

## Transcription Lesson 7: Agility, adaptability and alignment

So, how does the MNE make a strong global supply chain? They can use what is called the “Triple A Supply Chain” by ensuring that the elements of agility, adaptability and alignment are built in.

The best companies create supply chains that can respond to sudden and unexpected changes in markets and differentiate themselves from competitors. Agility means the ability to react quickly and cost-effectively to sudden changes in supply, demand, and technology, and is critical for supply chains. It has an impact on organisational efficiency, effectiveness and financial performance.

For instance, Zara has become Europe’s most profitable apparel brand by building agility into every link of their supply chains. At one end of the product pipeline, Zara has created an agile design process. As soon as designers spot possible trends, they create sketches and order fabrics. That gives them a head start over competitors because fabric suppliers require the longest lead times. However, the company approves designs and initiates manufacturing only after it gets feedback from its stores. This allows Zara to make products that meet consumer tastes and reduces the number of items they must sell at a discount. At the other end of supply chain, the company has created a superefficient distribution system. In part because of these decisions, Zara has grown at more than 20% annually since the late 1990s, and its double-digit net profit margins are the envy of the industry.

Since sudden shocks to supply chains have become frequent, an agile and resilient supply chain will help the MNE to recover more quickly. Just think on how COVID-19 has disrupted many companies’ supply chains! By building an agile supply chain, companies can recover much more quickly from sudden setbacks. For example, the pandemic saw sales of vehicles declining 90% in the China market. With the massive pressure to respond quickly, automotive manufacturer BYD Co. started making surgical masks, while Ford and General Motors quickly adapted to making ventilators.

**References:** Feizabadi, J, Gligor, D & Alibakhshi Motlagh, S. 2019. The triple-As supply chain competitive advantage. *Benchmarking*. 26(7):2286–2317; Gurzawska, A. 2019. Towards responsible and sustainable supply chains – Innovation, multi-stakeholder approach and governance. *Philosophy of Management*. 19:267–295; Kraft, T. 2020. *COVID-19 highlights the importance of agility for supply chains*. [Online], Available: <https://phys.org/news/2020-04-covid-highlights-importance-agility-chains.html> [17 July 2020]; Peng, MW & Meyer, KE. 2019. *International business*. 3rd ed. Andover, United Kingdom: Cengage Learning; Ruel, S, El Baz, J, Ivanov, D. *et al.* 2021. Supply chain viability: conceptualization, measurement, and nomological validation. *Ann Oper Res*. <https://doi.org/10.1007/s10479-021-03974-9>; Tallman, S, Buckley, PJ, Tallman, S & Luo, Y. 2018. UR Scholarship Repository Business Models in Global Competition Yadong Luo Recommended Citation. *Management Faculty Publications*. 71. [Online], Available: <https://scholarship.richmond.edu/management-faculty-publications/71> [20 July 2020].

**Attributions:** "[Creating supply-chain alignment](#)" by De Kluyver, CA, [Saylor Academy](#) is licensed under [CC BY 3.0](#); "[Points to remember](#)" by De Kluyver, CA, [Saylor Academy](#) is licensed under [CC BY 3.0](#); "[Making supply chains adaptable](#)" by De Kluyver, CA, [Saylor Academy](#) is licensed under [CC BY 3.0](#); "[Supply-chain agility and resiliency](#)" by De Kluyver, CA, [Saylor Academy](#) is licensed under [CC BY 3.0](#)

Agility and resilience can set an MNE apart from its competitors on condition that its ability to manage risk means that it is better positioned than its competitors to deal with disruptions. Key to increasing agility and resilience is building flexibility into the supply-chain structure, processes and management.

Where agility refers to the ability of the organisation to respond to quick, short-term operational changes, adaptability refers to the ability to respond to long-term structural changes. A supply chain needs adaptability in order to adjust to changing business strategies and a changing market place. Adaptable MNEs are able to learn how to do new things by reading and reacting to signals of change, experimenting frequently and rapidly, managing complex multi-organisational systems with numerous stakeholders, and motivating their employees and partners. Virtual technologies have enhanced integration across supply chain partners and supply chain intermediaries can assist in creating a flexible supply chain network, improving MNE's adaptability capabilities.

Lastly, there must be a fit between global supply chain partners' objectives, interests, values, risks, rewards and commitments. If any organisation's interests differ from those of other organisations in the supply chain, its actions will not maximise the chain's performance. Alignment in the global supply chain optimises the performance of the entire supply chain and delivers on customer value propositions.

Alignment requires the sharing of information so that all the companies in a supply chain have equal access to forecasts, sales data, and plans. Partner roles and responsibilities must then be carefully defined so that there is no space for conflict. Finally, companies must align incentives so that when companies do try to maximise returns, they also maximise the entire supply chain's performance. Misaligned incentives can lead to excess inventory, incorrect forecasts, and poor customer service. New technologies and the digitalisation of the supply chain have supported the alignment of supply chains by enhancing communication and collaboration among supply chain stakeholders. Information sharing has been improved and cordial relationships are formed.

**References:** Feizabadi, J, Gligor, D & Alibakhshi Motlagh, S. 2019. The triple-As supply chain competitive advantage. *Benchmarking*. 26(7):2286–2317; Gurzawska, A. 2019. Towards responsible and sustainable supply chains – Innovation, multi-stakeholder approach and governance. *Philosophy of Management*. 19:267–295; Kraft, T. 2020. *COVID-19 highlights the importance of agility for supply chains*. [Online], Available: <https://phys.org/news/2020-04-covid-highlights-importance-agility-chains.html> [17 July 2020]; Peng, MW & Meyer, KE. 2019. *International business*. 3rd ed. Andover, United Kingdom: Cengage Learning; Ruel, S, El Baz, J, Ivanov, D. *et al.* 2021. Supply chain viability: conceptualization, measurement, and nomological validation. *Ann Oper Res*. <https://doi.org/10.1007/s10479-021-03974-9>; Tallman, S, Buckley, PJ, Tallman, S & Luo, Y. 2018. UR Scholarship Repository Business Models in Global Competition Yadong Luo Recommended Citation. *Management Faculty Publications*. 71. [Online], Available: <https://scholarship.richmond.edu/management-faculty-publications/71> [20 July 2020].

**Attributions:** "[Creating supply-chain alignment](#)" by De Kluyster, CA, [Saylor Academy](#) is licensed under [CC BY 3.0](#); "[Points to remember](#)" by De Kluyster, CA, [Saylor Academy](#) is licensed under [CC BY 3.0](#); "[Making supply chains adaptable](#)" by De Kluyster, CA, [Saylor Academy](#) is licensed under [CC BY 3.0](#); "[Supply-chain agility and resiliency](#)" by De Kluyster, CA, [Saylor Academy](#) is licensed under [CC BY 3.0](#)