



The Dynamic Advocate: John Gattorna

By John Kerr

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Don't even try to argue with Dr. John Gattorna that supply chains really just boil down to a system of distribution centers, procurement processes, technology tools, and transportation routes. You won't win.

For years now, Gattorna, who heads his own advisory business, Gattorna Alignment Pty Ltd., has been preaching the gospel of "dynamic supply chains" everywhere he goes—and these days, "everywhere" is more likely to be Hong Kong or California than his native Australia. His iconoclastic stance is that supply chains must be configured to suit the behaviors of the customers they are meant to serve. And because almost all organizations have several customer types, they need to have several concurrent designs of supply chain—designs that can be changed when customer behaviors or buying needs change.

In Gattorna's world, there is no such thing as a "one size fits all" supply chain. For most companies, he says, there are usually four or five dominant buying behaviors by customers that will represent the bulk of the market. So that means four or five distinct supply chains, each staffed with people whose competencies and attributes are a match for that customer's buying behavior.

In fact, Gattorna chafes against the very term "supply chain," pointing to the constraints built into the words themselves. He contends that modern supply chains have largely been built around supply-side resources—suppliers, warehouses, trucks, and logistics providers—when they should be built to service the changing needs

of customers. "As volatility and demand variability continues to increase, we persist with a flawed organization design made up of a collection of functional specialties that is unresponsive to customer demands," he says.

If this sounds like a version of value-chain management, that's because it is. Gattorna agrees that his view is the widest possible take on the end-to-end value chain. His vision sees tomorrow's supply chain leaders working with marketers to segment customers by behavior—for instance, some that are intensely loyal, others that are acutely price-sensitive, others that require continuous replenishment, and so on. Then those leaders build multidisciplinary teams around each defined customer category. The teams include product designers, manufacturing staff, procurement people, and others, co-located instead of being in their functional departments and all driven by the same KPIs.

Integral to this view are the employees, managers, and client's staff—in fact, all of the people involved in helping meet the customer's needs. "To really get supply chains right, you need to capture the dynamism that people can bring to the flow of goods and services, both inside and outside your business," says Gattorna.

Dynamic Alignment

So where did Dr. Gattorna come up with these outsized ideas? Put simply, they are drawn from a lifetime of business experience. As a young man, Gattorna graduated as a civil engineer and worked



Dr. John Gattorna believes in dynamic alignment of the supply chain—bringing internal resources in line with customer expectations.

successfully in that field until he ran into the arena of distribution management. That's where he decided his career lay. After studying and then teaching in the field, he set up his own consulting firm in 1985, winning clients as substantial as logistics provider DHL, insurer General Accident, South African railway company Transnet, and Fonterra, the New Zealand dairy conglomerate.

Accenture (then Andersen Consulting) absorbed Gattorna's business in 1995, using it as the foundation of its logistics strategy practice in the Asia Pacific region. He grew the operation for seven years before retiring, at which time it was the biggest supply chain consulting practice in the region. "My real legacy," says Gattorna, "was that I grew a young team that has since doubled and tripled the size of the firm in Asia Pacific."

But Gattorna is most proud of developing a new business idea. In the late 1980s, he and his collaborators began to envision a radically different framework that would better inform the design and operation of enterprise supply chains, seeking to satisfy customers and consumers. It has involved learning about and combining several disciplines: consumer/customer behavior; the internal cultural capabilities of the enterprise; leadership styles; and of course the operational aspects of corporate logistics networks and supply chains. Gattorna labeled the idea "dynamic alignment." He has spent recent years field-testing the model, and is pleased that it is being actively piloted by several large consumer-goods and high-tech companies.

Gattorna has put his ideas into writing in a raft of articles, and also in three books: *Living Supply Chains*; *Dynamic Supply Chain Alignment*; and most recently, *Dynamic Supply Chains*. These days, Gattorna spends much of his time in the air—he speaks at 20 or so conferences worldwide each year—with other days spent in

the classroom. He is a professor at the Graduate School of Management at Macquarie University in his home town of Sydney, and a visiting professor at Cranfield University's School of Management in the U.K.

So what does he believe is needed to turn the concept of dynamic supply chains into a reality? Gattorna doesn't hesitate: "It will take strong and decisive leadership," he says. "None of this gets done if the leaders at the top have lost contact with the marketplace. They're the ones who have to be able to convert customer insight into successful implementation."

The professor is very clear about what constitutes great leadership. "First and foremost, it's about authenticity. You can't be someone you're not," he declares. Secondly, he notes that true leaders inspire, so people follow them in all kinds of circumstances. Third: Leaders are not afraid to take risks. They know how to manage risks, and when they make mistakes, they quickly learn from them.

Gattorna's critique of mainstream supply chain leaders is that they are often seen as sources of cost reduction. Yet not all customers have cost cutting as their primary focus; some want relationships; some want quick responses; others want innovation. So there is usually an immediate disconnect between those supply chain leaders and those kinds of customers. They are not speaking the same language.

In many industries, the sales and operations planning (S&OP) process can help create a common language and common ground on which the demand side and supply side can meet. But there is more that supply chain leaders must do to embrace the customer's inputs. Gattorna advocates visiting customers directly—with or without the cooperation of the organization's sales and marketing teams. And he underscores the value of starting to use "supply chain" less as a descriptor of a discrete function and

more as a philosophical term. "I don't care if you sit in finance or sales," he says. "Please understand that you're part of the supply chain."

Gattorna is insistent that leaders in general—and supply chain leaders in particular—must be able to understand and empathize with their customers' needs, and then formulate strategy and shape cultures inside their businesses in order to develop solutions that meet those needs. So, for example, if a customer's dominant buying behavior revolves around process rigor, then the leader must assemble a team that is intimately familiar with and experienced in process thinking and implementation. Or, if the customer's emphasis is on loyalty and relationships, then the "supply chain" team's characteristics should reflect that emphasis.

Getting with Customer Expectations

Often, at the end of the one- and two-day workshops that he conducts, Gattorna is asked by executives how they can kick-start the kind of supply chain transformation he describes. His audience regularly protests that it is hard enough to properly manage supply chain organizations even when there is alignment among the traditional functions. His advice: Start pilot programs within their areas of influence, and expand on the small-scale successes they achieve.

So how can the supply chain profession encourage development of stronger leadership skills? Gattorna returns to his behavioralist's viewpoint: After staffing each supply chain organization with multi-disciplinary teams, the best route is to encourage and watch for some individuals to emerge as leaders, and then to recognize them as such. "This way, we teach all managers that success comes only through aligning internal resources with customers' expectations," he says.

No argument there.