



Strategies to Re-risk Supply Chains- A Geo-political Crisis Case Study

Risk Framing and Conflict Mitigation Strategies in the Ukrainian Crisis

The Windshire Group's clients are facing unprecedented challenges to their supply chains from pandemics to geopolitical crises. The Ukraine crisis can be used as a case study to inform organizations on how to mitigate risks.

Prospective research surveys led by the World Peace Institute of the United Nations ranked the ongoing Ukraine Crises a substantial threat to peace and global conflict management. For our industry, the impact to corporations could be significant as supply chains are threatened. A simplified, robust risk assessment and decision-making methodology is needed for decision-makers dealing with complex situations in an environment of significant uncertainty.

Corporate risk framing for this type of situation requires something beyond typical risk assessment approaches as the portfolio of risks and their magnitudes depend on the how the crisis is resolved and the duration of the crisis. Herein, we describe a three-scenario approach that efficiently and effectively illuminates what risks to mitigate and how.

From a corporate perspective, understanding the gravity of the Ukrainian crisis and how best to respond can be framed into three scenarios: (1) “surprisingly” bad, (2) “surprisingly” good, and (3) “nominal” or “expected”. A narrative for each of the scenarios could be crafted as follows.

As an example, the “surprisingly” bad scenarios could entail:



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- a duration of the conflict of more than a year,
- Ukraine divided into separate states,
- severe sanctions remain in-place for over a year, and similar.

At the other end of the spectrum, the “surprisingly” good scenarios could include:

- duration of the conflict is less than three months,
- Ukraine sovereignty and borders remain mostly intact,
- sanctions are removed within six-months, and similar.

The “nominal” scenario is defined consistent with something between the two extreme scenarios.

The next step is to identify the risks and assess them for each of the three scenarios. Assess the risks (probability of risk occurrence and consequences *before* mitigation).

Next, create potential mitigations for each of the risks. Assess the risks (probability of risk occurrence and consequences *after* mitigation) for each of the three scenarios. The organization is now able to decide on which risk mitigations to pursue given each of the three scenarios.

As an example, the three scenarios and how their impacts can be assessed is summarized in the following diagram.



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References

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Media: Rob Johnston
The Windshire Group, LLC
windshire.com
info@windshire.com
(+1) 844-686-5750