Gartner®

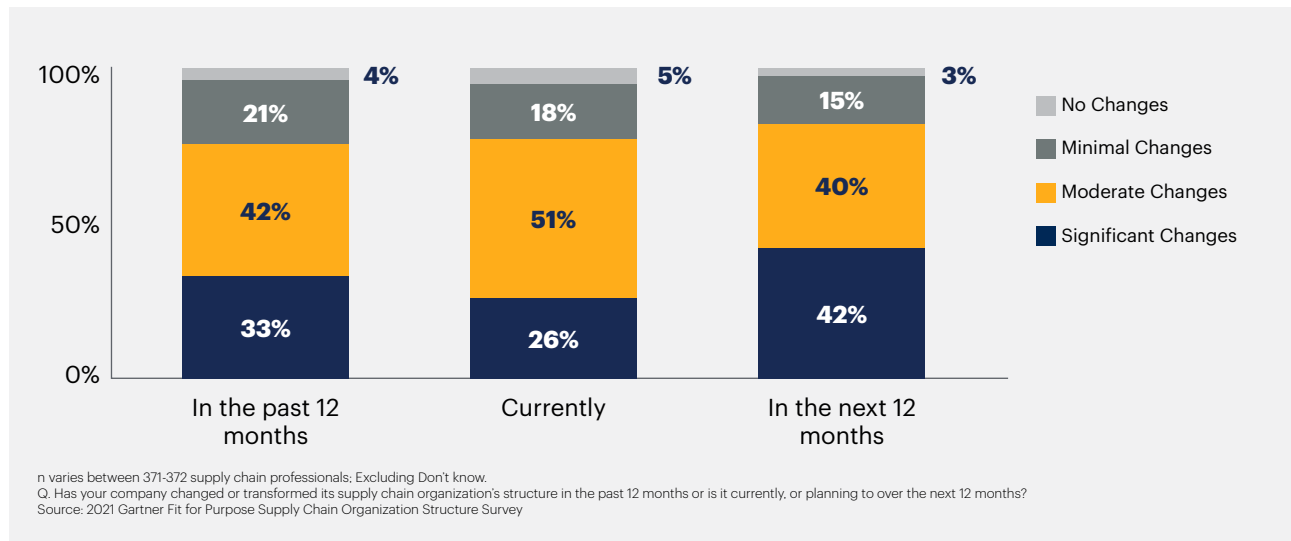# Supply Chain Organization Redesign and Restructuring

Example metrics and models for supply chain transformation

Introduction

Forty-two percent of supply chain leaders plan to make significant changes to their supply chain organizational structure over the next 12 months, and another 40% cite moderate changes (see Figure 1).

Figure 1: Change in Supply Chain Organization Structure

n varies between 371-372 supply chain professionals; Excluding Don't know.
Q. Has your company changed or transformed its supply chain organization's structure in the past 12 months or is it currently, or planning to over the next 12 months?
Source: 2021 Gartner Fit for Purpose Supply Chain Organization Structure Survey

But supply chain leaders frequently embark on reorganization initiatives without first clearly identifying the business problems they're trying to solve. The result is costly, time-consuming restructuring that at best masks areas of friction — but at worst compounds persistent challenges around resource allocation, building and delivering expertise, and decision making.

So, how can supply chain leaders define a clear rationale for supply chain organization redesign?

To focus reorganization efforts on addressing those areas that will impact the business the most, supply chain leaders should use this research to:

- Define the core challenges catalyzing the need for a change in supply chain organization structure

- Set clear objectives for the new organization based on desired business outcomes

- Use a range of solutions from "light-touch" to major restructuring that will achieve the objectives for the new organization

Gartner

Define the challenges driving org redesign

Setting the stage for a more effective organization design process begins with defining the core challenges catalyzing the need for a change in supply chain organization structure. Supply chain leaders engaged in organization redesigns may not be clear about why they need to redesign, making it difficult to sway opinions and land on the best solutions.

Across all industries, we find there are three categories of organization-related challenges leaders should assess to diagnose why the organization should be redesigned:

1. Resources
Challenges in optimizing the use of supply chain people, partners and assets

2. Expertise
Gaps in the knowledge and capabilities of the supply chain organization

3. Decision Making
Problems in the clarity, speed and quality of decision making in their supply chains

Once you have clarified the challenge and evaluated the current state of organizational alignment to the challenge, identify the gaps or friction points to resolve.

For example, a business unit, functional or commercial leader will want to have resources specifically aligned (reporting) to them to control the use of those resources to their specific objectives. While this might be optimal for that one leader, it may be inefficient for the business and problematic for suppliers, partners and/or customers.

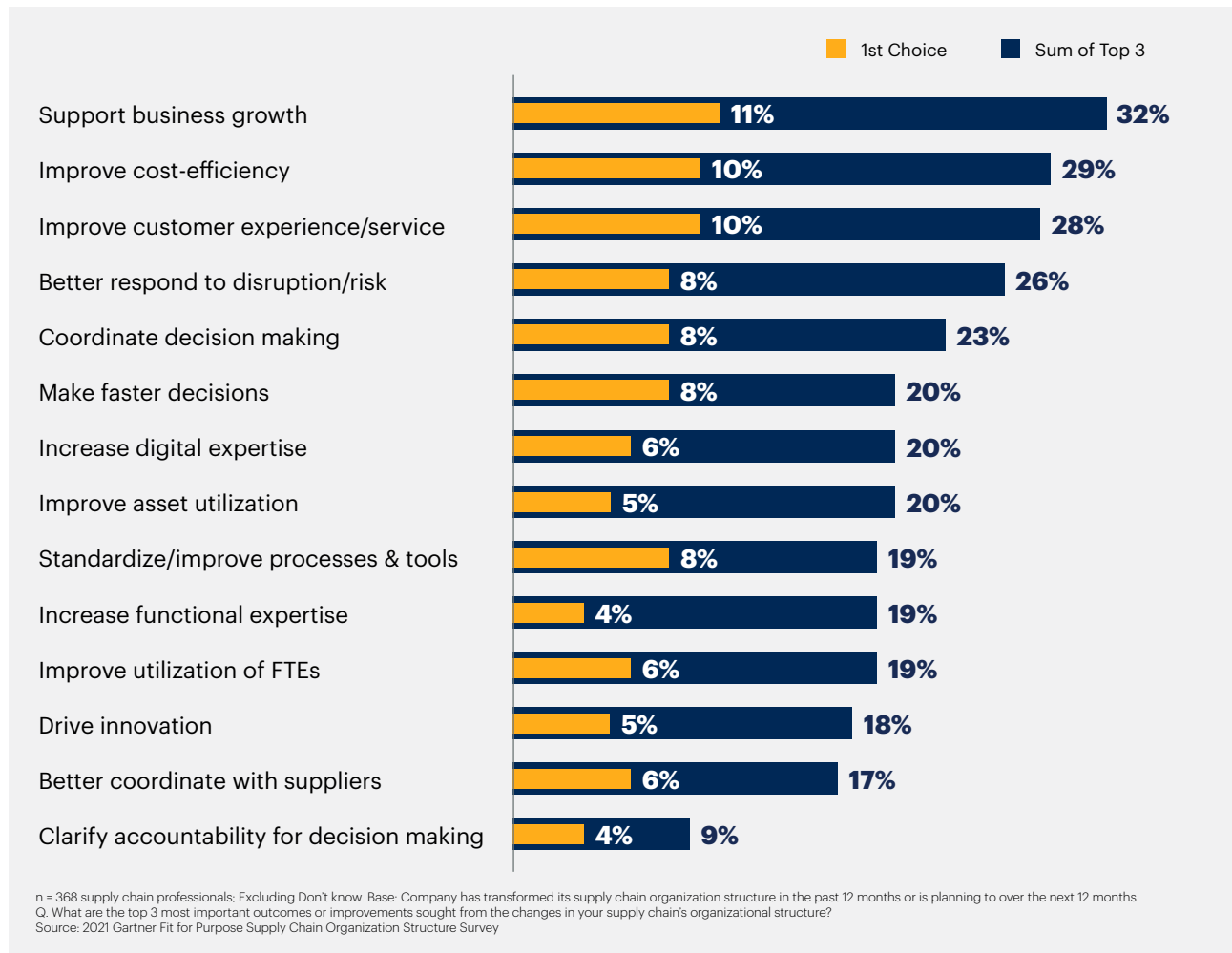Then, link the gaps or friction points to a significant business impact.

For example, in the face of disruption, it's not clear who owns the supply chain response, resulting in slower decision making and suboptimal performance. Or, in a risk-averse environment, there are no existing processes for innovation, leading to a lack of engagement of employees in innovation and longer implementation cycle times for new ideas.

Gartner

Establish goals for org redesign

Having defined the challenges and business impacts related to the current organization structure, supply chain leaders must shift their focus to setting the objectives of the organization design based on the desired impact on business outcomes. Building a rationale for organizational change requires a compelling set of outcomes that help to clarify what the business will get in return for the expended effort.

Supply chain leaders across industries seek different kinds of business outcomes (see Figure 2). Most often these outcomes are oriented toward commercial alignment, cost reduction and customer service. The desired outcomes identified are a critical part of the rationale for change. They provide direction for setting the objectives of the redesign and choosing the specific organizing strategies needed to achieve the objectives.

Figure 2: Outcomes Sought From Restructuring the Supply Chain Organization

Legend: 1st Choice | Sum of Top 3

Outcome	1st Choice	Sum of Top 3
Support business growth	11%	32%
Improve cost-efficiency	10%	29%
Improve customer experience/service	10%	28%
Better respond to disruption/risk	8%	26%
Coordinate decision making	8%	23%
Make faster decisions	8%	20%
Increase digital expertise	6%	20%
Improve asset utilization	5%	20%
Standardize/improve processes & tools	8%	19%
Increase functional expertise	4%	19%
Improve utilization of FTEs	6%	19%
Drive innovation	5%	18%
Better coordinate with suppliers	6%	17%
Clarify accountability for decision making	4%	9%

n = 368 supply chain professionals; Excluding Don't know. Base: Company has transformed its supply chain organization structure in the past 12 months or is planning to over the next 12 months.
Q. What are the top 3 most important outcomes or improvements sought from the changes in your supply chain's organizational structure?
Source: 2021 Gartner Fit for Purpose Supply Chain Organization Structure Survey

Gartner.

Set clear objectives for the new organization design against each desired business outcome, as illustrated in the table below.

Desired Business Outcome	Sample Org Redesign Targets
Improve utilization of resources	• Improve cost-efficiency of supply chain (direct cost, indirect cost, headcount) • Increase productivity of supply chain assets (manufacturing, warehousing, inventory) • Enhance productivity of people working in one or more supply chain functions (processing time, throughput, capacity)
Enhance expertise in the supply chain	• Build foundational supply chain functional expertise in planning or procurement • Standardize or improve foundational supply chain process and tools • Drive innovation expertise and the ability to bring new concepts to market quicker
Enhance decision making in the supply chain	• Define clearer accountability for decision making • Align supply chain decision making to the commercial business • Coordinate core processes across supply chain functions

Source: Gartner

Gartner.

Implement org redesign solutions

With the current challenges and desired outcomes defined, target design strategies that get to those outcomes with the least amount of disruption. Successful companies will use multiple organization design approaches, from light-touch to major organization redesign, to achieve their objectives.

Light-touch solutions allow leaders to adjust how people work together in the supply chain without making significant, disruptive change. These solutions require fewer changes to reporting relationships and the organization chart of the supply chain. These can be helpful to supply chain leaders who want to make changes to how the organization performs but do not yet have permission to change the organizing structure. They can also be used in advance of a restructure to build organizational capabilities that are foundational to the supply chain.

Examples of light-touch solutions include:

- Adding cross-functional teams and/or allowing some resources to become flexible

- Upgrading skills profiles for current roles and providing upskilling opportunities for employees

- Upgrading objectives, goals and incentive programs to motivate employees

- Defining decision rights across functions and teams to drive greater accountability and faster decision making

In many cases, these minor adjustments are enough to overcome the challenges the organization is dealing with. When this is not the case, larger-scale restructuring may be in order. Major restructuring changes the alignment of functions, reporting relationships, job descriptions and people within those jobs. Each of the changes in the structure should be directed at an outcome supply chain leaders seek to achieve and should help alleviate some of the decision making, expertise or resource challenges they mapped out.

Examples of major restructuring changes to include:

- Adding an intermediate management layer and/or regional supply chain teams in an effort to increase the supply chain leader's focus on strategy

- Hiring for new roles that fill gaps in expertise the organization does not currently have (e.g., data analyst, supply network designer, supply chain risk leader, supply chain sustainability leader)

- Standing up a supply chain center of excellence to accelerate the development of functional, process and technology capabilities

- Creating a shared service organization to aggregate transactional supply chain activities into one efficient, low-cost operational center

Gartner.

Conclusion

Figure 3 summarizes the steps supply chain leaders should take in building a rationale for their organization design. It also provides examples of what the content might look like as you perform the analysis.

Figure 3: Putting It All Together

	1. Define the Challenge	**2. Identify Desired Outcomes**	**3. Apply Organizing Solutions**
Resources	The pace and cost of adding new staff (FTEs) is exceeding that of revenue and profit growth.	Improve scalability of FTEs in the supply chain to reduce cost and improve coordination.	Introduce automation of rote tasks to reduce the amount of work needed to be performed by full-time staff.
Expertise	Multiple areas of the supply chain are experimenting in digital technology, leading to fragmented solutions and challenges in upskilling staff.	Increase digital expertise to support growth, productivity and supply chain innovation.	Invest in a central digitalization center of excellence to lead the design and deployment of significant new technologies in the supply chain.
Decision Making	Supply chain makes decisions to optimize its work in isolation from product and service needs of commercial business leaders.	Align decision making with the commercial business to deliver improved service levels.	Add internal liaison roles to work with specific commercial leaders, focused on orchestrating supply chain outcomes customized for that internal commercial group.

Source: Gartner

Gartner

Actionable, objective insight

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

Report

How to Reduce Supply Chain Complexity

Explore five strategies for evolving your supply chain operating model.

Download Report

Tool

Strategic Planning for Supply Chain

Get buy-in for your strategy using our three-step plan, best-practice examples and customizable tool.

Download Template

Report

Improve Supply Chain Effectiveness & Efficiency

Assess your supply chain performance against a structured framework and identify the highest-impact action steps.

Download Report

eBook

Future of Supply Chain

Transform your supply chain for competitive advantage and growth.

Download eBook

Already a client?
Get access to even more resources in your client portal. Log In

Connect With Us

Get actionable, objective insight to deliver on your mission-critical priorities. Our expert guidance and tools enable faster, smarter decisions and stronger performance. 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 Leaders
gartner.com/en/supply-chain

Stay connected to the latest insights (in) (twitter) (youtube)

Attend a Gartner conference
View Conference

Gartner