

Orientation Challenge: Effects on supply chain.

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1. Introduction:

What are the direct but also indirect supply chain implications caused by Russia's invasion of Ukraine? Who are involved, how? What can they do to overcome?

We need to understand what supply chain means in order to answer this question. To do this, the supply chain management theory will be used. Supply chain management (SCM) is the process of managing the flow of goods and services to and from a business, including every step involved in turning raw materials and components into final products and getting them to the ultimate customer. Making good use of the SCM theory, a company can eliminate waste, maximize customer value and gain a competitive advantage in the marketplace^[1].

2. Effects from Russia-Ukraine war:

Direct implications:

Transport and logistics is one of the things that are directly affected. For the raw materials, processed good and/or final product to be delivered to a customer, they need to be transported to a location or kept in a warehouse. Both of these are affected as roads and railway systems are disrupted. This can affect the flow of things, forcing companies to find new routes or new locations.

Resources are also affected. Ukraine is best known for its agricultural products. The country produces large amounts of agricultural products, such as wheat, sunflower meal, oil and seed. If they cannot export this then there will be a shortage in these products, causing a spike in the prices of these resources.

Indirect implications:

Supply chain inefficiencies can be caused by time delays, lack of work/labour, issues on transportation routes, or lengthy customs processes. These inefficiencies have a cost, raising prices for consumers.

Both countries' markets are impacted by the war. Uncertainty in both regions can lead to market volatility, affecting currency exchange rates, the trust from investors, costs of goods, profitability and effectiveness of their supply chain.

Another is that companies will need to reconsider their suppliers. Simply put, if a **Johnson inc.** only gets product **A** from **WOLFF CORP.**, then **Johnson inc.** that will have problems in the coming future due to their supply chain being affected. This can go further, as **Johnson inc.** cannot produce their products so they can sell to another company and so forth. With this information, it can be smart on the **Johnson inc.** part to diversify where they get their raw materials from. Not just from one company but potentially from multiple.

Affected Parties:

The government of both countries is one of the multiple parties that can be affected by this war. Some companies rely on the support of the government to keep their business running. If this is the case then these businesses are impacted. During the war, the government can shift their priorities to other interests.

Other companies themselves are also affected by each other. Take the example previously given about **Johnson Inc** and **WOLFF CORP.**

Investors are also affected by these implications. One reason for this is simply because the company is doing poorly in this period. The second is because of the stock market volatility within this period.

Overcoming:

Overcoming these challenges is no easy task and requires a lot from different parties. Companies and the government need to work together and communicate by sharing data with each other. They can also plan ahead sharing their own supply chain plans for better process management. This way they can help each other solve other challenges that may appear.

Companies can diversify by getting their raw materials from different companies as well. Other companies that are not necessarily part of the nation or others that are not affected by the implications at all. This will ensure that no matter if there is an issue with one company, then there is always a backup company to go to.

3. Bibliography:

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