



SOLUTIONS

Supply Chain Simplification: Changing the Conversation Between Commercial and Operations

Businesses can unlock growth and profitability by simplifying their supply chains across supply chain processes and product portfolios. Yet many simplification efforts stall — not because the analysis is wrong, but because organizations struggle to translate insight into aligned decisions and sustained execution.

The root cause is structural. Commercial, finance and supply chain teams each carry distinct, and often competing, imperatives. Commercial teams seek differentiated offerings and responsiveness to customers. Finance teams prioritize margin and return on investment. Supply chain teams prefer level-loaded, predictable volume to maximize efficiency and capacity. Without a shared approach, these priorities pull in different directions, creating complexity that erodes margins and operational stability.¹

In this article, L.E.K. Consulting explores how companies can build cross-functional partnerships so simplification becomes systematic rather than episodic. The principles of supply chain simplification apply across industries, from building products to biopharma. Here, we draw on an example from the fast-moving consumer goods (FMCG) industry to show how simplification can change how supply chain and commercial teams work together to create value for the business and its customers.

Creating a shared language

Cross-functional partnership isn't about meetings. It requires a shared language to foster common ground. Otherwise, familiar patterns return. Commercial pushes growth, supply chain protects efficiency and finance arbitrates after the fact.

The foundation is a common performance framework that integrates commercial and supply chain metrics — revenue, margin and a quantified complexity score reflecting incremental end-to-end costs. This shared lens enables objective trade-offs between customer demand and operational impact.

At one FMCG company, supply chain leaders shared their complexity metric with commercial teams and made the downstream impact of upstream decisions explicit. Product attributes and pack formats increased production variability. Marketing and trade choices created demand spikes and upended forecasts. Channel strategies boosted cost to serve and inventory requirements.

Transparency was reciprocal. Commercial leaders defined what mattered most, pairing quantitative metrics with context around customer strategy and consumer value. They set this framework up front and held themselves accountable to it.

With shared definitions of value and complexity, a functional stalemate gave way to thoughtful trade-offs. The result was a cross-functional stock-keeping unit (SKU) matrix classifying products by revenue and complexity, enabling transparent choices between portfolio breadth and operational burden.

Embedding partnership into how work gets done

Shared language creates alignment, but process and accountability make it stick. Many simplification efforts fail because the decision process doesn't change. One-off portfolio reviews or SKU rationalizations may reduce complexity temporarily, only for it to return as new products, pack formats and channel requirements flow into the system.

At our FMCG client, annual portfolio reviews were already in place. The difference was anchoring those discussions in a weighted complexity metric to support objective discussions about SKU additions, deletions and modifications. The company also embedded complexity considerations into its stage-gate process, ensuring new products were evaluated not only for revenue potential but also for incremental cost and supply chain risk.

Over time, these routines shifted behavior and ownership. Commercial and supply chain teams jointly owned targets tied to complexity and service levels, reframing simplification as a growth enabler rather than a cost-cutting exercise. Finance reinforced the partnership by translating operational complexity into profit-and-loss impact, making trade-offs tangible and visible.

Cross-functional scorecards and disciplined “lookbacks” sustained accountability. Many companies are rigorous about approving innovation but seldom revisit whether the complexity it introduced delivered value. A structured review process closes that gap and enables continuous improvement by making it part of how the business operates.

From initiative to enterprise capability

As people-centric as it is, cross-functional partnership is also a practical enabler of measurable business outcomes. In our FMCG example, simplification led to streamlined SKU portfolios, improved forecast accuracy, reduced changeover time and stronger alignment between sales planning and supply chain execution. Financially, the company improved contribution margins and reduced working capital requirements as teams optimized inventory and reduced obsolescence.

Companies looking to build and sustain this kind of partnership can start with four practical moves:

- 1. Align on a fact base.** Build a shared dashboard that integrates commercial value metrics with operational complexity scores, so all functions can see the full impact of portfolio and channel decisions.
- 2. Reconfigure governance.** Institutionalize cross-functional portfolio reviews, embed complexity into stage-gate criteria and align incentives to balanced outcomes.
- 3. Invest in capability.** Train teams to interpret complexity metrics and link them to financial impact. This reduces subjectivity and enables more consistent decisions.
- 4. Track and iterate.** Use cross-functional scorecards to monitor progress and refine decision rules, ensuring simplification gains are sustained as the portfolio evolves.

Simplification doesn’t work without creating aligned incentives. If functional goals, up to and including compensation and bonus structures, reward conflicting outcomes, collaboration can revert to siloed decision-making. For some companies, awareness and a collaborative culture are all that are required to create cross-functional value. In other environments, companies may need a more holistic operating model shift, moving from function-specific targets to shared goals and accountability for outcomes such as profitable growth, service and cost to serve.

Ultimately, simplification becomes sustainable only when companies make cross-functional decision-making systematic — with shared language, governance and incentives that turn complexity from a hidden tax into a managed strategic lever.

For more information, please [contact us](#).

Endnote

¹L.E.K.com, "Unlocking Growth and Efficiency Through Supply Chain Simplification." <https://www.lek.com/insights/all/us/so/unlocking-growth-and-efficiency-through-supply-chain-simplification>

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