

# Supply Chaininnovators 2015: Transformation Discipline and Supply Chain Leadership

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Supply chain organizations in midsize companies face tough challenges allocating sufficient resources to transformation and to developing talent. This year, we highlight two Supply Chaininnovators that faced these challenges and achieved significant, measurable returns.

## Key Findings

- Proliferating product and process complexity continue to pose major obstacles to growth and agility.
- Siloed supply chain functions contribute to complexity and prevent adoption of leading supply chain practices.
- The job market for top supply chain professionals is competitive, and becoming more so. Unexpectedly losing key leaders costs hundreds of thousands of dollars and precious time.
- When designing a supply chain associate development program, many companies spend too much time trying to develop the perfect content themselves.

## Recommendations

Chief supply chain officers and supply chain leaders:

- Use the projected outcomes of a large transformational program as a test for different supply chain groups' goals and objectives. If an objective doesn't fit, lose it.
- Ensure that systematic job rotation is central to your supply chain talent and development strategy to bridge silos faster, including the top of the pyramid.
- Build a targeted development program that supports succession planning goals.
- Work with outside partners to design and populate the right curriculum and experience for your development program.
- Ensure your program features hands-on project experience to achieve maximum return.

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Analysis

Supply chain leaders recognize that their mission today is a hybrid one. The supply chain organization must excel in execution with an eye toward cost, efficiency and quality. It will also be expected to make significant contributions to the company's growth and innovation agenda, and will do so with agility and speed. We call this the bimodal supply chain.

No one is better acquainted with the challenge of building bimodal supply chain capability than chief supply chain officers (CSCOs) in midsize and smaller companies. Gartner Supply Chaininnovators is a rigorous research and recognition program that highlights the efforts of midsize companies to drive better supply chain performance and elevate the role of supply chain. The two criteria for Chaininnovator selection are simple, but formidable:

1. Demonstrate above-average financial performance, large ROI on a project, or a major turnaround in quantitative and qualitative terms.
2. Share the details of how this impact was achieved (see the Appendix section for Gartner Supply Chaininnovators' mission and methodology).

Clorox and Rockwell Automation are this year's Chaininnovators not only because of the big impact their initiatives demonstrate, but because they are willing to share the details with the broader supply chain community. For midsize companies struggling to balance day-to-day operations with efforts to drive innovation and improvement, learning from peers is invaluable.

Clorox Insures Its Supply Chain Leadership Pipeline

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**Drivers of Chainnovation:** Clorox is a \$5.7 billion consumer goods company manufacturing products in 24 countries and selling to consumers in over 100 countries. In 2011, as the economy and supply chain job market continued to improve, Clorox's supply chain focus shifted to contend with ambitious growth and globalization agendas. Supply chain leadership realized that the market for the supply chain talent that would support this agenda was becoming increasingly competitive. Attraction and retention of talent would become chokepoints if no action was taken. Clorox realized it needed to build a better pipeline of leadership talent, spending more time with its HR partners and working with key outside partners to make that happen quickly.

**Chainnovation value:** Clorox started work on the Supply Chain Strategy & Leadership Forum (SLF), an internal supply chain academy for associate development, in 2011. The goal? Develop and progress a bench of midlevel leaders who would think and act like general managers within its supply chain organization. The SLF's first class of 40 associates started in January 2013. As of mid-2015:

- Clorox put 120 global associates (from eight different countries), including select colleagues from finance, marketing, sales and R&D, through the program.
- Succession planning is vastly improved, with two ready-now candidates for each key supply chain leadership position.
- Because the program combines classroom instruction with team-driven special projects, the SLF essentially pays for itself, with a return of 70% on projects executed within the forum.
- The new program saved \$550,000 on the previous supply chain training budget.
- Cross-functional collaboration and supply chain's internal reputation are improved. The director's phone is "ringing off the hook" with requests for promising leaders outside supply chain to participate.

**How Chainnovation was achieved:** In mid-2011, Clorox's head of supply chain strategy sat down with Georgia Tech's Scheller College of Business to build a sustainable leadership program. Together with Clorox supply chain subject matter experts (SMEs), they spent 500 hours building out the structure and content for the program, with an emphasis on four key areas:

- Strategic thinking
- Operations excellence
- Leadership skills
- Applied knowledge

Georgia Tech professors co-teach classes with Clorox employees, providing a crucial mix of outside-in plus applied content. A class consists of 40 supply chain associates, plus 10 to 12 spots for colleagues from finance, marketing, R&D and sales. They have two five-day in-residence sessions at Georgia Tech over a six-week period.

The applied knowledge component of Clorox's program is different from other leadership programs we have seen. Where many leadership programs struggle to prove ROI, Clorox's vetted projects essentially fund the program. SLF was already paying off in other ways as early as 2014, when Clorox was able to fill three high-level positions with internal staff within two weeks. Prior to the SLF program, it would have taken six months to locate and hire replacements, with a higher likelihood of those hires coming from outside.

The success of SLF has resulted in implementation of the Global Operations Leadership Forum (GOLF), which all supply chain junior managers will attend. The content, class size and approach

are similar for both the SLF and GOLF programs. For GOLF there will be two-to-three cohorts per year.

By 2020, approximately 800 managers will have "graduated" from these leadership programs — 85%+ of Clorox's salaried supply chain workforce.

### What you can do:

- Work with outside partners to design and populate the right curriculum and experience for your development program.
- Supplement and complement external content with contributions from internal SMEs. In teaching courses, use tandem outsider/insider teams where it makes sense.
- Include partner organizations like finance, marketing, R&D and sales in your program.
- Ensure your program features hands-on project experience to achieve maximum return.

## Rockwell Automation Reduces Complexity and Integrates Silos to Scale Globally

**Drivers of Chainnovation:** Rockwell Automation is a \$6.6 billion producer of industrial automation solutions, based in Milwaukee, Wisconsin. The company sought to use its supply chain as a competitive weapon for growth and performance. In its way was significant complexity: 387 catalog SKUs (with potential for an additional half million configured products), 22 factories producing on average 200 SKUs per order, using make to stock (MTS), configure to order (CTO) and engineer to order (ETO) models. Supply chain organizations existed within individual business units, including sourcing and procurement, materials inventory, planning, logistics and customer service. Functions were misaligned — suboptimizing each other, creating more complexity and preventing global agility. In order to set a course for growth transforming from siloes an overarching strategy and organization for supply chain that aligned goals, technology and talent was needed.

**Chainnovation value:** Rockwell Automation's journey toward a single supply chain has yielded substantial results:

- **Inventory management:** Inventory reduction from 120 to 79 days.
- **Improved service levels:** On-time delivery improved from 77% to over 96%.
- **Order-to-shipment lead times:** Reduced by more than 50% with 98% of orders shipping in 15 days or less.
- **Manufacturing network redesign:** Seventy percent of factories were either relocated or realigned, helping product availability drive growth and customer loyalty.
- **Global growth:** Today, over 45% of Rockwell Automation's annual revenue comes from outside of the United States, up from 21% in 2010.

**How Chainnovation was achieved:** Rockwell Automation knew a single supply chain organization was needed — and that it was easier said than done. To successfully orchestrate this transformation, the organization created a shared services group — Operations and Engineering

Services (OES) — and examined four facets of its supply chain strategy (see list below) to put in place a path for supply chain to succeed as a competitive advantage. Established functional leads were pulled out of their existing silos and "migrated" into other areas, resulting in a broader view and practice of supply chain. Specifically, Rockwell focused on:

- **Goal alignment.** If a Rockwell Automation executive or supply chain leader were to ask "so what?" of a group's goals and objectives and the answer could not support an outcome that contributed to Rockwell Automation global growth goals, that goal was eliminated.
- **Technology.** The company needed standard platforms to enable its people to be effective and efficient, and for standard processes to scale. A single instance of ERP and standard MES applications were implemented.
- **People.** A focus on cross-functional leadership as opposed to developing functionally specialized leaders was reinforced by rotating leaders across various operations functions. This integrated view drove an understanding of the touchpoints, processes and handoffs between supply chain functions from a leadership and accountability perspective, and accelerated problem solving and decision making.
- **Supply chain thinking.** Ensuring that supply chain's influence and best practices were exported and communicated across the company. In one instance, a cross-functional group was formed to assist with new product introduction. Specifically, supply chain was integrated into the product development process to begin qualifying suppliers for specific parts, as design teams were specifying them.

#### What you can do:

- Use the projected outcomes of a large program as a test for different supply chain groups' goals and objectives. If an objective doesn't fit, lose it.
- To bridge silos faster, ensure that systematic job rotation is central to your supply chain talent and development strategy, including the top of the pyramid.

## Appendix

### Gartner Supply Chaininnovators' Mission and Methodology

Gartner Supply Chaininnovators launched in 2013 as a research and recognition platform for midsize supply chain organizations (roughly \$1 billion to \$12 billion in annual revenue). Heads of supply chain in these companies often wear three hats — operations, strategy and transformation — and resources are stretched very thin, making step-level change challenging. Companies recognized as Supply Chaininnovators have been successful with unconventional, innovative and/or high-impact approaches that peer leaders can learn from and emulate. The program provides CSCOs with valuable input to annual strategic planning, resource allocation and investment cycles. For the

Chainnovator, formal recognition helps demonstrate major impact internally and externally, and serves as a beacon for attracting supply chain talent.

Chainnovator nominees are uncovered through a Gartner analyst's ongoing research, analysis and briefing efforts. Analysts submit big-impact cases for consideration to the Supply Chainnovator team, which vets and approves select nominees as Gartner Supply Chainnovators. Winning cases meet two simple yet strict criteria:

1. Demonstrated above-average financial performance, large ROI on a project or a major turnaround.
2. Willingness to share details on how this was achieved.

Companies recognized as Chainnovators appear in our Supply Chainnovators research reports and are invited to participate in the Chainnovators panel at Gartner's annual Supply Chain Executive Conference.

## Gartner Recommended Reading

*Some documents may not be available as part of your current Gartner subscription.*

"Toolkit: Self-Assess Your Supply Chain Maturity"

"Four Principles to Drive Successful Supply Chain Organization Design"

"Stop Thinking About People and Politics to Focus on Strategic Organizational Design"

### Evidence

In-depth interviews and data sharing with Clorox and Rockwell Automation.

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