The Gartner Supply Chain Top 25 for 2021: Methodology

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Initiatives: CSCO Strategic Leadership

These slides provide supply chain leaders or CSCOs a detailed description of the methodology used to create The Gartner Supply Chain Top 25 for 2021.

Company Rankings

The ranking comprises two main components — business opinion and performance. The opinion component offers an eye to future potential and reflects leadership in the supply chain community. Business performance, in the form of public financial and environmental, social and governance (ESG) data, provides a view into how companies have performed in the past. These two components are combined into a total composite score.

We derive a master list of companies from a combination of the Fortune Global 500 and the Forbes Global 2000. In an effort to maintain the list of companies evaluated at a manageable level, we apply a general annual revenue threshold of $12 billion.

We then pare the combined list down to the manufacturing, retail and distribution sectors, thus eliminating certain industries, such as financial services and insurance, and others that do not have supply chains for physical products.

For 2021 ranking, we made two changes to the methodology:

- Added science-based targets to the ESG scoring component as a demonstration of commitment
- An ESG score greater than zero is needed to get a ranking

The current quantitative components of the Supply Chain Top 25 scoring system use publicly available data to calculate financial performance scores. The ESG component also uses third-party data as a proxy for assessing each company’s commitment to, and proficiency in, running ESG-responsible supply chains.

The following business data financial and ESG metrics are used in the ranking:

- ROPA — Operating income / net property, plant, equipment and year-end inventory (three-year weighted)
We use a three-year weighted average for the ROPA and revenue growth metrics, and a one-year quarterly average for inventory. The yearly weightings are as follows: 50% for 2020, 30% for 2019, and 20% for 2018.

The use of three-year averages is in place to accomplish two goals:

- To smooth the spikes and valleys in annual metrics, which often aren’t truly reflective of supply chain health, and that often result from events such as acquisitions or divestitures.
- To better capture the lag between when a supply chain initiative is put in place (for example, a network redesign or a new demand planning and forecasting system) and when the impact can be expected to show up in financial statement metrics, such as ROPA and revenue growth.

The primary source for all publicly available financial data is S&P’s Capital IQ (CapIQ) database. In some instances, CapIQ financial reports may include standardizations to ensure a consistent reporting methodology across companies.

We designed a scoring system for ESG based on our research, and input from third-party experts in ESG, a cross-section of supply chain community members and our broader research organization.

Each company has the opportunity to achieve up to 10 points for evidence of its ESG commitment, transparency and performance. The broader “business data” category reflects the more recent inclusion of the nonfinancial data captured in the ESG score.

**Community Component**

The community component of the ranking is designed to provide a forward-looking view that reflects the progress that companies are making and the extent to which they demonstrate leadership through visibility in the supply chain community. It’s made up of two components, each of which is equally weighted — a Gartner analyst expert panel and a peer panel.

The goal of the peer panel is to draw on the extensive knowledge of the professionals who, as customers and/or suppliers, interact and have direct experience with the companies being ranked. Any supply chain professional is eligible to be on the panel, and only one panelist per company is accepted. Excluded from the panel are consultants, technology vendors and people who don't work in supply chain roles (for example, those in public relations, marketing or finance).
Organizations must surpass a base threshold of votes from both panels to be assigned a numerical rank. For example, a company that only had a composite score that lands within the Supply Chain Top 25, based solely on its financial metrics, would not be included in the ranking.

**Polling Procedure**

Peer panel polling was conducted in April 2021, via a web-based, structured voting process, similar to previous years. Panelists are taken through a six-page system to get to their final selection of leaders by drawing on their professional experience as a supplier, customer, partner or competitor of the companies included in this analysis. Panelists are answering the question of which organizations possess the most end-to-end supply chain maturity, detailed in the instructions on the voting website for the convenience of the voters. Again, we offered voters the option of sorting the list of companies in our study, either alphabetically or by industry grouping, to aid in their company selection process.

We continued including consideration of ESG practices in this year’s opinion poll voting criteria. We specify that voters consider each company’s commitment to running a supply chain that addresses social, environmental, ethical human rights and consumer concerns in its operations and core strategy.

Individual votes are tallied across the entire panel, with 25 points earned for a No. 1 ranking, 24 points for a No. 2 ranking, and so on. The Gartner analyst expert panel and the peer panel use the exact same polling procedure.

**Composite Score**

All of this information — the four business data points and two opinion votes — is normalized onto a 10-point scale and then aggregated, using the aforementioned weighting, into a total composite score. The composite scores are then sorted in descending order to arrive at the final Supply Chain Top 25 ranking.

Readers can use this information to better understand and communicate the Supply Chain Top 25 methodology across their organizations.

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