

Volatility Exposure Index™

Australian Manufacturing

5-minute self-assessment to understand your exposure to supply, cost, workforce and operational pressures

What is this?

The **Exposure (Disruption) Index** is a framework used by leading global consulting firms such as McKinsey & Company, Kearney and AlixPartners to understand how external conditions may impact business performance.

The **Volatility Exposure Index™** has been **adapted for Australian manufacturing by Positive Leaders Group**, reflecting current operating conditions including:

- * reliance on imports from China and South East Asia (e.g. packaging, inputs, fruit)
- * rising logistics costs, with pressure typically increasing beyond **20%**
- * energy and fuel costs trending upward, in some cases toward **40%+**
- * exposure to **USD movements**, particularly where inputs and freight are globally priced
- * workforce considerations linked to fuel costs and travel
- * additional complexity for businesses operating in or supplying to **regional Australia**
- * operational constraints such as **storage capacity and shelf life**, which impact the ability to respond

This tool provides a **structured way to understand where your business may experience pressure, and where there are opportunities to strengthen flexibility and resilience.**

How to Use This Tool

- * Score each section from 1 (low exposure) to 5 (higher exposure)
- * Use practical judgement based on your current operations
- * Add your total score at the end

1 Supplier Concentration (Asia Exposure)

How dependent are you on suppliers in China or South East Asia?

- 1 = Mostly Australian suppliers
- 2 = Some imports, easily replaceable locally
- 3 = Moderate reliance on Asia
- 4 = High reliance on Asia
- 5 = Significant dependence on a small number of overseas suppliers

SCORE _____

2 Logistics & Freight Exposure (20%+ Increase Test)

If logistics costs increased by 20%+, how would this impact your business?

- 1 = Minimal impact
- 2 = Manageable impact
- 3 = Noticeable pressure on margins
- 4 = Significant margin impact
- 5 = Material impact on profitability or delivery

SCORE _____

3 Energy & Fuel Sensitivity (40%+ Increase Test)

If fuel and energy costs increased by 40%+, how exposed are you?

- 1 = Minimal impact
- 2 = Low impact
- 3 = Moderate pressure
- 4 = High exposure across operations
- 5 = Significant impact on cost base

SCORE _____

4 Currency Exposure (USD Risk)

How exposed are you to USD-priced inputs, materials or freight?

- 1 = Minimal exposure
- 2 = Low exposure
- 3 = Moderate exposure
- 4 = High exposure
- 5 = Significant reliance on USD-linked costs

Context: Global trade, including oil, is priced in USD. Movements in the USD and energy markets often flow through directly into input and freight costs.

SCORE _____

5 Pricing Flexibility (Customer & Contract Dynamics)

How easily can you adjust pricing in response to cost changes?

- 1 = Able to adjust pricing quickly
- 2 = Generally able to pass on increases
- 3 = Some delay or resistance
- 4 = Limited ability to adjust pricing
- 5 = Pricing largely fixed or constrained

SCORE _____

6 Inventory Buffer (Supply Flexibility)

If imports or deliveries were delayed by 2-4 weeks, what would happen?

- 1 = No impact (strong buffer)
- 2 = Minor disruption
- 3 = Manageable pressure
- 4 = Operational disruption
- 5 = Significant interruption to production

SCORE _____

7 Substitution Capability
(Alternative Supply Options)

How easily can you switch suppliers or inputs if needed?

- 1 = Multiple alternatives readily available
- 2 = Some alternatives available
- 3 = Limited alternatives
- 4 = Difficult to switch
- 5 = Very limited or no alternatives

SCORE _____

8 Workforce Exposure
(Fuel & Labour Considerations)

How exposed is your workforce to fuel costs, travel or agency reliance?

- 1 = Stable workforce with minimal travel dependency
- 2 = Generally stable workforce
- 3 = Some reliance on commuting labour
- 4 = Noticeable exposure to fuel-related attendance challenges
- 5 = High reliance on agency labour and travel-dependent workforce

SCORE _____

9 Regional Australia Exposure
(Distance & Distribution)

How exposed are you to regional sourcing or distribution?

- 1 = Primarily metro-based
- 2 = Limited regional interaction
- 3 = Moderate regional sourcing or delivery
- 4 = Significant regional exposure
- 5 = High dependence on regional supply chains or long-distance freight

SCORE _____

10 Storage Capacity
(Forward Planning Capability)

How much capacity do you have to increase stock of key inputs if required?

- 1 = Significant available storage capacity
- 2 = Good capacity with flexibility
- 3 = Moderate capacity
- 4 = Limited ability to increase stock
- 5 = No additional storage capacity

SCORE _____

11 Shelf Life Exposure
(Product & Input Sensitivity)

How constrained are you by shelf life when holding additional stock?

- 1 = Long shelf life (high flexibility)
- 2 = Generally stable products
- 3 = Moderate shelf life limitations
- 4 = Short shelf life, careful management required
- 5 = Highly perishable, limited ability to hold stock

SCORE _____

Total Score:

..... **/55**

Your Exposure Rating

Score	Level	Interpretation
11-22	Low	Well-positioned with strong flexibility
22-33	Moderate	Some areas to monitor and strengthen
34-44	High	Opportunities to improve resilience and reduce pressure
45-55	Elevate	Prioritise strengthening key operational areas

Optional: Converting Your Score to a 0-100 Exposure Index

Your total score provides a clear snapshot of your current position.

The formula below converts this into a **standardised 0-100 Exposure Index**, enabling you to:

- * track exposure over time
- * compare across sites, products or business units
- * support structured leadership and board-level decisions

$$\text{Exposure Index} = \left(\frac{\text{Total Score}}{55} \right) \times 100$$

Higher scores indicate **greater exposure to external pressures**.

Leadership Note

This index is designed to provide clarity and support thoughtful planning.

It highlights where your business may be more exposed so you can **prioritise and strengthen those areas early**.

Focus on higher-scoring areas and consider:

- * where flexibility can be increased
- * where small adjustments may reduce pressure
- * where contingency options could support continuity

A measured, proactive approach helps ensure your business remains **adaptable, resilient and well-positioned**, regardless of how conditions evolve.

Developed by **Positive
Leaders Group**