



Policy Brief

Thriving Through Disruptions: Enhancing Supply Resilience with Effective Leadership

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Executive Summary

Supply resilience is a strategic resource that enables organizations to thrive in today's disruptive supply markets.

Recent research on pharmaceutical and healthcare businesses from the Center for Applied Research and Innovation in Supply Chain - Africa (CARISCA) sheds new light on how organizations can employ transformational, contingent reward, and management-by-exception leadership styles to manage supplier relationships and enhance supply resilience. The study finds that contingent reward leadership enhances supply resilience the most, followed by transformational leadership.

These leadership styles are particularly beneficial when organizations have reduced supplier dependence and encounter minimal supply disruptions. Conversely, management-by-exception proves more effective during frequent supply disruptions.

This policy brief draws on these findings to present business executives with actionable strategies to strengthen supply resilience.

Introduction

The volatile and disruptive business environment today presents opportunities and challenges for business executives responsible for ensuring their organizations survive and thrive. Supply disruptions, such as shipment delays, supplier closures, and supply market fluctuations, pose significant risks to business continuity, and it requires organizations with strong supply resilience to effectively absorb, rebound from, and adapt to such events to succeed.

Leadership plays a crucial role not only during normal operations but also in times of crisis. However, many executives lack a clear understanding of how to lead their supply chain partners effectively to gain resilience advantages.

Organizations can adopt three key leadership styles to manage suppliers: transformational, contingent reward, and management-by-exception. Transformational leaders inspire and empower suppliers by fostering a shared sense of purpose and creativity. Contingent reward leaders set clear goals for their suppliers and offer incentives as motivation. Management-by-exception leaders intervene or act only when suppliers' behaviors and performance deviate from standards or expectations. This research-informed policy brief presents executives with actionable strategies for leveraging these leadership styles to build supply resilience.

Research Findings

At the beginning of 2023, a team of scholars at the Center for Applied Research and Innovation in Supply Chain - Africa (CARISCA), Kwame Nkrumah University of Science and Technology, Ghana, investigated how Ghanaian pharmaceutical and healthcare organizations use transformational, contingent reward, and management-by-exception leadership styles to build supply resilience. The study obtained and analyzed survey data from 258 of these organizations. The following key findings emerged:

- Organizations that utilize the contingent reward leadership style demonstrate the highest levels of supply resilience.
- The transformational leadership approach was found to be the second-best driver of supply resilience.
- Emphasis on contingent reward or transformational leadership benefits supply resilience more when organizations experience minimal supply disruptions.
- In situations where supply disruptions are more frequent, a management-by-exception approach becomes more beneficial for supply resilience.
- Organizations that are most resilient in their supply market increase their focus on transformational or contingent reward leadership when they are least dependent on suppliers and experience low supply disruptions.

Actionable Strategies for Building Supply Resilience

Develop Supplier Relationships through Effective Reward Systems

- Organizations should set clear performance goals for their suppliers and establish a system of incentives and rewards linked to the achievement of these objectives.
- They should also provide regular feedback and performance evaluations to keep suppliers motivated and on track.
- To be most effective, organizations need to have well-defined performance metrics and a performance-driven culture.
- Robust performance evaluation systems, well-structured contracts, and transparent communication about the reward system are key enablers of this leadership style when dealing with suppliers.
- These initiatives should be prioritized, especially in situations where organizations face minimal supply disruptions and have reduced dependence on suppliers.

Inspire and Empower Suppliers through Prioritization

- Organizations should prioritize inspiring and empowering their suppliers, particularly when they have reduced dependence on suppliers and encounter minimal supply disruptions.
- This can be achieved through regular communication, sharing a clear vision and purpose, and encouraging creativity and innovation in supplier relationships.
- A collaborative or partnership approach is critical for transformational leadership to succeed.
- This leadership style also thrives in organizations with a positive and supportive culture. Leaders need to communicate openly, show empathy, and promote trust with suppliers.

Emphasize Management-by-Exception in High-Supply Disruption Environments

- During times of increased supply disruptions, organizations should adopt a management-by-exception leadership to promptly address critical issues and allocate resources efficiently.
- High-disruption situations require managerial attention to closely monitor suppliers and ensure they deliver according to agreed-upon performance standards.
- In low-supply disruption environments, organizations should avoid micromanaging their suppliers; instead, they should instill trust and commitment among suppliers.
- Strong supplier relationship management and well-established performance metrics help identify areas that need attention.
- A culture of accountability and responsibility is needed to encourage suppliers to take ownership of their tasks.

Conclusion

Business executives must employ effective supply chain leadership to gain superior supply resilience advantages. Emphasizing contingent reward and transformational leadership styles, while adopting management-by-exception when necessary, can empower organizations to navigate disruptions successfully. By aligning leadership with supplier dependency levels, executives can enhance their organization's ability to thrive amidst challenges in the supply market.

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