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SIGHTS

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Reactions of internationally active SMEs to blocked trade routes - The example of the Strait of Hormuz



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This "Insight" delves into the impact of blocked trade routes on internationally active small and medium-sized enterprises (SMEs), using the Strait of Hormuz as a case study. It addresses the geopolitical significance of this strait, particularly for global supply chains in the oil, liquefied natural gas, and industrial intermediates sectors. The risks of a blockage are clearly explained, highlighting the vulnerability of SMEs due to a lack of risk management structures. The report systematically presents the most important areas of action for SMEs, with a focus on short-term measures that can be implemented in procurement and supply chain management.



For small and medium-sized enterprises (SMEs) involved in international supply chains, a blockage or even a serious threat to this route represents an existential risk – a risk that many of them only fully grasp when the consequences are already being felt. Unlike large corporations, SMEs generally do not have dedicated risk management departments that continuously analyse geopolitical developments. Nevertheless, industry reports show that internationally active SMEs can prove quite adaptable in crisis situations – although their reactions are often reactive rather than proactive and involve considerable additional costs. The

following section outlines the key areas of action, with a particular focus on measures that can be implemented in the short term in procurement and supply chain management (SCM).

1. Immediate measures in purchasing

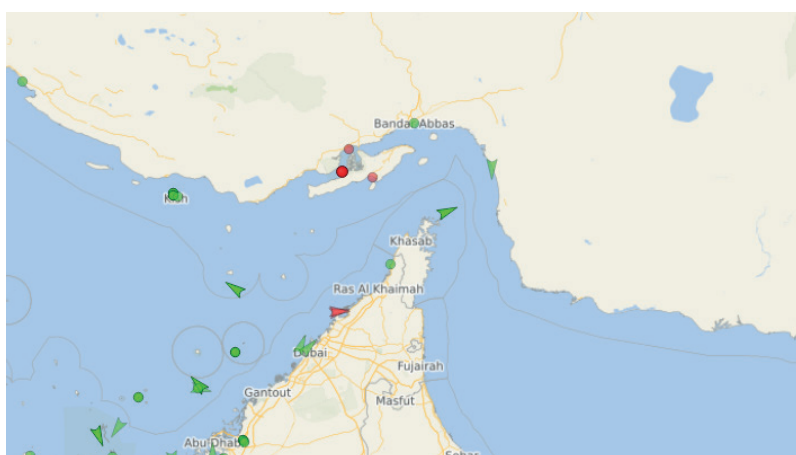
Emergency needs analysis and prioritization of critical materials

The first and most important step in procurement when a blockage is looming or has already occurred is to immediately conduct an emergency needs analysis. This involves systematically classifying all current orders, open delivery schedules, and short-term procurement needs according to their criticality. The goal is to obtain a complete picture of the at-risk material flows within 24 to 72 hours.

Advance orders and replenishment of stock levels

One of the most direct short-term reactions in purchasing is bringing forward orders and specifically increasing stock levels of critical materials. What is considered an uneconomical commitment of capital under normal circumstances becomes a strategic necessity in times of crisis.

In practice, this means that the purchasing



department will increase minimum stock levels (safety stock) for affected material groups by 50 to 150 percent of the usual value in the short term. Existing framework agreements will be utilized to their maximum call-off quantities. Suppliers will be contacted to bring forward delivery dates and secure quotas before they are snapped up by other customers. Close coordination with the finance department is particularly important, as bringing forward large orders can tie up significant liquidity and may require new credit lines in the short term.

This is precisely where many SMEs reach their limits: a lack of credit lines, limited storage capacity, and uncertainty about the duration of the crisis significantly complicate such an inventory strategy. Nevertheless, experience shows that companies that act in the first days of a crisis are considerably better positioned than those that wait.

Activation of spot shopping and alternative supply sources

In parallel with increasing inventory, the purchasing department is actively searching for alternative sources of supply on the spot market. This involves contacting both national and European dealers, distributors, and warehouse operators who have the affected materials available at short notice. International markets outside the affected region – for example, from Southeast Asia, America, or intra-European production facilities – are also being included in the search.

In spot market purchasing, SMEs are forced to make rapid purchasing decisions

without the usual price comparisons and approval processes. Many companies therefore include emergency powers in their purchasing guidelines: buyers are granted extended approval limits for crisis situations, enabling them to act within hours instead of days. At the same time, spot market prices often rise considerably during crises, so additional costs of 20 to 60 percent compared to regular purchase prices are not uncommon.

Crises such as the threat to the Strait of Hormuz are used by experienced purchasing managers as an opportunity to permanently reduce existing dependencies and build new supplier relationships.

Escalation and contract management with existing suppliers

A frequently underestimated aspect of crisis management is proactive contract management with existing suppliers. In procurement, this initially means reviewing all current supply contracts for force majeure clauses, delivery time guarantees, and penalty provisions. Many standard contracts define geopolitical events as force majeure, allowing both suppliers and customers to modify delivery obligations without penalty.

Proactive buyers contact their key suppliers early in crisis situations and negotiate individual solutions: extended delivery dates, partial deliveries from alternative warehouse locations, air freight for urgent partial shipments, or temporary substitution with technically equivalent materials from





other sources. The principle here is that cooperative supplier relationships represent a significant competitive advantage in times of crisis. Companies that have treated their suppliers fairly for years receive preferential allocations in shortage situations.

Supply chain transparency and real-time monitoring

A key challenge in supply chain management (SCM) crisis management is the limited transparency regarding the actual status of all shipments in the supply chain. Many SMEs have only limited track-and-trace capabilities under normal circumstances. This weakness becomes particularly apparent in crisis situations: the whereabouts of shipments already in route by sea are often only known with a delay.



Technologically, companies in this phase often invest in simple digital tools: manually maintained, spreadsheet-based tracking dashboards are frequently the first step. Those with ERP systems activate real-time interfaces to freight forwarders to receive automated status updates. Such measures create the data foundation that is essential for making quick decisions.

Production planning and manufacturing control

Supply chain management (SCM) is closely intertwined with production planning. As soon as delivery delays become known, production plans must be adjusted at short notice. This includes reprioritizing production

orders based on material availability, reallocating production capacity to items for which sufficient material is available, and, if necessary, temporarily throttling or halting individual production lines.

Particularly relevant in this context is the concept of material splitting: If only partial quantities of a material are available, production is concentrated on those end products that have the highest contribution margin or the greatest strategic importance for customer retention. Close coordination between purchasing, production planning, and sales – ideally daily – is essential during this phase.

Customer communication and delivery commitments

In crisis scenarios, communication with customers and clients plays a strategically important role in supply chain management (SCM). Providing transparent and early information about potential delivery delays can maintain trust, prevent contractual penalties, and facilitate collaborative problem-solving with the customer. The principle of structured customer segmentation has proven effective in this regard: key customers are contacted personally – ideally by management or the sales manager – while standardized communication is used for less critical customers.

The balancing act between necessary transparency and the risk of losing customers or signalling weakness requires a delicate touch. Many SME owners report considerable pressure, as large customers often expect reliable delivery and show

little understanding for geopolitical reasons. Nevertheless, experience shows that honest communication with concrete options for action – partial deliveries, alternative products, adjusted delivery schedules – is generally better received than vague promises.

3. Short-term financial hedging measures

Review of insurance contracts and transport clauses

On the financial side, internationally active SMEs increasingly rely on reviewing existing hedging instruments during times of crisis. Insurance contracts are examined for war and transport clauses, which are normally considered standard but suddenly become central to the contract during a crisis. Many companies discover that their transport insurance only covers war risks to a limited extent or not at all. Renegotiating with insurers or taking out additional policies then becomes necessary at short notice. Companies must weigh up whether full insurance coverage makes economic sense or whether assuming the risk themselves and rerouting routes is the more cost-effective alternative.

Commodity and currency price hedging


Currency and commodity price hedges, often neglected before crises, gain importance during periods of geopolitical instability. A blockade of the Strait of Hormuz affects energy prices and crude oil-dependent intermediates, subject to significant price fluctuations. Companies requiring large quantities of these materials can hedge a portion of the price risk in the short-term using forward contracts or options.

4. Conclusion: Resilience as an active corporate characteristic

Internationally active SMEs can respond to blocked trade routes like the Strait of Hormuz with a package of short-term emergency measures and medium-term strategy adjustments. The range of responses extends from emergency needs analysis, advance orders and spot market purchasing, to rerouting transport routes, ensuring supply chain transparency and adjusting production, as well as securing financial reserves and proactive customer management.

However, a structural weakness remains: While small and medium-sized enterprises (SMEs) are more flexible and often quicker to make decisions than large corporations, they have significantly fewer financial reserves and less political influence. Whereas large companies can activate their own crisis response plans and organize charter flights or alternative transport systems at short notice, SMEs are more dependent on networks and government support.

What all successful responses have in common is the speed of decision-making and the quality of available information. Companies that have already established supply chain transparency, diversified supplier relationships, and simple risk monitoring systems in normal times are significantly more capable of acting in crisis situations than those that must act for the first time in a crisis. Resilience is therefore not a given, but rather an actively cultivated and continuously developed corporate characteristic.



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