Dimensions of the leading companies in supply chain management

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ABSTRACT
Gartner publishes the Top 25 Supply Chains which originally was published by AMR Research about ten years ago. Companies on this list have proven to be outstanding supply chain performers. Gartner's criteria provide a limited range of performance dimensions. This paper will explore additional dimensions for supply chain leaders.

Keywords: supply chain, Gartner Top 25, performance

Introduction
Gartner Supply Chain (and previously AMR Research) has published the Top 25 Supply Chains for the past ten years. The criteria for selection of the companies for the Top 25 list include three financial metrics and a peer-voting element. Given the perceived supply chain success of the Top 25 firms, it is suggested that the companies can serve as excellent examples for organizational performance in other ways. This paper will discuss how the Top 25 companies can inform us by investigating additional performance dimensions.

Because of the importance of supply chain management, investigating companies that are very successful with their supply chain initiatives may hold many worthwhile lessons for use by researchers and practitioners alike. Gartner (and AMR Research) has assisted our efforts tremendously by evaluating and publishing the Top 25 Supply Chains for approximately ten years. This list recognizes those companies that have achieved a high level of success in their supply chain performance. Gartner also provides key performance metrics and descriptions of specific factors which have led to improved supply chain performance for these companies.

Over the years the selection criteria for the Top 25 has been modified. The most recent criteria are:
- 25 percent for Peer Opinion,
- 25 percent for Gartner Opinion,
• 25 percent for the Return on Assets metric,
• 15 percent for Inventory Turns and
• 10 percent for Revenue Growth.

Each evaluation category is then combined into a final Composite Score (Gartner, 2011).

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Performance Dimensions

According to Gartner/AMR: “The report identifies the top 25 manufacturers and retailers that exhibit superior supply chain capabilities and performance. Supply chain leaders are able to shape demand, instantly respond to market changes, and crush their competitors. According to AMR Research benchmarking data, leaders carry 15% less inventory, are 60% faster-to-market, and complete 17% more perfect orders. These advantages separate predators from prey” (AMR Research, 2006).

As described by Gartner (2011) there are three main performance metrics that are used in the evaluation process for the Top 25 Supply Chains: 3-Year Weighted Return-on-Assets, Inventory Turns and 3-Year Weighted Revenue Growth. Those metrics are widely used across a many industries and is well recognized by many organizations as important metrics for supply chain performance.

There are several other important dimensions that tell us much more about many of the companies on the Top 25 list. This section will present a sampling of those dimensions with some company examples and brief explanations of each concept. It is important to point out that the dimensions to be discussed are not financial metrics but they are performance attributes or performance characteristics. In many instances, the items described here are becoming organizational performance imperatives.

Additional Dimensions

The main premise of this paper is that there are additional dimensions of interest beyond the financial metrics used within the Gartner Top 25 criteria. If we view the Top 25 as benchmark companies from which to learn, there is much more to be learned.

As a starting point, we begin with the concept of demand driven supply network (DDSN) which is further described by Gartner (and AMR Research in the past) as being able to “sense demand” and “shape demand” (AMR, 2006). A demand-driven supply network (DDSN) “is a system of technologies and business processes that sense and respond to real-time demand across a network of customers, suppliers and employees” (Cecere, et al. 2005). “DDSN leaders are ‘demand sensing,’ have more efforts for ‘demand shaping,’ and focus on a profitable ‘demand response’ (Cecere, et al. 2005). This can also be described as responsiveness to customers’ specific needs or a measure of supply chain responsiveness. Inditex (also store and brand name Zara) ranks as #12 in 2013 (Gartner, 2013). Inditex rates highly for customer or market responsiveness due to the demonstrated ability to execute clothing designs and bring them to the marketplace in incredibly short times of just a few weeks (Inditex, 2014).

Nokia was #1 for 2007, #19 in 2010 and then dropped beyond the Top 25 in the subsequent years. During the high ranking years, the company excelled at speed-to-market with new product introductions. To deliver their new products Nokia utilizes rapid-response manufacturing and quick ship logistics. Nokia has instituted many “agile” capabilities in their supply chain to improve responsiveness (Lee, 2004). In each instance, information technology
plays a key role. “As a pioneer in value chain strategy, Nokia has led in supplier development, S&OP, and collaborative product development” (Supply Chain Standard, 2007).

Another characteristic that is directly associated with responsiveness and customer relations and is frequently included in the descriptions by Gartner is the innovative use of information technology. Company examples to demonstrate the innovative use of information technology to bolster their supply chain performance include:

- Amazon.com
- Cisco Systems
- Dell Computer

Every Christmas holiday season in the U.S. we hear numerous news reports referring to what is now called “cyber Monday” which is the peak of online shopping. Amazon.com is a huge beneficiary of the shopping activity on that day and throughout the holiday season. Amazon is among the highest rated online shopping websites for customer satisfaction according to more than one publication (ConsumerReports.org).

As another example, Cisco Systems has held a ranking in the Top 10 of the Top 25 for the last several years and was ranked #7 for 2013 (Gartner, 2013). Cisco’s efforts are viewed as an outstanding example of “business transformation … using Internet technology to integrate its core processes and culture” (AMR, 2008). These are some of the results that indicate Cisco’s leadership in supply chain management and their ability to leverage the Internet:

- “90 percent of orders [are] taken online.
- Monthly online sales exceed $1 billion.
- 82 percent of support calls [are] now resolved over the Internet.
- Customer satisfaction has increased significantly” ( Schroeder, 2008).

The key element of information sharing and the requisite information systems can be credited with Cisco’s success in their technology enhanced supply chain. Peers can certainly look to Cisco as a benchmark for other companies to learn about successful Internet customer service deployment.

Sustainability is a major topic in supply chain research today and evidence of sustainability efforts can be found in several of the leading companies on the Top 25 list. Procter & Gamble and Unilever are fierce competitors and they are also staunch advocates of sustainability. Both companies extend their sustainability initiatives from their sourcing activities through their manufacturing processes and all the way into the consumer’s home (P&G.com; Unilever.com).

Unilever is an interesting example because the company appeared in the Top 25 “for the first time in 2009 and saw the biggest jump among our group this year [2011], rising six spots to No. 15” (Gartner, 2011). In subsequent years, Unilever has moved up to #10 in 2012 and #4 in 2013 (Gartner, 2012, 2013). Unilever also ranks as #1 on the Top 25 Supply Chain list that Gartner now publishes for European companies (Gartner, 2013). From the Unilever “Our strategy & footprint” describes one overarching goal – “By 2020 we will source 100% of our
agricultural raw materials sustainably: 10% by 2010; 30% by 2012; 50% by 2015; 100% by 2020” (unilever.com, 2014)

A variety of other specific sustainability elements can also be seen among the Top 25 companies. “Zero Landfill” is a sustainable initiative which strives to use resources effectively and reuse or recycle as many materials as possible. The goal for the end result is to send zero materials for disposal at the landfill. From among the Top 25, Toyota has achieved zero landfill at North American facilities. Toyota ranked in the Top 10 prior to 2009 but has dropped beyond the Top 25 into the Top 50 (Gartner, 2010, 2013).

The social dimension of sustainability can be seen in both Unilever at #4 in 2013 and Starbucks at #15 in 2013 (Gartner, 2013). “Unilever, the Dutch-British consumer goods giant, has invested significant effort to help emerging economies such as Brazil and India wrestle with poverty, water scarcity, and climate change (Chopra and Meindl, 2013). Starbucks initiated a program for “coffee and farmer equity (C.A.F.E.) practices, which evaluate the sustainable production of coffee along four dimensions: product quality, economic accountability, social responsibility, and environmental leadership” (Chopra and Meindl, 2013). These are brief examples of the sustainable initiatives that have been implemented by many of the Top 25 companies. Further investigation will be conducted in future research.

**Summary**

This paper provides a list of the Gartner Top 25 Supply Chains for recent years and describes the selection criteria that are employed by Gartner in developing the list. The criteria include three specific organizational performance metrics which are closely tied to financial performance and supply chain performance.

The paper then explores additional performance dimensions which are found in many of the companies that appear on the Top 25 list. Customer responsiveness, innovative use of information technology, sustainable environmental factors and sustainable social factors are the extra dimensions discussed here. This is merely an initial investigation into various dimensions that are associated with these leading supply chain companies. The examples discussed here indicate that there are many additional lessons that we can learn from the Top 25 along these dimensions. Based on the findings of this initial investigation, further research about the Top 25 Supply Chains is warranted. Additional dimensions and a greater depth of understanding of those dimensions appear to be an extremely worthwhile pursuit.
Bibliography


ConsumerReports.org:  


