



Gartner for Supply Chain

3 Ways to Improve the Success Rate of Logistics Transformations

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Logistics Transformation Is Essential

Logistics leaders have experienced a ratcheting effect from multiple economic, social, political and environmental forces. They have seen transformed customer expectations. They have battled global disruptions ranging from pandemics to wars. They have changed to a hybrid work environment. And they have rapidly evolving technology leading to uncharted terrains of autonomous vehicles and generative artificial intelligence (GenAI).

It's little surprise then that more than 80% of respondents to Gartner's 2023 Logistics Functional Transformation Survey reported attempting four transformations in fewer than five years, averaging almost one a year.

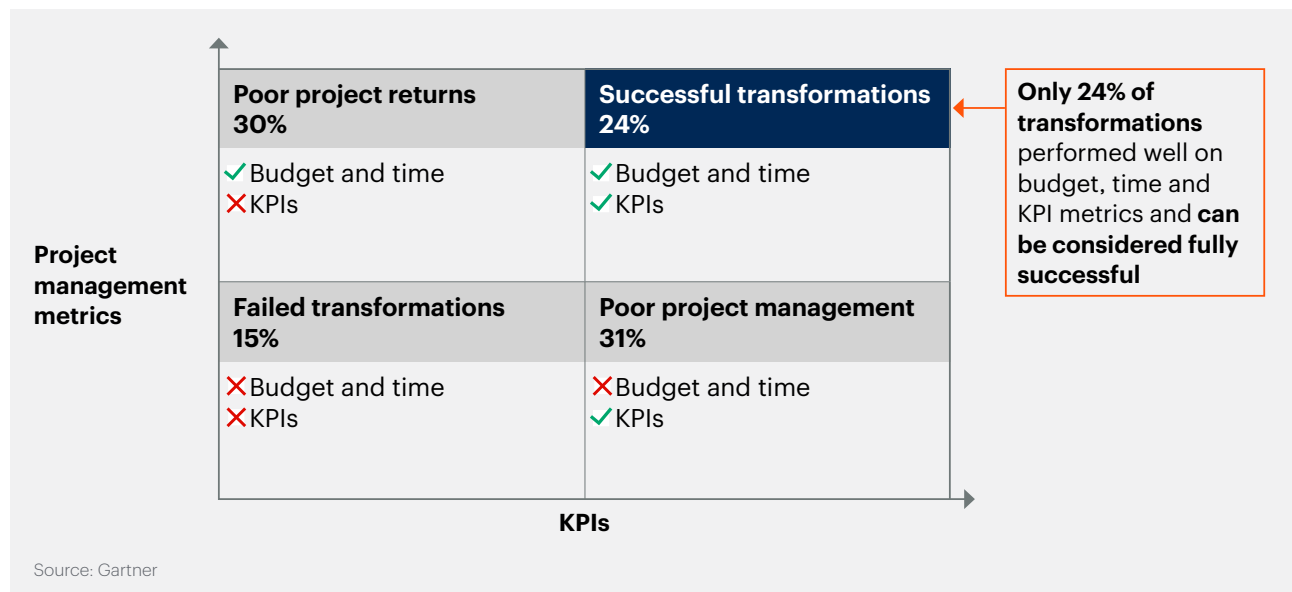
The scope of transformations includes:

- **Digital transformations** — Technology implementations aimed at improving visibility, efficiency, transparency, etc. (e.g., warehouse automation, integrated delivery tracking, building a control tower and new ERP platforms)
- **People-focused transformations** — Realigning roles, responsibilities, developing new talent capabilities (e.g., reconfiguring functional structure and workforce redesign)
- **Process-focused transformations** — A significant change in process design and operations for service and performance improvements, cost and/or efficiency gains (e.g., change in outsourcing and 3PL management strategy, updating transportation or warehouse management)
- **Purpose-driven transformations** — Reorienting or broadening the purpose and mission of the function and aligning operations to that end (e.g., a sustainability program, increasing customer focus within logistics)

Logistics Transformation Success Remains Low

Change may be constant, but success remains elusive. We define success as good project management while delivering on key performance indicators (KPIs). These KPIs include targeted ROI, productivity, output quality, improved perception of logistics and staff morale. Good project management means concluding within or below expected budgets and time constraints. On these yardsticks, only one in four transformation initiatives succeed. A staggering 76% of transformations (see Figure 1) perform poorly on at least one parameter, whether it's project management or project returns.

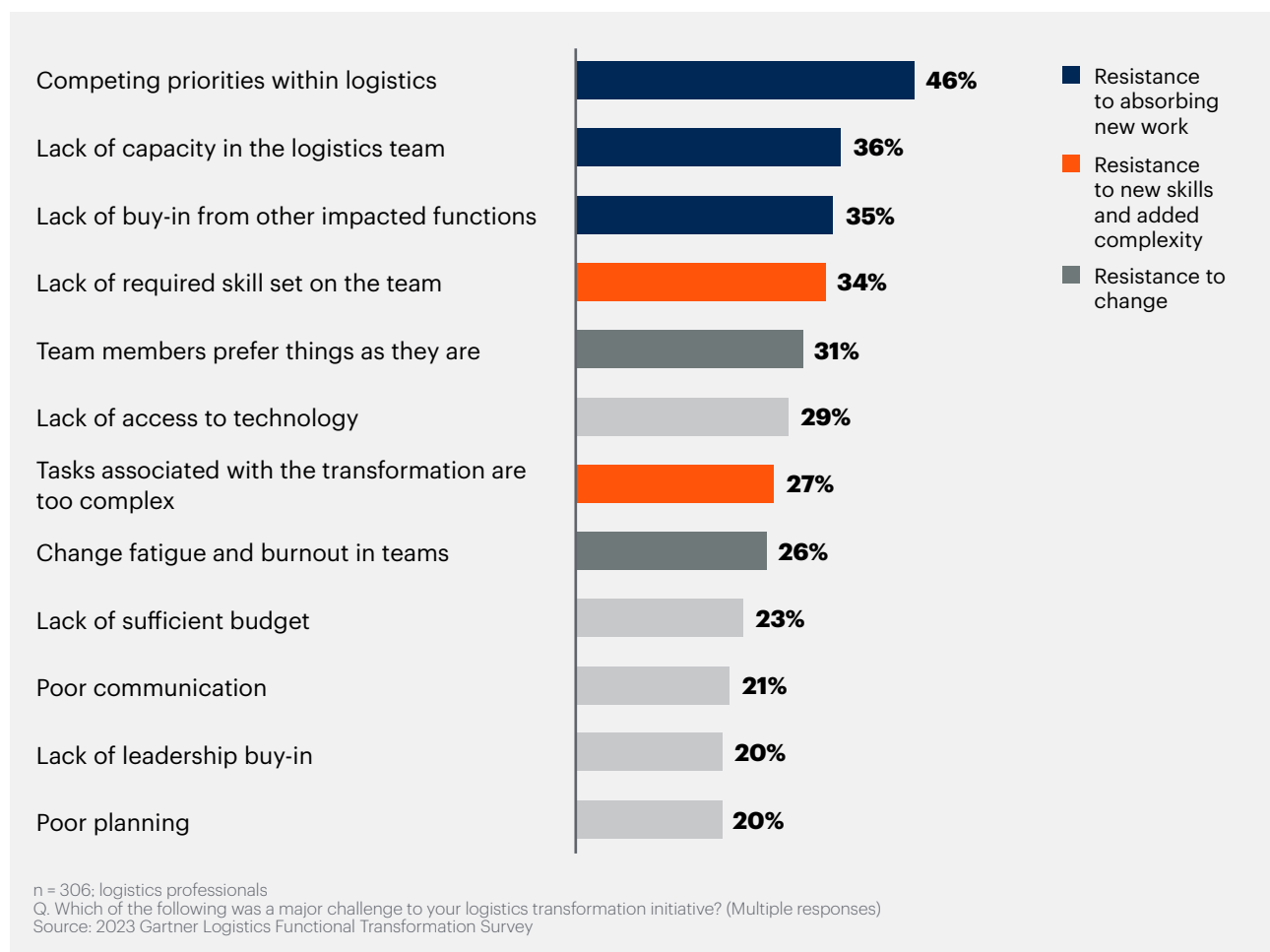
Figure 1: Performance on Logistics Transformation Success Metrics



Team Resistance Stymies Success

What gets in the way of success is not external pressure, but challenges from within. Of the major challenges hindering successful logistics transformations, most were linked to team resistance (see Figure 2). On the other hand, organizations in which teams embrace the transformation experience better outcomes across the board — cost and time savings, improved staff morale, and competitive advantage.

Figure 2: Major Logistics Transformation Challenges Reflecting Team Resistance



Methods for Combatting Team Resistance

To determine the best way for logistics leaders to deliver successful transformations, we tested two approaches:

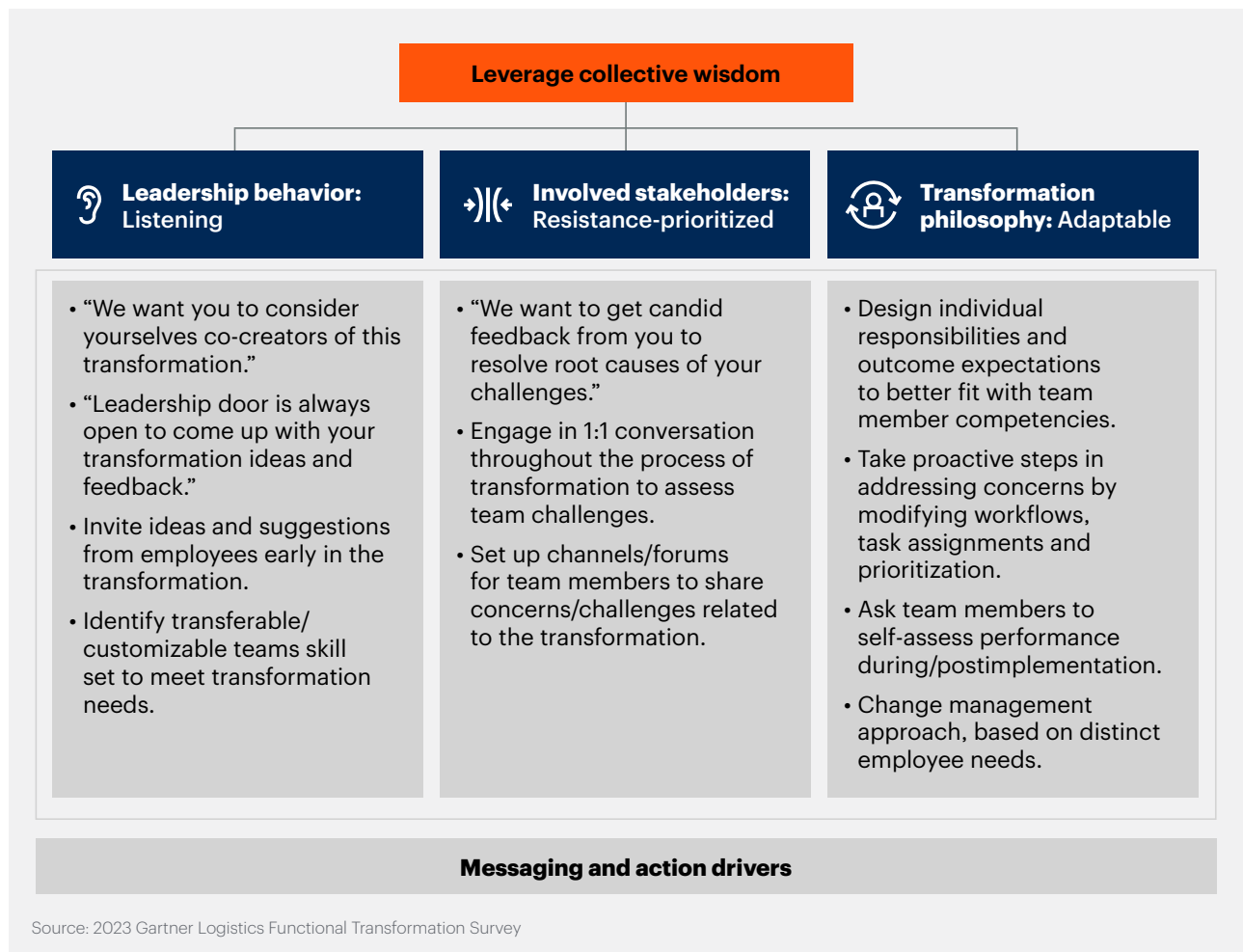
The first is to establish urgency — decreasing the occurrence of transformation resistance. This is leadership thinking, “If teams better understand the gravity of the situation and how much is riding on it, they will get on board.”

A majority (72%) of our survey respondents are following this approach, but unfortunately it leads to a 47% decrease in the likelihood of success.

The other approach is to leverage collective wisdom from teams — investing the time and energy to engage your whole team in the transformation from beginning to end. The three key drivers behind this approach are (see Figure 3):

- **Leadership is listening:** Leadership knows the goal but is open-minded that the path to get there may change or evolve based on what they learn in the process.
- **Involving resistant stakeholders:** Leadership uses the most resistant team members as those who either know something they don't about hurdles in the way or signal the broader team change appetite.
- **An adaptable mindset:** Leadership recognizes that transformations have many setbacks, so often only a few things will be mission-critical. Failure is an indicator of where not to focus efforts.

Figure 3: Leveraging Collective Team Wisdom and Using Resistance



Only 20% of our survey respondents picked this approach, and the difference in their results is stark. Leveraging collective team wisdom as a change catalyst increases the likelihood of transformation success by 62%.

Repurposing Team Resistance as Collective Wisdom

Logistics leaders looking to transform their functions should do the following:

- **Actively listen for where team resistance is coming from.** Set up channels for team members to share candid feedback on concerns and challenges — one-on-one conversations, surveys, town halls, working groups, small discussions and informal chats.
- **Incorporate resistance into transformation planning and implementation.** Leaders need to make teams feel like end-to-end co-creators. This includes keeping team members informed from inception to implementation, so that they can contribute at each stage of the transformation.
- **Adapt plans based on lessons learned.** Build in test-and-learn experimental setups to try new ideas, processes and tools. Encourage a “fail fast and fail forward” mentality that recontextualizes failures and setbacks as a source of learning. Set up small tasks and small wins throughout the transformation process.

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