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From Fragmented Geopolitics to Geopolitical Resilience in International Business

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We provide a holistic framework for enhancing geopolitical resilience in IB, comprising four complimentary views (inside-in, inside-out, outside-in, and outside-out) along with actionable insights to key stakeholders (e.g., practitioners) grappling with geopolitics in IB. We recommend to: (i) treat geopolitics as an endogenous and continuous process, (ii) anticipate the effects of larger politico-economic dynamics, (iii) enhance resilience from an outside-out perspective, (iv) pursue multilevel analysis to that effect. Finally, we introduce a novel and more fundamental conceptualization of resilience to those encountered in the literature (e.g., of ‘bouncing back’, ‘above’, or ‘beyond’). Namely, ‘bouncing with’ the waves of contemporary geopolitics.

CONTEMPORARY GEOPOLITICS IN IB

The Russian invasion of Ukraine resulted in an *en masse exodus* of Western MNEs, leaving behind stranded and/or severely undervalued assets. An MNE exodus from China has also been ongoing, albeit at a more gradual pace. The presidents of both Russia and China have made explicit that they will challenge the liberal international order (LIO), which was established by the US and her allies in the aftermath of WWII (Putin, 2022; Xi, 2022). The Beijing consensus pushes against the LIO and although Xi avoided referencing the US by name, US president Biden has been more direct, saying that China is “the only country with [...] the intent to reshape the international order” (US Department of Defense, 2022). Moreover, in the latest US national security and defense strategy China is identified as the main “geopolitical competitor” to the US, while many other developed economies (e.g., within the EU) have also labelled China a strategic rival (Biden, 2022; US Department of Defense, 2022). Defining geopolitics in this vein, is about “how geography affects politics and the relations among states” (Caldara & Iacoviello, 2022: 1197). Geopolitics is thus shaped by several factors, including geography, resources (natural and man-made), demographics, and international relations (IR) (Dodds, 2019).

However, contemporary geopolitical rivalries do not end with the above. In recent years the LIO has been challenged by several world events. Starting from the Global Financial

Crisis (GFC) of 2008, the international space-race, climate change, the COVID-19 pandemic, and a series of armed conflicts (e.g., in Myanmar, Syria, Yemen) with negative spillover effects to countries in their ‘vicinity’, international intergovernmental organizations, NGOs, and many others. The growing relevance of geopolitics has been mirrored by the ever-increasing appearance of the term in IB studies (see [Fig. 1](#)).

Prior to the GFC (emerging period in [Fig. 1](#)), discussion of geopolitics in IB was exiguous. The dissolution of the Soviet Union meant that geopolitics during the ensued era have been mainly congruent with the values of Western liberal democracies, and with US values as the world’s hegemon. Advances in information and communication technologies, ease of international capital flows, and increased interdependencies between state and non-state actors, often summarized as globalization, made for a ‘smaller’ world, and helped spread neoliberal financial capitalism.¹ The GFC shattered financial capitalism’s chances of becoming the world’s dominant form of capitalism, added to the backlash against it and against the US hegemony, brought to the forefront the changing interdependencies in the nature, level, and intensity of social relationships (Fukuyama, 2018), while also emboldening nationalism, populism (Devinney & Hartwell, 2020), and many other *-isms* (e.g., protectionism, religious fundamentalism). It should thus not come as a surprise that between 2008 and 2019 the appearance of geopolitics in IB doubled. Following the advent

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¹ Financial capitalism is a broad concept referring to an economic paradigm that is characterized by a subordination of other sources of profit, (e.g., industrial production), to the predominant pursuit of profit from the trade of financial instruments (e.g., currency, stocks, bonds, futures, and other derivatives).

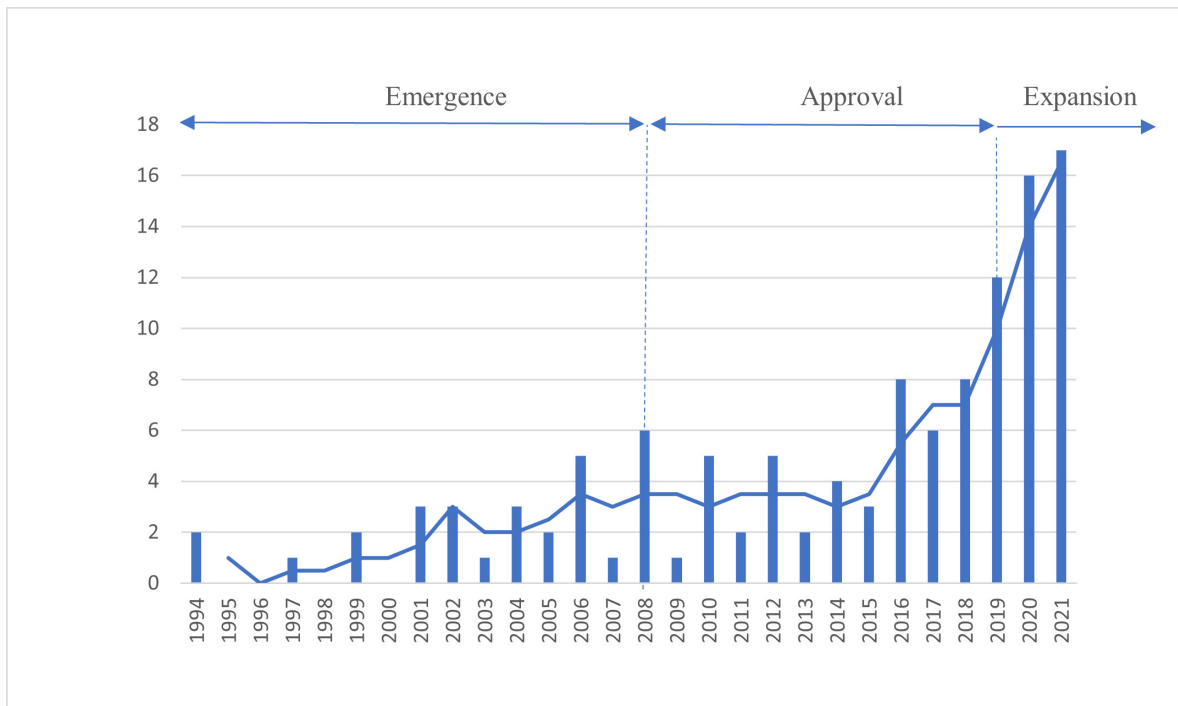


Figure 1. The evolution of geopolitics in IB publications

Notes: searches for “geopolitics/geopolitical” in the: *Journal of World Business* [n=33], the *Journal of International Business Studies* [n=57], and the *International Business Review* [n=27].

of COVID in 2019, geopolitics has been expanding even further to become part-and-parcel of most IB aspects, including but not limited to international: trade, supply chains, strategy, and FDI. Contemporary geopolitics thus manifests across multiple *levels of analysis*, such as those summarized in Fig. 2, which should be considered according to need, in order to understand how particular firm behavior could be affected.²

Figure 2. Levels of analysis for understanding geopolitics in IB

Level	Examples
Individual	‘Strong men’
Firm	MNEs, IJVs, alliances
Sub-national	Clusters, entrepreneurial ecosystems
National	Varieties of capitalism, institutional configurations
Supra-national	Geo-regions, trading blocks, identity politics
Global	Spheres of influence

Nonetheless, even post-2019 the treatment of geopolitics in IB has been rather fragmented, the term appears mostly as an adjective, with limited actionable insights for how the affected organizations are supposed to survive. Strengths have developed in IB for understanding some of these levels (e.g., firm, nation) (De Villa, 2023), as well as shared understandings with other fields (e.g., geography, culture, supply chains) although collaborations with IR have been noted by their absence (Casson, 2021).

Collaborations with IR could furnish IB practitioners and other key stakeholders with superior understandings of geopolitical resilience, compared to the mere “positive adaptation following a significant setback” often suggested in the literature (cf. Hoegl & Hartmann, 2021). As in a VUCA world (Buckley, 2020; Humbert & Joseph, 2019) it is better to anticipate and pre-empt than suffer significant setbacks. In such a world, as Taleb (2010) avers: one better “avoid being the turkey” and/or “turn the black swans white”. This not only places demand for geopolitical knowledge from additional perspectives, but also for using such knowledge to ‘bounce-with’ geopolitics³, as the *par excellence* property of geopolitical resilience.

² The use of such multiple levels of analysis originates in IR studies (Waltz, 1954) and was further developed in Singer (1961). More recently a multi-level approach has been suggested by De Villa (2023) for the assessment of geopolitical risk by top managers of MNEs.

³ We conjecture ‘bouncing-with’ in contradistinction to other resilience conceptualizations, e.g., of “bouncing back”, “beyond”, or “forward” referring respectively to positive adaptation, following a setback, and emerging stronger (Hoegl & Hartmann, 2021; Maor & Park, 2023). As bouncing-with contemporary geopolitics refers to a more fundamental need for viability, and how organizations must first survive (by anticipating, managing proactively, etc.) in order to be able to adapt and/or grow stronger.

Figure 3. A holistic framework for geopolitical resilience in IB

Observer position:	Observer perspective (looking:)	
	IN	OUT
Inside the organization	Inside-IN (cf. Simchi-Levi, Schmidt, & Wei, 2014)	Inside-OUT (cf. Haren & Simchi-Levi, 2020)
Outside the organization	Outside-IN (cf. Luiz & Barnard, 2022)	Outside-OUT (cf. this study)

DEVELOPING GEOPOLITICAL RESILIENCE IN IB

Any organization active in IB needs to develop geopolitical resilience. Nonetheless, contemporary understandings of geopolitical resilience often “conform to neoliberal views of how individuals and societies behave” (Humbert & Joseph, 2019: 216). That is, behaving so to return to their hegemonic position prior to the geopolitical setback; instead of changing or transforming. This may explain why some organizations, and MNEs in particular, are ‘looking-in’ when it comes to geopolitical resilience. For example, at their operational and reputational costs (Mol, Rabbiosi, & Santangelo, 2023). We do not dispute that firms need to understand what they can effectively control. What we argue, is that they also need to understand what they cannot control. The latter, is not usually practiced, when one is looking-in. For example, an organization, may want to ask: ‘how can they be in better effective control of outside stakeholders at different levels?’ Answering this question requires one to at least be looking out. Thus, being inside and looking-in, is as good as re-arranging the deckchairs on the Titanic. It may help resilience on some occasions (e.g., when encountering small icebergs), but we all know the disastrous consequences of encountering large ones; e.g., geopolitical challenges to the LIO. As further argued below, the latter requires, an outside-out approach.

We argue that geopolitics in IB and the development of geopolitical resilience can be better understood in terms of the four views depicted in Fig. 3. Corporations can engage in one or all four of them. All the same, what matters most is how they are incorporated and implemented. The four views are formed by the intersection of two axes. One axis records the position of the observer (inside or outside the organization in focus), while the other the observer perspective (looking in or out). Moreover, the organization in focus can involve one or more levels of organizational complexity listed in Fig. 2. The intersection of these two axes creates four views with corresponding ways of thinking about, and approaches to enhance geopolitical resilience. For example, the organization in focus can comprise an emerging market MNE, its subsidiaries, home, and host markets as in Luiz and Barnard (2022), discussed below.

An inside-in view seeks to enhance resilience by altering the internal structures of the organization, with the impetus coming from within the organization itself. Examples can include the optimization of production lines, such as

reducing bottlenecks and implementing best-practice processes to reduce recovery times (Simchi-Levi et al., 2014).

An inside-out view makes it possible to enhance resilience by improving the organization’s relation with its external environment. However, Casson (2021: 6) warns that: “[f]or too long IB scholars have cultivated an ‘inside out’ approach to IB studies, in which global issues are viewed through the lenses of the chair-persons and boards of MNEs”. For example, by anticipating impacts on global supply chains, reducing lead times, strengthening, or eliminating volatile nodes (Haren & Simchi-Levi, 2020).

Although inside-in, and inside-out views and approaches are important, they only deal with geopolitical hazards and risks that an organization may be able to control or hedge against. Nonetheless, such observer positions seem oblivious to contingencies beyond the organization’s control. Hence the need for observer positions outside the organization, which shift the impetus for resilience.

In particular, an outside-in view can make visible contingencies beyond the organization’s control and help develop resilience by balancing how it relates to them. As advised by Casson (2021: 6) the IB profession should “endogenise these changes by examining their causes and explaining the changes as part of a wider remit”. Arguing “that the ‘outside in’ approach provides the best framework in which to analyse controversial issues such as the costs and benefits of Brexit and the legacy of the Trump regime. It indicates what an ‘outside in’ approach might be like. It presents a ‘big picture’ view in which the traditional focus of the IB literature is just one element of a wider perspective.” For example, Luiz and Barnard (2022) describe how emerging market multinationals during transitional periods in South Africa enhanced their resilience by constructing and changing their corresponding locational portfolios.

Finally, an outside-out view and thinking is the ultimate realm of geopolitics. Here, organizations active in IB must develop resilience (as the impetus for change is) beyond their activities within any country’s political economy. This is an under-practiced approach at present in IB, although not in IR (Rice & Zegart, 2018). IR theories, such as realism, can inform IB practitioners on how to better prepare for geopolitical uncertainties and risks (Bremmer & Keat, 2010). These require holistic thinking about larger politico-economic structures that cut diagonally across multiple considerations and levels of organizational complexity, e.g., from food and water security to populism, and the transition towards informational capitalism as the planet’s dominant economic system.

ACTIONABLE INSIGHTS

The first actionable insight we suggest is to *stop treating geopolitics as periodic risks*, hazardous perturbations, or punctuations to an otherwise ‘IB-as-usual’ world. Instead, *start treating geopolitics as an endogenous and continuous process*, like global warming. Even in the extreme case of war and armed conflict for example Melin et al. (2023), argue that “international business and multinationals’ cur-

rent and future activities exacerbate or help resolve violent conflict. The key for businesses to foster peace is to adopt policies that make violence less attractive, raise war costs, and resolve information problems.” They further propose a set of “six business-for-peace initiatives that may address one or multiple causes of war”. Thus, contrary to what inside-in studies like Simchi-Levi et al. (2014) seem to suggest, one should not conflate geopolitical risk with uncertainty, nor assume that either is an a priori externality. Instead try to quantify the likelihood of “fat tail” (i.e., unexpected but not infrequent) devastating events (Bremmer & Keat, 2010), and implement initiatives that address them. While a fat tail event might be difficult to quantify, we think that conflating risk with uncertainty and treating both as given, is not only inward looking and shortsighted, but highly devastating if not outright survival endangering. For example, when it renders you into the proverbial turkey before Christmas (Taleb, 2010). As evidenced by the majority of Western MNEs that have been caught on the wrong foot by the Russian invasion of Ukraine. There was ample evidence, accumulating over several months, that suggested large-scale Russian aggression was more than just an outlying geopolitical probability. Nonetheless, this fat tail event, did not register with the majority of MNEs, some of them, as Mol et al. (2023) study details, even after the event still seem to be inward looking at their reputational and operational costs.

Thus, our second actionable insight, is that *larger politico-economic structures provide directions* on how certain countries will act or react, within their own borders, and/or in their spheres of influence. Rice and Zegart (2018) suggest that external or exogenous shocks must be anticipated. For example, geopolitical risks may be existential in nature and no amount of production line or supply chain tinkering will matter. To be fair to inside-in (Simchi-Levi et al., 2014) and inside-out (Haren & Simchi-Levi, 2020) views, we are not suggesting that companies ignore production line or supply chain resilience. Such actions are warranted, particularly as fat tail events suggest the need for such strengthening. Instead, we suggest that these should also be a part of a *holistic treatment of geopolitical resilience*. Such a treatment will require going beyond the mere understanding of any given country’s political-economy and/or institutional configurations/endowments.

Therefore, our third insight is that *organizations transition beyond geopolitical risk and focus more on geopolitical resilience*. What would geopolitical resilience look like? To decide what hazards, threats, uncertainties, or risks to address one needs to view the bigger picture from all perspectives; and especially an outside-out view (as the less commonly practiced one in IB). This is integral in the transition from understanding geopolitical risk to understanding geopolitical resilience. Scenario planning, contrarian thinking, and risk insurance are common practices that could help in developing geopolitical resilience (Bremmer & Keat, 2010). Moreover, the *transition* to thinking about resilience as an endogenous and continuous process (i.e., ‘bouncing-with’ geopolitics) will draw upon an extensive range of capital forms (e.g., social, cultural, leadership, economic, ecologi-

cal) and *require a multilevel approach* (De Villa, 2023; Menzies & Raskovic, 2020).

The latter transition requirement brings forth our final insight, as we suggest that practitioners need to *consider additional, and in all likelihood multiple, levels of analysis* (as depicted in Fig. 2) for understanding and developing geopolitical resilience. As Grant et al. (2022) suggest, at least six dimensions of geopolitical resilience ought to be considered; namely reputational, organizational, financial, technological, operational, and business model. Each of these dimensions is multi-scalar. For example, business models comprise elements of varied organizational complexity inside and outside the business, similarly operations comprise multiple tiers of supply and value chains. All of these will most likely need reevaluation. The holistic framework for geopolitical resilience developed in this paper could thus be deployed, as an aid, in critical intersections of such multiple and multi-scalar levels of organizational complexity, and the interactions between its two axes used by practitioners to produce organization-specific insights so to reassure their holistic view of geopolitical resilience.

CONCLUSION

The extant and rather fragmented geopolitical treatment (e.g., conventional risk analysis) needs to be augmented with a holistic understanding of geopolitical resilience. The latter cuts diagonally across multiple levels of organizational complexity and comprises additional considerations, e.g., from food and water security to populism, and the transition towards informational capitalism as the planet’s dominant economic system.

Practitioners need to endogenize geopolitical resilience in the manner suggested in this study; especially concerning the implementation of outside-out foresight and preemptive initiatives. Academics need to consider the implications of this newly emerging geopolitical context to extant and novel IB theorizing, which should be addressing geopolitical resilience as a key factor, and adapt their curricula accordingly.

In short, a holistic understanding of geopolitical resilience is a must have for IB in today’s world.

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