

Developing “Fitter” Global Supply Chains



New report uncovers the key differentiators between fit and fragile companies in the wake of high-impact events like the COVID-19 pandemic.

As the vulnerabilities in the world’s supply chains continue to surface and garner attention, it’s become clear that some organizations had their collective acts together pre-COVID, and that others scrambled to readjust in 2020.

As the pandemic persists, the focus on continuous improvement in this area has yet to wane. With semiconductor chip shortages, port congestion and labor constraints continuing to impact the supply chain, these critical networks are no longer just operating “behind the scenes”; they’re now front-and-center for most organizations.

Survival of the Fittest

According to new research from Gartner, Inc., the COVID-19 pandemic revealed key differences between “fit” and “fragile” supply chain organizations in terms of how these entities deal with disruption. Whereas the most fragile supply chains focus on short-term survival, it says, the fittest supply chain organizations view disruptions as “inflection points” to improve the value that supply chain provides to the business.

“Disruption is not a short-term situation, but a long-term trend that will most likely accelerate as we face climate change impacts, global power balance shifts and more,” said Simon Bailey, senior director analyst with the Gartner Supply Chain practice, in a [press release](#).

“In the future, disruptions will occur more frequently and supply chains must be able to deal with whatever is coming next,” Bailey continued. “Some supply chain leaders have understood that already and prepared their organization accordingly.”

What’s the Difference?

According to Gartner, the different between fit and fragile supply chains is pretty straightforward: Fit supply chains can move ahead of the competition after dealing with high-impact events, while fragile supply chains fall behind. Here are some other key differences between the two:

For fit supply chains, Gartner says the most impactful disruptions are those that involve fundamental, structural shifts. Those shifts happen in the context in which the supply chain operates (i.e., new technologies and changing competitive dynamics).

By contrast, fragile supply chains find operationally focused disruptions (i.e., demand and supply shifts) to be most impactful. While focusing on these operational challenges, the firm explains, companies with fragile supply chains “lose sight of their long-term goals and overlook how structural shifts could help them maximize the value and thus they fall behind the fit supply chains.”

In most cases, the category that the supply chain falls into—in this case, either fit or fragile—determines the actual impact of the disruption.

“Fit supply chains excel at focusing on the structural disruption and proactively translating those into competitive advantage,” Bailey said in the press release. “They are able to change their organizational design to capitalize on structural shifts and create new value for their customers.”

Maintaining Long-Term View and Investments

When examining the ways fit and fragile supply chains approach disruption, exactly how they treat their long-term strategies and investments is a critical factor. For example, Gartner says most fit supply chains maintain focus on the long term and preserve strategic investments during disruptive events.

On the other hand, fragile supply chains prioritize current-year performance and cut strategic investments. “During a disruption, supply chain leaders should try to avoid emergency cost cutting that put both short- and long-term effectiveness at risk,” Bailey concluded. “Instead, cost optimization should be an ongoing effort in the supply chain and cost decisions must take all the operating outcomes across fulfillment, reliability, risk, and growth into consideration.”