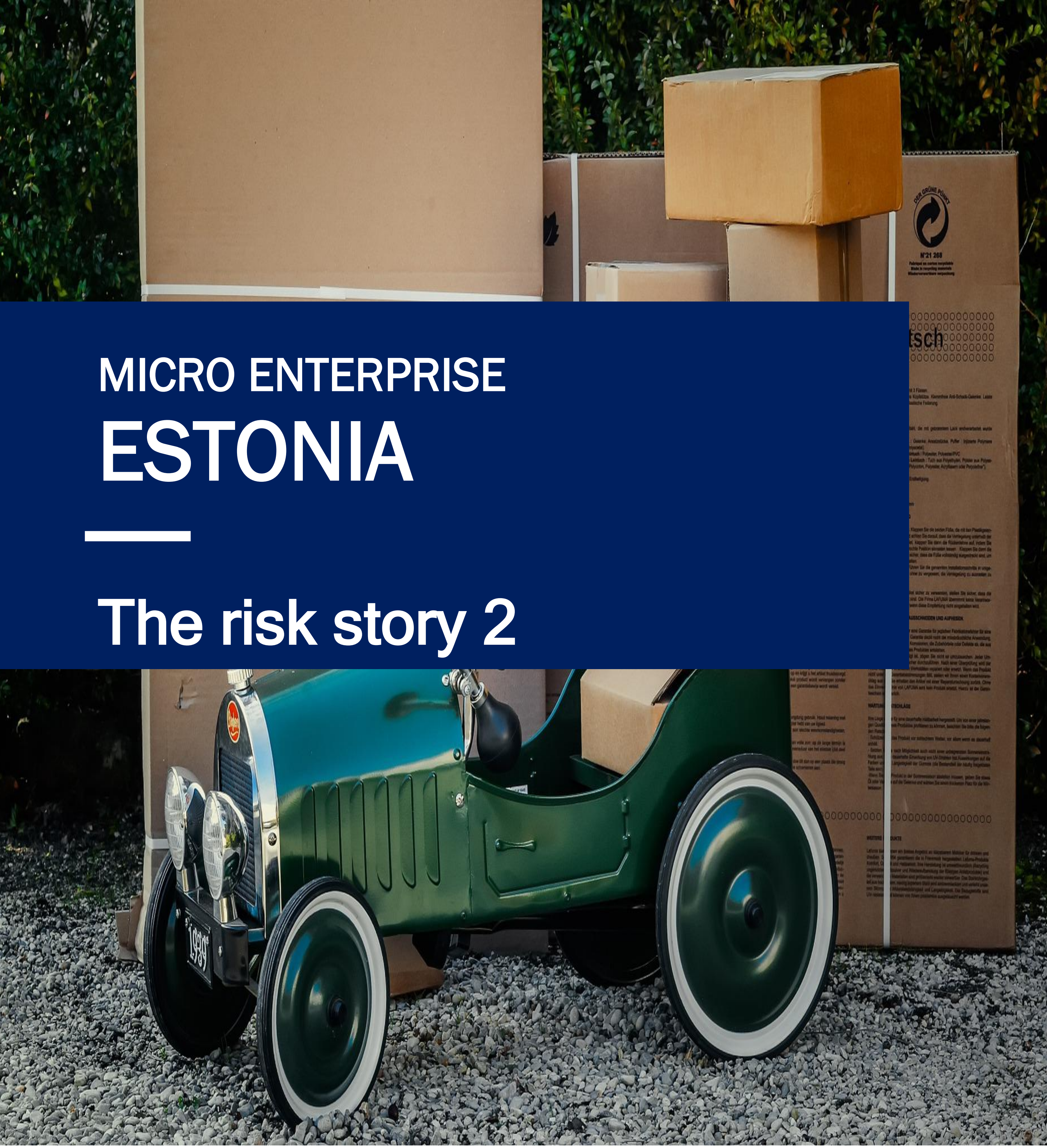
MICRO ENTERPRISE

ESTONIA

The risk story 2



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Micro enterprise from Estonia

Context of the Company and the Supply Chain

Company Y was established in 2000, specializes in the production of packaging solutions, and consists of three employees. Occasionally, the Company takes printing orders: books and industrial packaging. Company's headquarters located in Tallinn.

Company Y mostly performs B2B transactions, and seldom takes orders from private customers. It does not have its own production facilities or warehouse and instead uses subcontractors.

Company Y approaches every order individually and chooses subcontractors based on the order specification. Company Y does not have a permanent supply chain. Company cooperates with a pool of suppliers and operate as a coordinator to ensure the smooth process of order execution from communication to production, and also performs quality control. On average, order execution takes from three to six months.

Company Y clients are in Sweden, Finland, Norway, Germany, Poland, and Estonia. For the delivery of the end-product, Company Y uses different courier services: couriers are chosen based on destination and the physical characteristics of order (size, fragility etc.).

Company Y has not experienced the negative effects of COVID-19 precisely since most operations are performed with long-term planning and there is no urgency to orders. Company Y has experienced small delays around 2-3 days, but these do not affect its operations. Company Y aware that some of its partners experience a shortage of people due to COVID-19 restrictions, but it still has no measurable effect on companies' operations.

Digitalization of SC

The digitalization approach of company Y for managing its supply chain is rather simple and limited. It uses one single logistics software package, purchased from an Estonian IT company, to manage all its different supply chain activities with customers, suppliers, and further business partners.

Risk Management

Practice of Risk Management: currently Company Y has no established and formalized risk management. Management believe that company exposed mostly to financial risk which will subside with the time. While there has been a small impact on financial performance in 2020 and some minor SC changes, Company Y has no heightened perception of risk and has experienced no significant operations adjustments.

Risks: company management acknowledge various regular risks but consider them as insignificant. The major risk concerns are related to COVID-19.

- The management does not recognize an operational risk.
- Financial risk. Company Y has recognized there is a financial risk and expects some decline in financial results by the end of the year. It does not plan to take measures to mitigate it.
- Regulatory risk is perceived as low probability and most likely will not affect operations.
- Personnel risk. Employee safety is not a concern since all employees work from home.
- Cyber risk: Company Y is aware of cyber risk, but considers it as low probability, due to small company size.
- The COVID-19 related risks are affecting:
  - Customer relationships and partnerships: lack of personal connections with partners and clients affects the quality of communication and may result in misunderstandings and affect relationships.
  - Supply chain: limitations at the pool of suppliers and the lack of awareness of new materials/technologies since professional exhibitions are cancelled or held online;
  - Number of suppliers has declined since big players have bought small companies during the crisis. This may lead to an increase in demand and decrease in supply and potentially may lead to an increase in prices.