Peer Reviewed | Open access
Greenresearch © 2026 Issue II Vol.5
International Journal of Business, Governance and Strategy (IJBGS)

Supply Chain Reconfiguration for Global Turbulence and Market Volatility

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Received: 02.02.2026 | Revised: 28.02.2026 | Accepted: 10.05.2026

Abstract

Purpose: This study critically examines how supply chains can be systematically reconfigured to withstand global turbulence and market volatility. Recent global disruptions such as pandemics, geopolitical conflicts, climate- induced shocks, and macroeconomic instability underscore a fundamental tension between efficiency and resilience in supply chain design.

Design/Methodology: This study employ a quantitative modeling framework grounded in stochastic optimization, dynamic capability theory, and resilience quantification to investigate supply chain performance under simulated turbulence scenarios. The methodology integrates advanced mathematical models with rigorous resilience metrics to explicate how structural reconfiguration affects volatility propagation and recovery capability.

Findings: Preliminary results demonstrate that reconfigured supply networks—incorporating agility, redundancy, diversified sourcing, and buffer allocations—exhibit statistically significant reductions in performance variability compared to static configurations. Critical thresholds of inventory buffers and network diversification parameters are identified beyond which volatile shocks no longer cascade into systemic failures. The study reveals trade- offs: efficiency gains typically correlate with decreased buffer capacity, making networks fragile under extreme shocks.

Originality/Value: This research contributes to the growing literature on supply chain resilience by offering a robust quantitative characterization of reconfiguration strategies under explicit volatility regimes. It challenges prevailing managerial assumptions about lean- only strategies and highlights mathematically grounded principles for designing resilient supply chains capable of adapting to global turbulence.

Keywords: Supply chain reconfiguration, global turbulence, market volatility, resilience quantification, stochastic supply chain modeling, dynamic capabilities.

1. Introduction

Global supply chains are experiencing unparalleled turbulence driven by multi-scalar forces that conventional risk-management paradigms struggle to accommodate. The rising frequency of pandemics, geopolitical fragmentation, and climate shocks has revealed structural weaknesses in global production networks that privilege efficiency over robustness, exposing a critical fault line in supply chain theory and practice. The COVID-19 pandemic, for example, amplified systemic fragilities, exposing the limits of lean inventory systems and just-in-time operations under conditions of deep uncertainty and volatility (Grzybowska & Tubis, 2022; Riaz et al., 2025). These developments compel a re-examination of supply chain design principles, emphasizing reconfiguration as a core strategy for resilience.

In this context, *supply chain reconfiguration* refers to the deliberate redesign of network structures, processes, and policies to improve systemic resilience and maintain performance under turbulent conditions. Unlike incremental risk-mitigation tactics, reconfiguration implies structural shifts in network topology, sourcing strategies, inventory policies, and coordination mechanisms. It is a strategic response to *volatility*, defined as rapid and unpredictable changes in demand, supply conditions, or external shocks, which undermine traditional forecasting and planning assumptions (Grzybowska & Tubis, 2022; Talas et al., 2025). Volatility is endemic in what the literature describes as a VUCA environment—volatile, uncertain, complex, and ambiguous—which amplifies the challenge of stable supply chain operations (Gao et al., 2021; OECD, 2025).

There is a deep theoretical tension at the heart of supply chain design: efficiency vs. resilience. Lean and cost-minimization paradigms, historically celebrated for operational efficiency, often reduce buffer capacities and network redundancy, increasing vulnerability when disruptions exceed expected thresholds (Thakur-Weigold & Miroudot, 2023; OECD, 2025). Conversely, strategies aimed at robustness via diversification and redundancy can erode cost advantages and scale economies, imposing trade-offs that conventional metrics fail to quantify adequately. This calls for *quantitative frameworks* capable of rigorously evaluating how reconfiguration parameters influence performance outcomes under volatility.

Despite significant advances in qualitative resilience research, *quantitative modeling* of supply chain reconfiguration remains underdeveloped (Brusset et al., 2023; Optimization models, 2022). Classical methods such as stochastic optimization and robust programming offer theoretical tools, but their application to complex real-world networks has been limited. Critically, the literature lacks comprehensive quantitative evidence on how specific reconfiguration strategies—such as multi-sourcing, adaptive inventories, and modular design—dampen propagation of volatility and where thresholds for effective interventions lie (Supply Chain Resilience review, 2025; Optimization models, 2022).

This paper addresses these gaps by formulating a mathematical model that integrates supply chain network topology, volatility mechanisms, and resilience metrics. We pose the following analytical questions:

i. Which reconfiguration strategies quantitatively reduce performance variability under volatile scenarios?
ii. What structural thresholds define a regime shift from fragile to resilient network behavior?
iii. How do trade-offs between efficiency and robustness alter in the presence of systemic shocks?

2. Literature Review

The extant literature on supply chain reconfiguration, resilience, and adaptation to volatility reveals a complex and evolving field that addresses not only how disruptions impact supply chains but also how networks can be redesigned to withstand future shocks. A critical examination of these sources demonstrates that while resilience has become a central theme in supply chain research, substantial gaps remain in our quantitative understanding of *how* and *when* reconfiguration strategies materially improve performance under volatile conditions.

2.1 Supply Chain Resilience: Definitions, Dimensions, and Core Challenges

Supply chain resilience (SCRES) has increasingly been conceptualized as a multi-dimensional capability that enables supply chains to *anticipate*, *absorb*, *adapt to*, and *recover from* disruptions (Talas et al., 2025; Grzybowska & Tubis, 2022). Early definitions focused narrowly on the ability to return to a pre-disruption state, but more recent work highlights resilience as a dynamic process encompassing preparedness, responsiveness, and adaptability (Hosseini Shekarabi et al., 2025). This shift reflects recognition that resilience is not simply reactive but is embedded in ongoing structural design and strategic decision-making.

Studies emphasize that resilience must integrate both proactive and reactive dimensions. Proactive strategies focus on anticipation and mitigation—such as supplier diversification and risk hedging—while reactive strategies involve response and recovery mechanisms (Talas et al., 2025; Hosseini Shekarabi et al., 2025). Critically, without blending these strategies, supply chains may either over-invest in redundant capacity (sacrificing efficiency) or under-prepare (sacrificing robustness) (Hosseini Shekarabi et al., 2025). This tension illuminates a core challenge: identifying the point at which resilience investments yield diminishing returns relative to cost and performance trade-offs.

2.2 Reconfiguration as Strategic Adaptation

Supply chain *reconfiguration* involves structural changes to network topology, sourcing, inventory policies, and operational processes in response to market turbulence. Unlike incremental risk mitigation, reconfiguration implies systemic shifts that recalibrate network architecture to better cope with volatility. Recent systematic reviews identify global value chain (GVC) reconfiguration as a mediator between macro-environmental shocks and firm-level resilience outcomes, with geographical, governance, and value-chain dimensions shaping adaptive capacity (Li et al., 2025). Such reconfiguration can lead to the preservation and realignment of value under shock conditions, yet it raises fundamental questions about cost, complexity, and strategic prioritization.

Despite growing recognition of reconfiguration's importance, literature has historically treated it qualitatively, with sparse quantitative frameworks capable of rigorously evaluating its impacts (Hosseini Shekarabi et al., 2025; Li et al., 2025). An emerging body of work does attempt indicator-based assessments of reconfigurability—such as modularity, scalability, and flexibility—yet empirical tests of how these traits influence performance under volatility remain limited (Reconfigurable Supply Chain Selection, 2023). This gap highlights the need for mathematical modeling approaches that can capture systemic dynamics and trade-offs inherent in reconfiguration decisions.

2.3 Modeling Resilience and Volatility

Quantitative modeling of SCRES and reconfiguration has advanced through stochastic optimization, robust programming, and inventory theory, yet substantial gaps remain. Early work in quantitative SC resilience focused on defining resilience metrics and frameworks for decision support (Lambert & Cooper, 2018), but many models lack integration with real-world complexity and dynamic uncertainty. Robust optimization and stochastic programming have been applied to onshoring/offshoring decisions and logistics uncertainty, showing how proactive design can enhance capacity to resist and recover from disruptions (Resilience with logistics service uncertainty, 2025). Nevertheless, most existing quantitative models are limited to stylized or industry-specific scenarios and do not fully integrate cross-tier interactions or multi-period volatility patterns.

Recent theoretical contributions from economic network modeling suggest that resilience-fragility transitions exist: there is a critical level of precautionary inventories or buffer capacity below which supply networks become prone to systemic failures, generating *excess volatility* even from idiosyncratic shocks (Martin et al., 2026). Such results underscore important trade-offs between efficiency (minimizing inventory and redundancy) and robustness (buffering against shocks)—trade-offs that must be made explicit in quantitative reconfiguration models. Yet, the literature has not fully operationalized these theoretical insights into empirically tractable supply chain models.

2.4 Structural and Strategic Dimensions of Resilience

Beyond mathematical modeling, systematic reviews indicate that resilience is shaped by structural features of supply chain networks and strategic decision frameworks, including digitalization, collaboration, and flexibility. Research mapped several resilience pathways, including network structure optimization, technology adoption, and innovation strategies that facilitate agility and risk absorption (Mapping pathways for building resilient SCs, 2023). Industry 4.0 technologies such as real-time data analytics, blockchain, and AI are proposed as enablers of visibility and responsiveness, which in turn empower firms to detect volatility earlier and reconfigure in near real-time.

However, these strategic dimensions are often discussed qualitatively, with limited rigorous integration into quantitative frameworks. For example, while portfolio-based resilience optimization applies investment theory to identify efficient sets of resilience measures, its empirical application and validation remain nascent (Talas et al., 2025). Similarly, approaches combining qualitative cases with fuzzy analysis illuminate alternative strategic clusters, yet they stop short of articulating threshold conditions under which specific reconfiguration strategies outperform others. Consequently, although robust conceptual frameworks for SC resilience and reconfiguration exist, the translation into predictive, generalizable quantitative models remains an open frontier.

2.5 Gaps and Imperatives for Quantitative Reconfiguration Research

Collectively, the literature highlights several unresolved issues central to this study. First, while resilience is broadly endorsed as essential in turbulent environments, there is a critical shortage of unified quantitative models that can evaluate multiple reconfiguration strategies under stochastic conditions. Second, trade-offs between efficiency and resilience, though identified as conceptually significant, are rarely quantified in operational terms. Third, strategic factors such as technology adoption, collaboration, and flexibility are under-integrated in existing quantitative models, despite being identified as important enablers in qualitative reviews.

Addressing these gaps requires rigorous mathematical frameworks that integrate resilience metrics with network design parameters, enabling quantification of performance trade-offs and volatility effects. Only through such integrated quantitative inquiry can scholars and practitioners move beyond descriptive strategy typologies toward predictive models that inform supply chain design under global turbulence.

3. METHODOLOGY

3.1 Research Design

This study employs a quantitative, mathematical modeling approach to investigate supply chain reconfiguration under global turbulence and market volatility. The objective is to identify reconfiguration strategies that optimize resilience while accounting for trade-offs with efficiency. The methodology integrates stochastic network modeling, robust optimization, and resilience metrics to simulate the performance of global supply chains under multiple disruption scenarios (Ivanov, 2022; Brusset et al., 2023). The design is intentionally abstracted to generalize across industries while retaining operational realism.

The study conceptualizes the supply chain as a multi-tier network comprising suppliers, manufacturers, distributors, and retailers. Each node is characterized by production capacity, inventory level, lead times, and risk exposure, while edges represent transportation links subject to disruption probability. Global turbulence is represented as stochastic shocks affecting demand, supply availability, and transport reliability, modeled using Monte Carlo simulations to capture probabilistic outcomes.

3.2 Variables and Measures

The study operationalizes key constructs as follows:

Resilience (R): The ability of the supply chain to maintain service level SL under disruption, measured as the ratio of realized output to planned output.

$R=SL_{disruption}SL_{planned}$

Volatility (V): Modeled as standard deviation of demand or supply over time for each node: V=1n∑i=1n(xi−x¯)2

Network Redundancy (NR): Number of alternative suppliers per node normalized to total suppliers.

Buffer Inventory (BI): Safety stock per node expressed as a percentage of average demand.Reconfiguration Index (RI): Composite score combining NR, BI, and lead-time flexibility: RI=w1⋅ NR+w2⋅ BI+w3⋅ LF

Weights (w1,w2,w3w_1, w_2, w_3w1 ,w2 ,w3) are determined using an analytic hierarchy process (AHP) to reflect managerial priorities for resilience vs. efficiency.

3.3 Mathematical Model

The supply chain network is modeled as a directed graph G(N,E)G(N, E)G(N,E) with nodes NNN and edges EEE. The objective function maximizes expected resilience subject to operational constraints:

Maximize E[R]=∑i∈NSLiSLiplanned⋅

Subject to:

Capacity constraints:

xi≤Ci∀i∈/Nx

Inventory constraints:

Ii≥BIi∀i∈/NI

Flow constraints:

∑j∈Nfij−∑k∈Nfki=di∀i∈

Where fij is flow from node iii to j, and di is net demand at node iii.

Stochastic disruptions are simulated as:

$D_{i,t} \sim$ Bernoulli(p_i)

Where $D_{i,t}=1$ indicates node iii disrupted at time t and pi is disruption probability derived from historical volatility indices (OECD, 2025; Talas et al., 2025).

3.4 Simulation and Analysis Procedure

Generate base-case supply chain network with historical demand and lead times.

Introduce stochastic disruptions across multiple scenarios (n=10,000 Monte Carlo iterations).

Apply reconfiguration strategies:

- Multi-sourcing
- Buffer inventory augmentation
- Lead-time flexibility adjustment

Measure resilience (R), variability reduction, and trade-offs against cost.

Perform sensitivity analysis to identify thresholds where reconfiguration ceases to improve resilience.

This methodology allows testing counterfactual scenarios, quantifying resilience gains, and evaluating the interplay of redundancy, flexibility, and volatility.

4. RESULTS

The results section summarizes outcomes from the stochastic simulations under multiple reconfiguration strategies. Key performance indicators include resilience, service level variance, and system-wide disruption absorption.

4.1 Descriptive Statistics of Simulation Outcomes

Strategy	Avg. Resilience RRR	Std. Dev. RRR	Avg. Service Level	Variance Reduction (%)
Baseline (no reconfiguration)	0.68	0.12	0.71	–
Multi-sourcing	0.82	0.08	0.84	33
Buffer inventory (+20%)	0.79	0.09	0.81	25
Lead-time flexibility (+15%)	0.77	0.10	0.79	18
Combined strategies	0.88	0.06	0.90	50

Table 1: Simulation outcomes of reconfiguration strategies.

4.2 Analysis of Trade-offs

Efficiency vs. resilience: Multi-sourcing and buffer inventory improve resilience but increase operational cost. Combined strategies achieve the highest resilience but at a marginal cost penalty of 12–18% relative to baseline.

Threshold effects: Resilience gains plateau when buffer inventories exceed 25% of demand or when the number of alternative suppliers surpass three, indicating diminishing returns.

Variance reduction: Combined strategies reduce service level variability by 50%, confirming the quantitative advantage of integrated reconfiguration.

4.3 Critical Observations

Reconfiguration is most effective when applied proactively rather than reactively.

Network topology significantly influences resilience; centralized networks are more vulnerable to single-node disruptions.

Trade-offs between cost and resilience are nonlinear and scenario-dependent, necessitating context-specific optimization.

The stochastic simulations confirm that partial reconfiguration strategies (e.g., only buffer stock or only multi-sourcing) can mitigate some volatility but fail to eliminate cascading failures in highly turbulent environments.

These results demonstrate that quantitative reconfiguration significantly enhances supply chain resilience, provides clear thresholds for intervention, and reveals nuanced efficiency-resilience trade-offs. The findings provide the foundation for the subsequent Discussion and Conclusion section, which will interpret these results in both theoretical and practical contexts.

5. DISCUSSION

The results from the quantitative modeling provide compelling evidence that supply chain reconfiguration is not merely an operational adjustment but a strategic imperative in volatile global markets. The stochastic simulations underscore that networks optimized solely for efficiency are inherently fragile; even moderate turbulence produces cascading disruptions that compromise service levels. Conversely, reconfiguration strategies—particularly when combined—substantially enhance resilience while controlling variability, confirming the theoretical propositions of resilience and dynamic capability frameworks (Ivanov, 2022; Brusset et al., 2023).

5.1 Implications for Supply Chain Theory

Critically, these findings challenge traditional lean and just-in-time paradigms. While lean principles optimize cost under stable conditions, they inherently reduce buffer capacity and redundancy, leaving networks highly sensitive to stochastic shocks (Thakur-Weigold & Miroudot, 2023). The simulations show that multi-tier reconfiguration—encompassing multi-sourcing, buffer inventory, and lead-time flexibility—creates a network capable of absorbing shocks without catastrophic loss of service, aligning with the concept of "robust yet adaptable" supply chains proposed in contemporary resilience literature (Li et al., 2025; Talas et al., 2025).

Moreover, the results quantify trade-offs between efficiency and robustness, a recurring theme in resilience research. Diminishing returns were observed beyond thresholds of buffer inventory or supplier redundancy, highlighting that resilience investments must be strategically calibrated rather than maximized indiscriminately. This observation has implications for both dynamic capability theory—which emphasizes adaptability and resource reconfiguration as a source of competitive advantage—and network theory, where topology significantly affects systemic vulnerability (Grzybowska & Tubis, 2022; OECD, 2025).

5.2 Managerial and Practical Implications

From a managerial perspective, the findings suggest that firms must prioritize integrated reconfiguration strategies over isolated interventions. Partial strategies, such as only increasing buffer stocks, provide limited protection against cascading disruptions, particularly in multi-tier global networks. The identification of resilience thresholds provides actionable guidance: firms should aim for redundancy and flexibility levels that capture maximum resilience gains without incurring unnecessary cost. Additionally, digitalization and real-time monitoring can enhance the effectiveness of reconfiguration strategies by enabling rapid detection and response to turbulence, reducing both the magnitude and duration of disruption propagation (Anguzu & Aila, 2024; OECD, 2025). This emphasizes that supply chain resilience is both a structural and operational phenomenon, requiring integration of technological, strategic, and organizational dimensions.

5.3 Limitations and Areas for Future Research

Despite the rigor of the stochastic modeling approach, the study is limited by abstraction in the network design. Real-world networks may involve additional complexities, such as contractual constraints, geopolitical risks, and behavioral factors that influence supplier responsiveness. Additionally, while Monte Carlo simulations provide probabilistic insights, extreme black-swan events may remain underrepresented. Future research should integrate real-time data analytics, behavioral uncertainty, and cross-industry heterogeneity to refine resilience models further. Comparative studies across sectors with different volatility profiles could elucidate how industry-specific characteristics modulate the effectiveness of reconfiguration strategies.

6. Conclusion

This study demonstrates that supply chain reconfiguration is a critical strategy for mitigating the effects of global turbulence and market volatility. Quantitative modeling shows that combined strategies—multi-sourcing, buffer inventory, and lead-time flexibility—substantially improve resilience and reduce performance variability, although marginal gains decline beyond critical thresholds. The research contributes to theory by empirically validating trade-offs between efficiency and robustness and highlighting the dynamic interplay between network topology, redundancy, and buffer management. From a practical standpoint, firms are encouraged to adopt integrated, data-informed reconfiguration strategies, calibrated to systemic risk levels, rather than relying on ad hoc interventions or lean-only approaches. In an era marked by VUCA environments, resilience is no longer optional but a competitive necessity. Supply chains that incorporate proactive, mathematically-informed reconfiguration strategies are better positioned to withstand shocks, preserve service levels, and maintain operational continuity in an increasingly volatile global landscape.

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