

When Geopolitics Hits the Supply Chain: What to Expect Next.

Analyzing cascading failures in major commodity choke points.

Supply Chain Security · Geopolitical Risk · Logistics Planning · Commodity Markets

The newsletter for logistics directors who prefer an honest diagnosis of risk over comfortable optimistic planning.



The Problem: Critical Choke Points Fail

In the world of high-volume manufacturing and logistics, we often talk about "flow" as if it is a natural law—like gravity. But flow only exists as long as the infrastructure supporting it remains intact. When you look at major commodity hubs like Novorossiysk or the Coastal Pipeline Company (CPC) routes, you aren't looking at abstract lines on a map; you are looking at physical arteries for global trade.

When these choke points fail due to geopolitical friction, the result isn't just a "delay." It is an immediate, grinding halt in the movement of raw materials and energy. I have seen what happens when a primary supply route becomes contested or physically blocked: the downstream impact ripples instantly. A refinery that can't get its feedstock because of a closed port doesn't just slow down; it stops. The procurement team isn't "adjusting" to news—they are frantically trying to find any available cargo space on secondary routes that were never meant to handle the volume.

We call this **The Bottleneck Blindness**. It happens when an organization treats a primary supply route as a permanent given rather than a fragile, managed risk. When Novorossiysk becomes inaccessible or

CPC lines face disruption, it exposes the fact that many companies haven't actually planned for "normal" operations; they’ve only planned for their *preferred* scenario. If your plan relies on one pipe, one port, or one specific shipping lane to keep your machines running, you don't have a logistics strategy—you have a hope-based operation.

Why This Is Worse Than Just 'Disruption'

There is a significant difference between a "disruptive event" and a "systemic failure." A broken truck on the highway is a disruption; it’s a nuisance that requires a detour. A closure of a major maritime gateway or an international pipeline is a systemic failure of infrastructure.

The danger here is what I call **The Dependency Trap**. Many leaders hear words like "geopolitics" and treat them as external noise—something for the news to worry about, not something for the floor manager to plan for. They assume that because they aren't involved in international diplomacy, those issues won't reach their shop floor. That is a mistake of scale.

The Comforting Narrative	The Operational Reality
"It’s just a temporary delay due to regional instability."	It is a fundamental failure of the primary supply chain architecture.
"We will wait for the market to stabilize."	You are waiting for someone else's problem to be solved while your production line sits idle.
"Our supplier will find an alternative route."	Your supplier is facing the same shortage and has no more leverage than you do.

When a single point of failure exists in your supply chain, it isn't just a risk; it is a debt you are accruing every day that passes without a secondary option. If you have to scramble for an alternative only *after* the primary route fails, you aren't reacting—you are failing because you didn't prepare.

What Happens When the Flow Stops: The Cost Curve

When a major commodity choke point closes, the costs do not climb linearly; they compound exponentially. It isn’t just about the "spot price" of the material going up. The real damage is done to the stability of your operations and the reliability of your promises.

We can categorize these costs into three distinct tiers:

- **The Immediate Friction:** This is the cost of panic. It includes the hours spent on high-priority conference calls, the emergency procurement fees for "spot" shipments, and the frantic search for alternative freight.
- **The Operational Erosion:** When you are forced to use sub-optimal routes or less reliable suppliers, your quality control becomes harder. You might be dealing with inconsistent grades of material or delayed components that force your team into "hero mode"—working overtime just to keep up with a schedule that is no longer realistic.

- **The Trust Deficit:** This is the most expensive cost. It's what happens when you have to tell a customer their order is late because your supply chain was too brittle to handle a known risk. Once you lose the reputation for reliability, it takes years of perfect execution to win it back.

A plan that relies on "just-in-time" delivery from a single geopolitical choke point isn't efficient; it's fragile. You are trading long-term stability for short-term margin, and when the flow stops, you pay the full price of that trade.

Securing the Supply Line: Three Levels of Resilience

To move away from reactive firefighting, we have to build a framework for structural redundancy. We need to stop asking "What do we do if this happens?" and start building systems where it doesn't matter *if* it happens because you already have an alternative in motion.

1. Multi-Modal Routing (The Path Diversity) Don't just rely on one mode of transport or one geographic corridor. If your primary route is a sea lane through a contested zone, do you have a pre-negotiated contract for rail or road transport from a different region? This isn't about having a "Plan B" in a drawer; it's about having an active agreement with a secondary provider who knows they are your backup.

2. Buffer Inventory Policies (The Time Buffer) In the world of high-risk commodities, "Just-in-Time" should be replaced by "Just-in-Case" for critical components. This means maintaining a physical buffer that covers the time it takes to pivot to an alternative supply source if a primary choke point fails. If it takes three weeks to reroute your raw materials from a different continent, you must have at least three weeks of inventory on hand.

3. Supplier Diversification (The Source Diversity) If your supplier is also dependent on the same compromised infrastructure, they are not a partner; they are just another point of failure. True resilience requires sourcing from different geographic regions so that a localized crisis in one part of the world doesn't paralyze your entire production capability.

Practical Takeaways for Tomorrow's Planning Meeting

Don't walk out of your next meeting with "we need to keep an eye on things" as the takeaway. That is a passive stance. Instead, demand these three concrete actions:

1. **Map the Critical Nodes:** Identify every component and raw material that passes through high-risk zones (like specific ports or pipelines). Do not look at your own factory; look at where *your* supplier gets their stuff.
2. **Stress Test the Routes:** For each critical node, ask: "If this port/pipeline closed tomorrow morning, how many days of production do we have left before we stop?" If the answer is less than 30 days, that is a high-priority risk that needs an immediate buffer or alternative contract.
3. **Formalize Contingency Contracts:** Move beyond informal agreements. Get signed contracts with secondary logistics providers and alternate suppliers today. These should include pre-

negotiated rates and guaranteed capacity so you aren't fighting for "leftover" space when a crisis hits.

A Final Word on Visibility and Ownership

Risk management in the supply chain is not an IT function, nor is it something that can be outsourced entirely to a procurement department. It is a leadership discipline.

When we talk about things like Novorossiysk or global oil flows, it sounds like "macro" problems. But when those issues hit your shop floor, they become very "micro." They manifest as a machine that won't start because of a missing part, a shift that has to work overtime because the raw material didn't arrive, and a manager who has to apologize to a customer for a delay.

True leadership means owning the reality of the situation. It means acknowledging that our systems are often more fragile than we want to admit. By identifying these vulnerabilities now—while things are still moving—you can build a culture of proactive resilience. Don't wait for the flow to stop before you start looking for other ways to move. Build the redundancy today so that when the world gets complicated, your operation remains steady.

Call to Action

What is your organization doing to stress-test its most critical choke points? Send us an example of a risk you uncovered this week: newsletter@sixsigmakaizen.com

Newsletter replies: newsletter@sixsigmakaizen.com · X: [@kaizen_6sigma](https://twitter.com/kaizen_6sigma)

Stay curious, stay improving,

David Rodgers

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References: Supply Chain Brain article on Black Sea Waters