



When geopolitics hits the P&L: Redesigning supply chains for structural conflict

Reframing geopolitics as a structural business variable, not a background risk, at the most recent Exiger Executive Forum

In March, we returned to the Exiger Executive Forum, where industry leaders gathered to discuss the readiness of businesses to tackle volatility across the supply chain, and where focus should lie

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The latest Exiger Executive Forum, entitled When Geopolitics Hits the P&L: Redesigning Supply Chains for Structural Conflict, was one which aimed to reflect the current supply chain climate – and the concerns of the industry leaders therein.

The event took place on the evening of the 4th of March, and was once again hosted at the beautiful Great Scotland Yard Hotel in London. Back in November, the Exiger Executive Forum dug deep into the illusion of control across modern supply chains. This time, the focus lay in reframing geopolitics as a variable rather than a risk.

The idea was for this discussion between industry leaders to remove fear and turn geopolitics into a business consideration rather than an inherent risk. The theme set the tone for a strategic discussion about margin pressures, liquidity exposure, and – ultimately – supply chain redesign. Encouraging open dialogue like this ensures greater confidence as procurement and supply chain professionals navigate an often-volatile landscape.

Ian Cronin, Manager, Head of Advanced Manufacturing and Supply Chains at the World Economic Forum, moderated the evening's panel conversation. He opened the event by talking about the fact that





when companies are navigating the current supply chain environment with regard to geopolitical instability, they can't think of it in terms of an external variable that they're tracking on a dashboard.

"It's really become a structural force," he stated. "It's changing our global value chains; it's changing the underlying business models and how these operate. Simultaneously, we're seeing governments changing how they operate. Utilising tools like tariffs has been the name of the game, as well as looking at sanctions and resource nationalisation and their long-term impact on business."

Cronin then introduced the evening's expert panel, which consisted of:

- Tobias Ellwood, former UK Minister and Chair of the Defence Select Committee
- Sir Michael Fallon, former UK Secretary of State for Defence
- Koray Köse, CEO & Chief Analyst at Köse Advisory, Senior Fellow at GlobSEC GeoTech Centre, and Board Member of the Slave-Free Alliance
- Tim Fowler, Client Executive at Exiger



“We need a revamp of our own democracy, because we’re getting to the point where we don’t even want to be like ourselves”

– Tobias Ellwood, former UK Minister and Chair of the Defence Select Committee

From headlines to P&L

Cronin brought the conversation to the panel by asking Ellwood whether he believes that structural conflict is now the baseline in business and something to adapt to. “I’m deliberately going to be provocative because I think that teases out some thoughts of where things may go in what is a very, very confusing atmosphere,” Ellwood replied. “We are seeing, living, and breathing this with what’s happening in Iran right now. And the short answer to your question is: absolutely. You need to build-in the sense that we’re in permanent change. What is your resilience? Where is your ability to move fast and think fast? And that isn’t a natural place to be after three decades of relative peace. It’s a different mindset that we need to get every level of the C-suite of businesses to actually think about.”

Following this, Fallon was asked for his thoughts and perceptions on whether the geopolitical friction we’re seeing is likely to intensify – and where it might be easing. “I think Iran is just the start of our troubles,” he stated. “I think we will look back on the 1990s and 2000s, perhaps up to the financial crisis,



as a golden age where governments sorted stuff out between them as part of the rules-based international order. Over the last 15 years or so, we've seen those rules slowly dissolve. We've seen the vaccine crisis. And we're seeing the UN more impotent than ever. So I'm pretty pessimistic about this."

Next, Cronin asked Köse to weigh in on the P&L aspect from a strategic perspective. He queried at what point Köse sees geopolitical risk becoming a stronger pressure on the P&L



of companies he works with and advises. "Generally speaking, I think the P&L impact is when the geopolitical change is structural, and not just a one-off headline," said Köse.

"When we're thinking of cycles where geopolitical structural changes are happening, the time between them is shorter. I have this theory of three Vs when it comes to that: velocity, volatility, and visibility. We're generally not prepared across the board, so go into a reactive mode rather than a preventive mode because we are so preoccupied with efficiency. We're so stuck in certain silos that we do not comprehend the interdependency of a global network. Because of that, we kind of fly blind when it comes to comprehensive integration of risk management into your operations, or geopolitics as a cornerstone of your strategy rather than a headline that you need to react to. So when you put those three Vs together, it pretty much explains the mess we are in."

For Fowler, having deep visibility of multiple risk dimensions is a foundational requirement at this point. However, it's not enough. "They need to now have visibility into their second and third tiers of suppliers, so that they can get early warnings. They need to see what's coming up from below in their supply chain. If you think about Chief Supply Chain Officers and Chief Procurement Officers now, they're being asked the 'what if' questions by their boards. But I think we just bring it down to the humble Category Manager. A lot of my work is trying to help CPOs and Chief Supply Chain Officers, but ultimately you're serving that Category Manager. You're trying to help them see the wood for the trees and make the right decisions."

Supplier liquidity, financial exposure, and payment fragility

Cronin: “Where are organisations underestimating payment rail exposure and currency risk?”

Köse: “There are a couple of aspects to it. The major transformation will be from global networks to lock away our sovereign but federated systems that you need to build up in supply chains, that can actually co-survive almost at the same point in time. So I wouldn’t call it redundancy because they are literally making the same products, but for different markets and different purposes and different clients. And when it comes down to it, the glue is really the financial environment that impacts that collaboration.”

Cronin: “From a defence and national security standpoint, how critical are financial chokepoints as strategic leverage?”

Fallon: “I think companies will have to be increasingly aware, if they’re going into new markets or markets that are becoming relatively less stable, of how what they’re doing fits in with the national security strategy of the country in which they’re operating. They need to take more account of it, particularly when it comes down to the likely investments by the government themselves and the oftakes that they’re likely to be offering.”

Cronin: “What tools or intelligence capabilities help organisations identify supplier fragility before it becomes operational disruption or insolvency?”

Fowler: “I think most of my clients think about it in terms of the people, the process, and the technology. On the people side, jobs in supply chain are changing. The process piece is interesting: think about your organisation’s appetite for risk and how that changes regionally. And with technology, you have to go beyond your immediate suppliers and start understanding tier twos and threes. That gets very big, very quickly. You need to get the foundational aspects in place, then move at speed because these are the business-affecting challenges that we’re seeing.”

Cronin: “How should companies think about operating in regions where financial restrictions can shift overnight?”

Ellwood: “The two areas which I think are concerning for all businesses are, firstly, grey zone warfare. What happened to Marks & Spencer and Land Rover is going to become a regular occurrence. How do you actually prepare for those scenarios? This is Russia already bringing war to Britain. If they could claim any form of victory in Ukraine, that’s going to get worse. The second is that the race for quantum is going to happen in the next 4-5 years.”





Structural dependency and choke points

It's clear that constant change is not only something to be expected, but to be prepared for. Businesses can't live in fear of what comes next – they must be vigilant and respond proactively, not reactively, to the supply chain landscape. When lack of predictability seems to be the one thing supply chain leaders can predict, how can leaders be expected to maintain strategic clarity amidst a chaotic operating environment? This is the question Cronin posed to the panel.

Ellwood's answer starts at the very top. "You need a better quality of leadership to deal with this change. The world is getting more dangerous, and we don't have faith in the leadership we have on display in parliament right now. We need a revamp of our own democracy, because we're getting to the point where we don't even want to be like ourselves. And that's worrying when authoritarianism is on the rise."

Ellwood clarified that he was also referring to supply chain leadership, and Fallon agreed. "Are we moving into a much riskier and dangerous world? Yes," he said. "What can we do about it? In business, you're going to have to live with geopolitics. What



do we want our leaders to do? We've got to somehow roll up our sleeves and rebuild some of the international order that used to serve us so well. That means working with democracies that share our values. That's going to be hard, and it's going to require a much higher quality of political leadership – but that is something business leadership can join in with."

Köse confirmed that values are, indeed, important, and brought the conversation back to P&L. "What we need relearn is that the world is not always forgiving, and maybe it's less forgiving than ever. In that context, when we think about how often we have



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the conversation in business about how ‘we didn’t know better at the time’, that’s just an excuse. It’s not really something you can claim anymore. Plausible deniability doesn’t save your company or your job, especially in the context of AI, where you have the solutions at hand to inform and automate.

“You need to put yourself in a position of control, and that’s a big factor when it comes to P&L. You need to control your P&L, and how do you do that? Not by taking the past into today’s decisions, but by considering future competition and where things are going.”

To round up the conversation, Cronin asked the panel what businesses need to consider to ensure their resilience at times of structural unrest, and where that unrest lies day-to-day. “Think about what you could do in 72 hours if you had a complete power blackout,” Ellwood said. “How would your business function? It’s something to ask yourself and your team.”

“That’s some sensible advice,” added Fallon, “but you also need to look at your own security strategy. We’ve talked a lot about governments and developing national security strategies, but what about your security strategy as a company? What are the key dependencies?”

Exiger Executive Forum: A closer look

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“Think about risk as a change and an opportunity,” Köse added. “Don’t just look at it in shock and awe and freeze. Disruption is an opportunity, no matter how scary it seems.”

The conversation shifted to summarising comments, with Cronin impressing upon the room the importance of having these discussions. “We underestimate the power of dialogue and open conversation,” he stated. This is why the Exiger Executive Forum is so vital – it brings together experts and those keen to expand their horizons, and creates a space for exactly this kind of open dialogue. Thank you to Exiger, once again, for inviting us along to absorb these valuable insights. We look forward to the next one. ■