
Manufacturing risk in Ukraine



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Large sectors of the manufacturing industry are familiar with the potential risks of operating in a challenging or unstable environment.

Considered by many to be an acceptable downside, offset by the lucrative rewards on offer, these manufacturers are used to identifying and handling risk as part of their daily decision-making.

However, some businesses located in Ukraine may query whether recent events in Crimea were sufficiently foreseen, and if the current uncertainty could have been avoided.

With a return to a Cold War environment looking increasingly feasible, the British manufacturing industry is monitoring the situation with concern.

While many of the main industrial areas such as Donetsk, Odessa and Lviv are far away from the troubled Crimean peninsula, the effects of the crisis are inevitably being felt across Ukraine – and beyond. In fact, some of businesses may even be facing temporary closure.

Reactive or proactive?

Unforeseen risk almost always has a negative impact, necessitating reactive measures, whilst predicted risk will often permit a proactive response, offering an opportunity to manage the situation to the company's best advantage.

As the sixth largest investor in Ukraine, the country's troubles will inevitably affect British industry. Furthermore, as one of the world's largest producers of steel, and blessed with significant coal and gas reserves, the country is a key part of many manufacturing supply chains – both in Ukraine and globally.

If the conflict continues, there will inevitably be a negative impact on procurement and commodity management with price rises and supply issues becoming increasingly problematic for manufacturers.

Prepare for risk

In regions where the risk is predicted, manufacturers are able to prepare for the impact of instability and/or military action on the supply chain, securing alternative supplies and developing supply chain maps to identify vulnerable links. #

Any plans should include additional protection for assets, as well as implementing measures to safeguard personnel – all of which enhance the business's reputation and minimise potential losses.

Of course, the whole issue with managing unforeseen risk is its unpredictability. However, ensuring that they have a clearer understanding of any potential changes within the operating environment and the possible consequences will give manufacturers a competitive advantage.

For example, if it could have been foreseen that the West's reaction to Putin's stance on Crimea would be a massive increase in funding support, a business could have been well-positioned to take advantage. Likewise, the proposed closer trading links with the EU and the US may well present significant commercial opportunities.

It remains to be seen how the situation in Ukraine will play out, but the consequences of failing to foresee risk often proves costly in terms of money, reputation, time, resources and sometimes even lives.

However, it is important to remember that the flip side to risk and threat is opportunity and incentive. If manufacturers can grasp this and use the concept to drive their decision-making, they may be able to consolidate and even grow their business.