve an unmet need.

Clayton Christensen and Anthony Ulwick represent two of the leading approaches to JTBD with nuances in how they go about it. Harvard Business School Professor Christensen discusses JTBD in relation to disruptive innovation in his books, “The Innovator’s Solution” and “Competing Against Luck.” P&G used Christensen’s concepts to create an “innovation factory” that tripled its innovation success rate.¹¹ Ulwick, founder of growth strategy and innovation consulting firm Strategyn, puts the JTBD theory into practice with a quantifiable, predictable innovation approach in his books, “What Customers Want” and “Jobs to Be Done: Theory to Practice.” Ulwick’s concepts are the foundation of outcome-driven innovation (ODI). An independent study showed an innovation success rate of 86% for ODI versus 17% for traditional innovation processes.¹²

Table 1 outlines the five steps in Ulwick’s ODI approach to provide a simple introduction to its power. A project team of as few as six people can follow the approach and influence decision makers by providing a shared understanding of customers’ desired outcomes with a prioritization based on statistically valid data. Using this process reveals surprising insights to build on. It will focus you on opportunities for disruptive innovation and lasting competitive advantage, rather than just incremental innovation and solutions that are not differentiated from competitors.

Table 1. Five Steps for an Outcome-Driven Innovation Approach to Jobs-to-Be-Done Product Development

Common Challenge	Outcome-Driven Innovation (ODI) Jobs-to-Be-Done (JTBD) Approach	Example	Benefit
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Step 1: Create a stable target by defining the scope of innovation as a market, such as a group of people with a job to be done.

Focusing innovation around a technology, product, channel or customer group is vulnerable to disruption. New approaches that get the job done better and/or at less cost often emerge.	The unit of analysis to discover needs is a market defined as a group of people with a “job to be done.” The solution used to execute the job is not part of the market definition. For any job, the goal is to minimize execution time (efficiency) and minimize the likelihood of bad things happening (undesirable outcomes).	One company gained a competitive advantage for 10 years after defining its market through this lens. Example markets where supply chains may focus innovation include: “Manufacturers trying to adjust the throughput of a factory line” or “consumers seeking a safe environment.”	While products come and go, the job people are trying to get done is stable over time. A job exists until the job is done perfectly — the target does not change over time. This market view allows faster and better alignment to customer value.
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Step 2: Identify specific stable, measurable innovation opportunities by translating customer needs that are identified through interviews into specifically structured desired outcome statements.

Asking customers what they want leads to vague, solutions-focused answers and many unarticulated needs. In supply chain this will be lower cost, shorter lead times, more choice and reliable quality.	Customer needs are defined as the metrics that customers use to measure success when getting a job done. As few as 12 one-on-one personal interviews are used to capture 50 to 150 needs tied directly to the job to be done. When a customer answers with a solution, the moderator translates that answer to a desired outcome statement and confirms that it accurately represents the customer’s need. ¹³	Cardiologists said that they wanted an angioplasty balloon to be “smooth.” When asked what metrics they use to define smooth, the needs were recorded as “minimize the likelihood of dissecting a vessel” and “minimize the likelihood of inadvertently entering side vessels.” ¹⁴	Expressing customer needs with this special form of desired outcome need statement is stable over time, unambiguous, measurable, controllable and predictive.
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Table 1 (continued)

Challenge	Approach	Example	Benefit
Step 3: Innovate for multiple value opportunities by quantifying the importance and satisfaction of all customer needs through quantitative surveys.			
Incremental improvement or innovation failure due to lack of visibility to all potential new sources of value (disruptive innovation). Different stakeholders disagree on what customer needs are.	Over a three- to five-week period, a statistically-valid quantitative survey (300 to thousands) of customers quantifies the importance and satisfaction for each of the 50 to 150 outcomes identified. Satisfaction represents the degree to which solutions are used today to get the job done.	Arm & Hammer Animal Nutrition identified which of its dairy producers' 165 desired outcomes were underserved. To address a major opportunity identified, analysis was used to screen for acquisitions, explain the rationale for acquiring a small business providing important niche solutions to dairy producers. ¹⁵	Importance tends to be stable. Periodic surveys capture shifts in satisfaction scores across competitors as needs are met in new ways. A complete view of needs enables targeting multiple sources of value, leading to breakthrough improvements, disruptive innovation and competitive differentiation.
Step 4: Identify opportunities for competitive advantage and disruptive innovation by segmenting on the most important overserved or underserved needs.			
Traditional demographic, psychographic and behavioral segmentation methods fail to reveal significant opportunities for differentiation and competitive advantage. Traditional segmentation methods fail to uncover unmet needs that groups of customers do not agree on.	Challenge traditional framing of requirements. Segment and create personas based on unmet needs — not identity, demographics or psychographics. Discover overserved and underserved segments of customers, which outcomes are unmet in each segment, and to what degree.	Just as supply chains often have platinum, gold and silver customers, an all-terrain vehicle manufacturer had a “good, better, best” product strategy. Following outcome-driven innovation, it identified a \$150-million segment with a need for a product with more power to handle difficult terrain (best), but with fewer accessories that break (good).	Using customers' underserved outcomes as the bases for segmentation, reveals highly actionable segments of opportunity. Reduce cost for when unimportant and satisfied (overserved) and do it better where important and unsatisfied (underserved).
Step 5: Implement quick wins and create a comprehensive innovation strategy by repositioning, modifying existing and devising new solutions to address outcome-based segment needs.			
Coordination across many projects to create individual solutions adds costs, extends time to implement and misses opportunities to develop more effective solutions.	Solutions are found to address the identified outcome-based segments. Existing solutions are aligned and refined to the segments. New solutions are devised to address gaps. Merger and acquisition and investment opportunities are explored. Armed with a strong problem statement of unmet customer needs, identify how to best meet them.	When looking to enter a new market, Bosch discovered an underserved segment of customers with 14 unmet needs. In a matter of hours, the product team conceptualized a new offering that would address all 14 needs without adding product cost. This allowed Bosch to gain share against its top competitors. ¹⁶	Quick identification of solutions as part of a comprehensive innovation strategy based on clear trade-off considerations. Randall Coe, director of product development at Bosch, said, “It is highly unlikely that we would have focused on these outcomes, defined this feature set, or made the right trade-off decisions without having the benefit of outcome-driven analysis.” ¹⁶

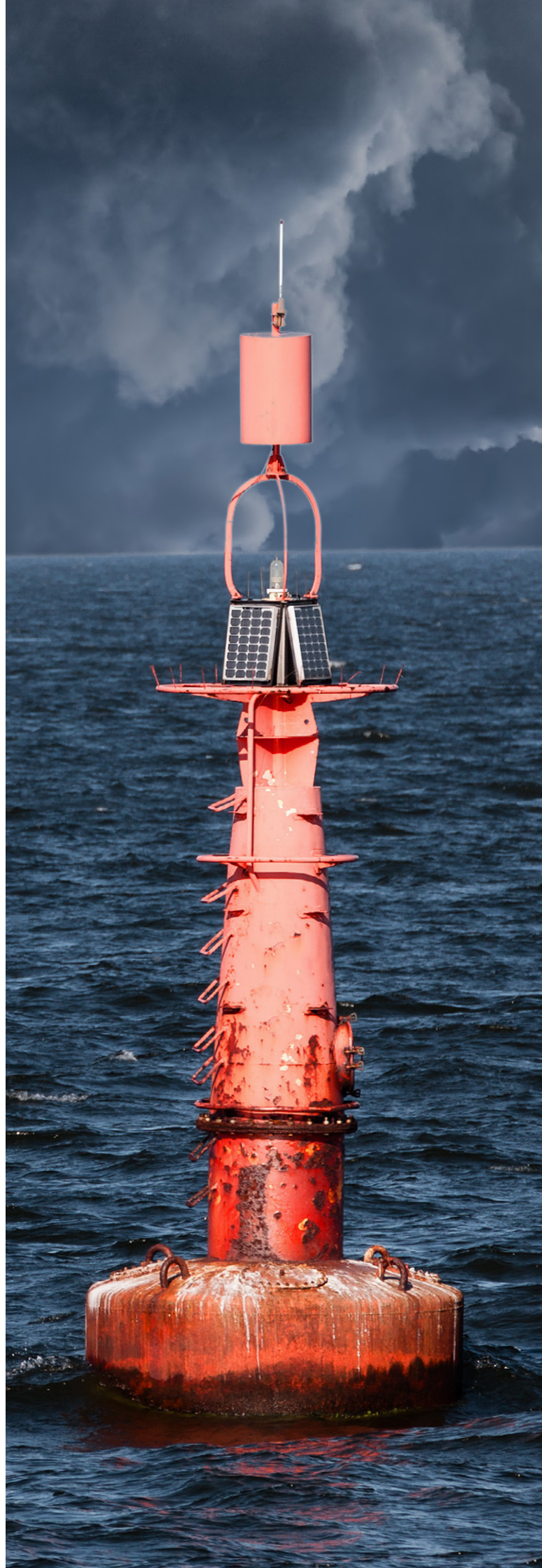
Source: Interview of Strategyn Founder Anthony Ulwick, and comments from Bosch's Randall Coe

Many of the innovations that supply chain leaders applaud are valuable because they solve unmet needs, even though we do utilize a JTBD approach. For instance, Gartner recognized Woolworths for innovating its pallet design in Australia (see Retail Supply Chainnovator Finalists 2020: Smart Solutions Drive Major Results). Historically, Woolworths' customers reported that replenishing stock to shelves during trading hours made store aisles look cluttered and tough to navigate. Stores relied on manual handling. Viewed through a JTBD lens, you can see needs such as "minimize difficulty to navigate aisles," "minimize time to receive loads," "minimize handling" or "minimize time to fill shelves." Just as Six Sigma offers techniques to systemically control and improve processes JTBD makes innovation predictable and improvable.

Making JTBD a repeatable capability helps to identify ways to continually create new value. After four years, Thomas, a provider of actionable information, data, analysis and tools for industry, continues to use ODI JTBD insights on its product sourcing and supplier discovery platform — Thomasnet.com. During the original analysis, Thomas identified additional jobs that buyers needed to complete, that the platform could easily fill — assessing the risk of a supplier going out of business and understanding price sensitivity in a product area. When in-person visits became difficult due to COVID-19, the team used JTBD to build virtual shop tours. The tours helped procurement teams see the sites so that custom manufacturing sourcing decisions could be made.

Collaborate With Commercial to Focus Designs for Advantage

Knowing customers' unmet needs helps identify where to focus, but competitive understanding and commercial collaboration are critical to finding the most effective solutions to translate customer insights into designs and competitive advantage. See the case in point that follows on how Schneider Electric's supply chain translates customer and competitive insights into supply chain operating model design.



Sense Critical Shifts First: Summary

To identify the most critical strategic shifts quickly and translate them into insights about creating value and competitive advantage for their businesses, CSCOs should:

- **Add Emergent Strategic Planning —**
Combine event-based, multiyear and more frequent strategy processes to provide consistent direction to mobilize resources yet be set to identify and respond to emerging risks and opportunities.
- **Understand Customer Unmet Needs —**
Build a deep and value-focused understanding of customer requirements using JTBD in order to have the insights at hand to maximize business and customer value.
- **Commercial Collaboration Heartbeat —**
Create a heartbeat for customer, competitor and commercial insight to keep the supply chain abreast of customer need shifts.

Evidence

1

2020 Gartner Supply Chain Disruption Management and Impact Survey: This study was conducted to determine the types of disruptions that impact supply chains (positively or negatively), establish parameters that make a company fit or fragile when dealing with a disruption or turn, and identify the competitive and performance impacts of supply chain disruptions. The research was conducted online between 31 March 2020 and 18 May 2020.

- In total, 585 respondents were interviewed in their native languages across North America (n = 172; including the U.S. and Canada), Western Europe (n = 225; countries including the U.K., Germany and Spain), and APAC (n = 188; countries including Australia, Singapore and China).
- Qualifying organizations operate in the manufacturing and retail industries and report anticipated enterprisewide annual revenue for fiscal year 2020 of at least \$500 million U.S. dollar (USD) equivalent (at least \$250 million USD or equivalent outside of the U.S.).
- Qualified participants have a role tied to a supply chain function, and are in director or above roles. All respondents are involved in their company's decisions regarding supply chain management processes, operations and strategies, either in a decision-making capacity or advisor to the decision makers.

Disclaimer: Results of this study do not represent global findings or the market as a whole, but reflect sentiment of the respondents and companies surveyed.

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Strategy Perspectives on Adaptive (Agile) Planning, Gartner

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In the note Creating Supply Chain Strategy at the Speed of Business Change Amid Uncertainty, base size is 221 for the 2019 Gartner CEO and Senior Business Executive Survey. Gartner conducted this research September through December 2018, to examine CEO and senior business executive views on current business issues, as well as some areas of technology agenda impact. 473 business leaders in organizations greater than \$50 million in annual revenue were qualified and surveyed. Analysis presented in this report are based on the responses of 221 business leaders from supply chain intensive industries.

4

How Strategy Can Partner With Other Functions to Overcome Barriers to Adaptive Planning, Gartner

Evidence (continued)

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2018 Gartner Digital Supply Chain Transformation Survey. Gartner surveyed organizations between 23 May and 11 July 2018. The goal of this survey was to help Gartner better understand how executives and functional leaders prioritize and organize to define their digital supply chain roadmap, drive their transformation and define what success looks like.

- In all, 377 respondents in North America, Western Europe and APAC participated online and in their native languages.
- Qualifying organizations are large organizations in the retail, healthcare provider, consumer products, chemical, industrial, high-tech and life sciences manufacturing industries. Organizations had at least \$1 billion USD equivalent in total annual revenue for fiscal year 2017 (at least \$500 million USD equivalent outside of the U.S.). These companies are either planning to implement a digital supply chain and have actively begun to define a roadmap, are actively implementing or are in the advanced stages of their digital supply chain roadmap.
- Qualified participants hold positions or job roles tied to supply chain functions and are actively involved in defining the plans for implementing a digital supply chain, including defining the roadmap by identifying and managing projects, and considering and experimenting with emerging technologies as they relate to the supply chain.
- The sample universe was drawn from external panels of IT and business professionals.

Disclaimer: Results of this study do not represent “global” findings or the market as a whole, but reflect sentiment of the respondents and companies surveyed.

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Gartner 2019 Customer Experience Management Survey: Results presented are based on a Gartner study to confirm how organizations are measuring CX and to validate how certain tools (such as personas and journey maps) are or are not driving value. It is also to measure how expectations of, and commitment to, CX investments are changing, and to gain understanding on how user research informs or helps CX. The primary research was conducted online during May through June 2019 among 401 respondents in Canada, the U.K. and the U.S. from different industries. Respondents were required to be a leader or a member of the team responsible for CX and with involvement in customer experience programs and initiatives. Seventy-nine percent of the respondents came from organizations with \$1 billion or more in annual revenue. The respondents came from a variety of industries: financial services (56 respondents), high tech (56 respondents), manufacturing (51 respondents), consumer products (44 respondents), media (51 respondents), retail (58 respondents), healthcare providers (48 respondents), and travel and hospitality (37 respondents). Results presented are based on a driver analysis conducted using Logistic Regression methodology by transforming the survey questions into binary (or two-level) variables. The model-building process looks at interactions between different explanatory variables to assess their impact on a specific outcome or dependent variable. This is presented as an odds-ratio where an odds-ratio, of say 2x, would mean that a successful outcome becomes twice as likely due to impact of the explanatory variable. Results could also be interpreted into percentages by subtracting 1 from the odds ratio. So an odds-ratio of 2.5x can also be interpreted as 150% (converting 2.5-1 into percentage), representing a greater likelihood of a successful outcome due to impact of the explanatory variable.

Evidence (continued)

7

The Agile Supply Chain Imperative: Defining How Companies Can Sense and Respond to Change, Gartner

8

The Jobs to Be Done Organization, Innosight

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Clayton M. Christensen, Taddy Hall, Karen Dillon, David Duncan, "Know Your Customers' Job to Be Done," Harvard Business Review, 1 September 2016

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What Customers Want From Your Products, Harvard Business School

11

How P&G Tripled Its Innovation Success Rate, Harvard Business Review

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Innovation Track Record Study, Strategyn

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Turn Customer Input Into Innovation, Harvard Business Review

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Service Innovation at Abbott Medical Optics, Strategyn

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Arm & Hammer Animal Nutrition Achieves Double Digit Revenue Growth Using ODI, Strategyn

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Bosch Enters Competitive Market With an Award Winning Product, Strategyn, and Creating the Bosch CS20 Circular Saw, Strategyn

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This research is drawn from “Thriving in Constant Change” a Supply Chain Executive Report by Jennifer Loveland, Senior Director Research Analyst, and Caroline Chumakov, Principal Analyst, Gartner Supply Chain.