OPERATIONAL RISK MANAGEMENT

When Geopolitics Hits the Supply Chain: What to Actually Do Now.

The real-world impact of instability on critical global choke points and logistics planning.

Supply Chain · Risk Management · Logistics · Geopolitical Risk

> The newsletter for supply chain directors who prefer resilient action over comfortable geopolitical denial.

The Current Operational Diagnosis: Global Trade Friction

The current reality of global trade isn't just about headlines in the news; it is a fundamental shift in how we must view our supply chains. For years, many manufacturers operated under what I call **The Just-In-Time Mirage**. We built lean systems on the assumption that geographic borders were porous and maritime routes were constant. We optimized for cost and speed, assuming that "efficiency" was synonymous with "resilience."

That era of predictable flow is ending. When a primary shipping lane in the Red Sea or Black Sea gets squeezed by geopolitical conflict, it isn't just an "inconvenience"—it is a systemic failure of our prior assumptions. We cannot treat these events as outliers to be managed by emergency committees; we must recognize them as indicators that our current operating model is brittle.

A lean process is not a fragile process. However, when you remove all safety buffers and rely on single-source transit routes without alternatives, your "lean" system becomes incredibly vulnerable. We are moving into an era where the cost of being "efficient" in a vacuum is higher than the cost of being "prepared" for reality. The goal now isn't just to move parts as cheaply as possible; it’s to ensure those parts arrive consistently enough to keep your lines running, regardless of what is happening on the other side of the globe.

What Is Actually Happening Out There?

The problem most leaders face today is not a lack of information, but a failure to act on that information before it becomes an emergency. Many organizations are still operating under **The Certainty Trap**—the belief that because something has worked for ten years, the current plan remains valid tomorrow.

When you walk the floor and see a line stop because of a missing component from a distant port, you aren't seeing a "logistics problem." You are seeing a failure to acknowledge reality in favor of maintaining a convenient narrative. We often mistake a long period of stability for a permanent state of safety.

The Comfortable Rationalization	The Underlying Reality
"Our supplier has been reliable for years; they will figure out how to get the parts here."	Our supplier is likely prioritizing their largest customers while we wait on the back burner because our contract doesn't require a secondary source.
"It’s just a temporary delay caused by some regional unrest."	The current route is no longer viable for your volume, and you are now competing for limited space on much more expensive alternative routes.
"We don't need to hold extra inventory; it ties up too much capital."	Holding zero buffer for high-risk components is an intentional decision to accept the risk of a total production shutdown.
"Our logistics provider will handle the rerouting automatically."	Your provider is trying to manage your crisis with their standard tools, which were designed for a different world.

The Hidden Costs of Waiting: From Delay to Breakdown

In manufacturing, there is a significant difference between an inconvenience and a breakdown. An inconvenience is a shipment taking three days longer than expected; it’s a headache you can manage with some extra labor or a shift adjustment. A breakdown is when the line stops because a critical component—a specific sensor, a custom casting, or a specialized fastener—is simply not in the building.

The cost of waiting to address these vulnerabilities grows exponentially over time. Choosing the "easy" path today—ignoring the need for redundant suppliers or local safety stock—leads to an "expensive" reality tomorrow. When you wait until a shipping corridor is blocked to figure out your backup plan, you are no longer making a strategic choice; you are reacting to a crisis.

The cost of reactive management includes:

1. **Production Stoppage:** The immediate loss of throughput and the inability to meet customer commitments.

2. **Relationship Erosion:** Forcing your customers to accept late deliveries because "logistics is hard" isn't a valid excuse; it's an admission that you didn't prepare.
3. **Panic Premiums:** Paying 5x the shipping cost for air freight at the last minute because you didn't have a secondary sea route established months ago.

A proactive decision to diversify your supply chain is not "wasted" effort; it is insurance against the inevitable moments when the primary path becomes impassable.

Three Operational Shifts for a Volatile World

To move from a reactive posture to an operational one, we must implement three specific shifts in how we manage our procurement and logistics. These are not suggestions for your next strategy meeting; these are requirements for anyone who wants to keep their doors open when the "normal" world stops working.

1. Multi-Source Qualification (Geographic Diversity)

Relying on a single supplier is a risk; relying on a single geographic region is a multiplier of that risk. You must qualify at least two suppliers for any critical component, and those suppliers should not be located in the same primary shipping corridor. If your "backup" supplier is only 50 miles away from your "primary" but they both rely on the same port to receive raw materials, you haven't actually solved the problem; you've just moved it.

2. The Strategic Buffer (Identifying High-Risk Items)

Not every part in your Bill of Materials (BOM) requires a safety stock. Trying to stockpile everything is expensive and wasteful. Instead, perform an audit to identify "high-risk" items: components with long lead times, specialized manufacturing requirements, or those sourced from volatile regions. For these specific parts, move from a Just-in-Time model to a **Just-in-Case** model. Build a 30-to-60-day buffer for anything that could stop your line if it didn't arrive tomorrow.

3. Pre-emptive Logistics Mapping

You must know what you will do *before* the route is blocked. This means having pre-negotiated contracts with alternative transport providers (rail, road, or air) and mapped out secondary ports of entry. If a primary sea lane becomes high-risk, your team should already have a "playbook" for rerouting. You shouldn't be calling a broker to ask what's possible while the production manager is watching an empty warehouse; you should already have the contract in place to switch lanes.

Practical Moves to Make This Week

You don't need a massive overhaul of your corporate strategy to start fixing this today. Start with these five actions on your next management walk or procurement review:

- **Identify Your "Line-Stoppers":** Pull the BOM for your top three highest-volume products. Highlight every component that, if missing, would stop production immediately. These are your priority items.

- **Audit Lead Times:** Contact your primary suppliers for those high-risk components and ask them to provide their *actual* lead times from port to dock over the last six months. Compare this to what they told you during the last contract renewal.
- **Map Your "Single Points of Failure":** Identify any component that is sourced from only one vendor or, more importantly, from a single geographic region where transit routes are currently volatile.
- **Establish Buffer Targets:** For the top 10% most critical parts, set a target for 30 days of safety stock. Start building this inventory now to create your "buffer" against future disruptions.
- **Draft the "Plan B" Log:** Create a simple spreadsheet for your logistics team. List your primary routes and identify at least one viable alternative route (different port, different mode of transport) for every major component.

The goal is not to eliminate risk—that’s impossible in today's world. The goal is to ensure that when the inevitable happens, you aren't caught off guard by a problem you already knew was possible but chose not to plan for.

Call to Action

What major corridor or choke point do you see overlooked right now? Share your thoughts and send this issue to a colleague who needs an honest assessment.

Newsletter replies: newsletter@sixsigmakaizen.com · X: @kaizen_6sigma

Stay curious, stay improving,

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References: Ukraine Strikes Iranian Ship in Caspian Sea (Supply Chain Brain)