International Business in an Accelerated VUCA World: Trends, Disruptions, and Coping Strategies

S. Tamer Cavusgil
Georgia State University

Sebastian van der Vegt
Untold Communications

Mourad Dakhli
Georgia State University

Salomao De Farias
Georgia State University

Evaristo F. Doria
Georgia State University

Sevgin Eroglu
Georgia State University

Leigh Anne Liu
Georgia State University

Edward Yihuai Wang
Georgia State University

Abstract

It is clear that the current business environment has changed fundamentally over the past several years. Major transformations were well underway prior to the global pandemic, but the latter and the ensuing global recession made the business landscape even more extraordinary. This paper discusses the new realities which define the contemporary global economy and provides insights into the changing nature of cross-border business. Specifically, we examine

some of the short and long-term trends and disruptions that impact business. We also explore potential coping mechanisms and strategies that can help business thrive in this new environment.

It is in the crisis that inventiveness, discoveries, and great strategies arise. Those who overcome the crisis overcome themselves without being overcome.
— Albert Einstein

Introduction

There is no doubt that the nature of international business (IB), including cross-border trade and investment, has changed dramatically because of the remarkable events of the past decade. The COVID-19 pandemic, the digitalization of economies, rapid technological advances, increased polarization, the rise of nationalistic movements, prolonged recessions, and other dramatic events have all helped alter the global business landscape.

For many businesses, yesterday's models and best practices are no longer viable. Enterprises are under intense pressure to re-invent themselves, while managers grapple with understanding the new realities. Similarly, business educators must rethink what they teach and how they deliver education.

Certainly, this is not the first time, nor will it be the last, that business leaders must proactively seek renewal and revival. Nevertheless, the magnitude of the shifts required and the urgency with which change must be implemented are most remarkable.

One of the most fundamental questions business leaders must address is: what does internationalization mean in the new, digital, global marketplace?

This new business landscape is best characterized as a challenging VUCA environment -- one that features extreme volatility, uncertainty, complexity, and ambiguity. While the term is not new, the challenges for international businesses operating in a VUCA world have never been greater. The good news is that it delivers many opportunities along with heightened risks.

In recent history, companies had to be concerned about a limited set of risks: commercial, financial, cultural, and political risks. In contrast, the contemporary business environment now poses a broader set of risks that include, among others technological (obsolescence, automation); cyber security; trade wars between countries; sustainability challenges; social tensions; as well as black swan events like the recent global health pandemic.

These major events in the macro environment impact business, economy, society, culture, our communities, and our personal lives, and even define our future world. How to prepare for the new realities? One is reminded of the wisdom of the quote with which we started this chapter, often attributed to Albert Einstein: "It is in the crisis that inventiveness, discoveries, and great strategies arise. Those who overcome the crisis overcome themselves without being overcome." Forward looking, progressive leaders will always find a way to mitigate adversity and reinvent their organizations.

In this paper, we discuss the new realities which define the contemporary global economy and provide insights into the changing nature of cross-border business. Of special interest are direct implications for business practitioners and educators. Specifically, we examine some of the short and long-term trends and disruptions that businesses must now adapt to, and take a closer look at the coping mechanisms and strategies that can help business thrive in this new environment.

Long-term trends include the digital revolution and resource scarcity. Short to medium trends and disruptions include natural disasters, and geo-political and financial disruptions. Fortunately, we have a variety of coping mechanisms and strategies that managers can utilize to effectively manage these challenges. These are:

- Supply chain strategies
- People/Relationship strategies
- Business agility strategies
- Sustainability/Environmental, social, and governance (ESG) strategies
- Leveraging technology

While there is clearly some overlap between long-term trends, and short to medium term disruptions, the reality is that in this VUCA world businesses can, and should, implement a variety of coping strategies to adapt, survive, and ultimately flourish to a new stage of learning and growth. The ones explored in this paper are by no means exhaustive but represent a good start for managers seeking to navigate and thrive internationally.

Long-Term Trends

The Digital Revolution

Digitalization began with the development of computers in the 1950s.[1] With the advent of the global internet in the 1990s, digitalization transformed how firms of different sizes organize for value creation and logistics. The key characteristics of digitalization, such as its intangibility and re-programmability, largely freed firms from the constraints of their physical locations.[2] By 2022, consumers are expected to spend more than $1 trillion on cross-border e-commerce.[3] In international business research, digitalization is regarded as one of the fundamental factors of the acceleration of globalization in the past five decades.[4]

Since the 2010s, advancements in data collection and reinforcement learning have demonstrated that the most profound impact of digitalization is our newfound ability to collect data and analyze human activities at an unprecedented rate and scale. Big, mega data and powerful algorithms are transforming many aspects of the way we live. Digitalization is also creating byproducts like cryptocurrencies and blockchain technologies that threaten to revolutionize the global financial system.

Technological innovations, and the disruptions they bring to existing business models, are also playing a big part in upending our global supply chains. Big data analytics, for example is allowing artificial intelligence (AI) to play an ever more important role in managing global supply chain and ensuring greater resilience. At the same time, 3D printing, and the greater use of robotics have reduced manufacturing costs and the need to seek lower wage locations to reduce labor costs.

The resurrection of the textile industry in South Carolina is a case in point. Factories making garments are back in business but look very different from the crowded spaces of decades ago. The old Wellstone spinning plant in Gaffney, South Carolina, is spinning yarn again and does so at a competitive price due to lower transportation costs, quick turnaround time, and even lower labor costs, since most processes now rely heavily on automation.[5] Technology is making near-shoring and reshoring viable options once again, with significant effects on global supply chains, foreign investment, and the flow of goods and services across borders.

A recent McKinsey study suggests that those firms that race ahead in technology adoption can sustain their competitiveness.[6] For example, the UK manufacturing industry was highly exposed to and reliant on the EU market and experienced some major disruptions because of Brexit. However, it moved quickly to leverage advantages in technology and experience to pursue opportunities in the UK and in non-EU countries. As a result, in 2020 the manufacturing industry generated the second largest GVA in the UK after the retail and wholesale sector.

Political repercussions of digital globalization – an example.

In 2017, Susan Lund and James Manyika, directors of McKinsey Global Institute (MGI), published an article in the *Foreign Affairs*, calling for governments to defend digital globalization by letting the data flow freely across borders. According to research conducted at MGI, cross-border data flows increased 80 times from 2005 to 2016. They termed this rapid increase in both the size and the value of cross-border data flows as "digital globalization."[7]

Just like globalization of the real economy, there are many barriers faced by digital globalization. The main barriers include the requirements of data localization, internet censorship, digital market restrictions, and inconsistent and conflicting rules on data privacy and protection in leading economies. As a result, many economists have called on governments to negotiate and establish international frameworks to govern cross-border data flows and promote digital globalization to help economic and productivity gains.[8]

However, since 2017, the world has witnessed an increasing intensity in digital protectionism. A case in point is China, which has witnessed heightened digital protectionism in tandem with a decoupling process between it and the U.S.[9] One of the latest firms to experience this new wave of protectionism is Didi, the Chinese version of Uber. Just days after its initial public offer (IPO) in New York on June 30th, 2021, the Chinese government launched a cybersecurity investigation into the company, as well as two other newly listed Chinese companies in the U.S., Full Truck Alliance Co. and Kanzhun Ltd. Citing concerns over the security of user data, Beijing ordered Didi to stop accepting new customers and for its app to be removed from Chinese mobile app stores. Due to the sudden regulatory actions, Didi's American depositary shares plunged by 20 percent in one trading day. Reportedly, Didi's management had ignored suggestions by Chinese regulators to delay its IPO to conduct a network security examination, and this snub had provoked Beijing into action. A week after it began its investigation of Didi, the Chinese government blocked Tencent in its efforts to combine two largest game streaming platforms in China.[10]

The Chinese government's crackdown on its big tech firms began in November 2020. The IPO of Ant Group was abruptly called off by the Chinese government, raising speculation about the fate of its parent company Alibaba and its high-profile founder Jack Ma.[11] To many, Alibaba, the largest tech firm in China, was too big to fail. However, the commercial power, the public influence, and the financial stability concerns over the Ant's Group as the largest Chinese private loan provider became intolerable to Beijing.

On July 8th, 2021, the Chinese State Council announced it would tighten rules of Chinese companies listing overseas, particularly regarding the use and storage of their customer data. It was announced that the Cyberspace Administration of China, the agency that was responsible for investigating Didi was put in charge of policing all overseas listings of Chinese firms in the future. The watchdog agency was set up in 2014 and directly reports to a central leadership group chaired by Chinese President Xi Jinping.[12]

The Chinese government is not alone when it comes to increasing scrutiny by governments of data and access to it. Other countries have stepped up regulatory efforts of tech companies and industrial giants. While data is now big business, and can still flow almost instantaneously between countries, regulators are tightening their grip, and international companies now must navigate an increasingly complex world of regulatory and competitive environments to continue to capitalize on its vast potential.

Climate / Resource Scarcity

Scientists from around the world have long been ringing the alarm bells that the pace of growth and development in the world puts unprecedented strains on our planet and its finite resources. According to the *Global Footprint Network*, humanity now uses the equivalent of 1.7 earths to provide the resources we use and to absorb our waste. This means it now takes the Earth one year and eight months to regenerate what we use in a year.[13] This increased strain on our planet is impacting businesses in two important ways – through a changing climate and an increasing scarcity of resources.

In recent years, increased population, urbanization, warmer temperatures and more "extreme weather events" like storms, droughts, and floods have placed our climate at the front and center of the global agenda. Even as governments around the world still debate what the response to global climate change should be, the indisputable fact is that change is happening. According to the *World Meteorological Organization*, the world is 1.1 to 1.3 degrees warmer than it was before the steam engine was invented. The change is especially notable closer to the arctic circle, where temperatures have, on average, increased more than in places closer to the equator.[14]

From food crops that can now be grown at higher and higher latitudes, to fish that are changing the range of their natural habitat, to increased demand for copper and nickel that are likely to drive the "green revolution," to new water desalination plants, to changes in global transportation, the list of industries and businesses impacted by the global climate change is endless. In fact, there are very few industries that remain untouched.

The impact on international business is, and will be, profound. While some businesses will see the changing climate as an opportunity, many others will have to rely on increasingly fraught risk mitigation strategies and contingency planning. Similarly, with resource scarcity, some businesses will see opportunity in raising prices for rare goods while others will struggle to maintain their current business models.

The central question facing governments and long-term business strategists is how to best limit and optimize the use of natural resources while maintaining both short-term and long-term economic viability and social stability. Similarly, climate change will force many businesses to prepare contingency plans and focus on becoming more resilient and flexible in their planning and execution.

History has shown that neither the state nor the private sector is uniformly successful in enabling the long-term sustainable and productive use of natural resource systems. A solution to successfully dealing with climate change and resource scarcity is complex and not necessarily in the hands of any one entity.[15] Hence, a collaborative approach to solving some of these issues, working together with other stakeholder groups to find mutually beneficial solutions, should be an integral part of any organization's long-term strategic growth plans.[16]

Short to Medium Term Disruptions

Natural Disasters / Pandemics

Disruption caused by Covid-19

Few things are more disruptive to business than large-scale, unexpected events, like the COVID-19 pandemic that affected nearly everyone on the planet in 2020/2021. While natural disasters and other disruptions have been driving firms to reconsider decades-old supply chain principles, COVID-19 was without doubt the most destructive black swan event to hit the global business landscape in recent memory.

Buying and consumption behavior was affected as was nearly every aspect of the global supply chain, from suppliers of raw materials, food products, electronic components, to retailers and other points of sale outlets. Everyone had to contend with unexpected lockdowns and other restrictions on operations. In particular, the long, complicated supply chains were proven to be risky and more prone to serious breakdowns during the pandemic.

The pandemic confirmed that the practice of global (typically single) sourcing and supply chain optimization to minimize costs, reduce inventories, and boost asset utilization is risky business despite its cost advantages. For decades, "Just in Time" sourcing had enabled companies to deliver more products to customers at ever lower prices. Yet the practice proved too vulnerable in a de-coupled global economy where black swan events are more frequent, and national priorities overtake international global orders.[17]

Resilience, one of the four "Rs" of supply chain efficacy took on an outsized role. As bottle necks threatened to disrupt supply chains, managers struggled to secure urgent goods in a timely manner. Nowhere was this more apparent than in the auto manufacturing industry, where plants were operating at below capacity, or were idle due to microchip shortages. Tesla, in its aggressive attempt to secure supplies, began pre-paying for future shipments, and was even said to be considering acquiring a chip making business.[18]

The competition for goods and materials affected by the pandemic reached all-time highs, while political leaders actively pushed for alternatives to reduce over-dependency on a few foreign providers of critical components, including medical supplies, electronics, and other essential materials.

The adage, "necessity is the mother of invention" still rings true as we also saw numerous companies and entrepreneurs creating new business opportunities. In the third quarter of 2020 alone, more than 1.5 million new business applications were received in the U.S. – double the number from 2019. The United Kingdom saw an 8.2 percent increase from 2019 to 2020, with over 780,000 new companies created. These were in a variety of industries: healthcare, financial services, real estate, education, remote learning technologies, online grocery, branchless banking, cybersecurity, and social online gaming.

The pandemic has accelerated digitization, e-commerce adoption, and the shift to remote working. Companies and entrepreneurs introduced novel business models and deployed digital technologies. Those with the ability to innovate and course-correct, while pursuing a stable financial and operational organization, will ultimately fare better.

Nature Still Rules

While COVID-19 had a world-wide impact on everyone, major natural disasters also continued to wreak plenty of havoc on business operations, driving a re-tooling of operating models. For example, when the Great Sendai earthquake and Tsunami hit Japan, auto manufacturing firms, appliance makers, and other large and small firms that depend on technology devices made in the Miyagi prefecture were left scrambling to manage severe disruptions in their supply chains.[19] Leading global players such as Ford, Volvo, and Renault with assembly plants scattered around the world had to content with significant reduction in production. Plants in France, Mexico and Brazil were left idle or struggling to meet production quotas for weeks or even months. The disruption was hardest for firms operating with little to no inventory, which could have provided a cushion against short term disruptions.[20]

The disaster in Japan was not the first natural event to shock global supply chains. The 2008 earthquake in the city of Chengdu, in Sichuan province, a major packaging center for semiconductors and high-end electronics for the likes of Motorola, Apple, and other major brands, left many firms struggling to identify alternate, often less than optimum, locations to reconnect global supply chains.[21]

Most recently in 2021, the earthquake in Haiti, the wildfires in California, and Hurricane Ida have caused countless damage and interruptions to supply chains, economic activities, and global exchanges.

Geo-Political / Financial Disruptions

Natural disasters are not alone in driving international business managers to rethink their priorities. For example, a wave of nationalistic movements around the world have brought into question supply chain practices that for many decades provided relatively stable frameworks for the flow of goods and services across borders.

In Europe, the rise of animosity against a growing integration of the EU culminated with Brexit. Britain is not the only country that pushed back against the rise of the EU's central bureaucracy vis-à-vis that of its nation states. Other players within the block, including Hungary, Poland, and Italy, openly clash with EU-wide mandates that are seen as infringing on national sovereignty. This was especially apparent during the recent immigration crisis when hundreds of thousands of refugees fleeing war-torn areas flocked to Europe. Despite well-established rules that guarantee the free movement of goods, services, and people across the entire EU area, many countries instead imposed restrictions, and some even went as far as closing their borders, thus breaking decades-old agreements.

This backlash against regional integration and globalization has a momentous impact on supply chains and trade, and is certainly not limited to Europe. More recently, the US has seen a strong comeback of "Made in USA" policies and rhetoric, driven by national and state-level political bodies.

These short-to medium-term disruptions to business are not limited to manufacturing or cross-border trade. Recent public outcries in the US, for example, with regards to factory conditions, equal representation of minorities and women in the workplace, as well as changing election laws (affecting those with headquarters in states like Georgia and Texas), have all forced businesses to make decisions on whether to remain silent or take a political stand on issues that are important to their stakeholders. These political stands, in turn, affect their marketing campaigns, stakeholder outreach models, and ultimately, their sales, operations and profits.

Similarly, internationalizing companies still need to contend with financial shocks, inflation and risky currencies that have traditionally impacted their earnings, both positively and negatively. A recent uptick in inflation and rising global transportation costs were a timely reminder that financial disruptions are by no means a thing of the past.

Coping Strategies

To thrive in this tenuous new VUCA world of international business, companies can deploy several strategies and coping mechanisms. This section outlines a few of these – from the very common "must do's," like re-evaluating and optimizing your supply chain to fit the environment, to some more innovative strategies, such as leveraging the capabilities of virtual reality.

Perhaps, none of these are unfamiliar to seasoned executives who are aware of the profound changes in the business environment. Certainly, staying ahead of the trends and being equipped to handle crises and unexpected externalities has become a must-have skill in international business.

Supply Chain Strategies

Supply chains have long been viewed as a space where companies could realize potential cost savings. To offset increases in wages and raw materials, managers frequently turned their attention to supply chains as a promising area for improved efficiencies. The well-established "Four Rs" of supply chains (responsiveness, resilience, reliability, and relationships) were contrived to reduce the number of first-tier suppliers, streamline distribution channels, and consolidate shipping networks.

In addition, the "Just in Time" practice, widely adopted across industries, put additional demands on companies to make supply chains ever leaner and less redundant. This enabled companies to deliver more products to customers at the lowest price with higher profits. Companies practiced global (typically single) sourcing and supply chain optimization to minimize costs, reduce inventories, and boost asset utilization.

The onset of Covid-19 changed all that, exposing the vulnerability of this strategy. At almost every step of the supply chain, numerous bottlenecks, or "chokepoints," emerged in the procurement and distribution of essential products, such as medical supplies and FMCGs early in the pandemic, paralyzing the supply chains of many industries across the globe.

Clearly, lean and efficient global supply chains with highly centralized procurement and little or no redundancies are too rigid to adapt to unexpected shocks. Natural, political, and technological black swans of recent years have pushed global supply chains to the brink of collapse and left many plants idle all over the world due to severe shortages. At the same time, regulatory pressure for more sustainable practices and greater supply chain transparency have led managers to take a critical look at decades old practices. Re-shoring and near-shoring are fast replacing off-shoring as new buzzwords. Efficiency imperatives are being replaced with flexibility and resilience imperatives to manage the various forces and shocks that affect global supply chains.[22]

The outcome is a rebalancing, shifting from *"Just in Time"* to *"Just in Case"* supply chain management. Businesses look to simplify and shorten their supply chains as more disruptions are almost certain to occur. For example, *Harley-Davidson* recently announced its "Rewire Playbook" strategy, which lowers production volumes in reaction to reduced demand, while also eliminating models. By simplifying its product portfolio, the company is sharpening its focus on the products that matter most to its clients.

A rebalancing of supply chains is also made possible by the narrowing of cost differences between developed and emerging markets. Advances in manufacturing, driven by a shift towards Industry 4.0 and its corresponding principles (big data, analytics, advanced robotics, 3D printing, etc.), now offset about half the labor cost differential between China and the US and UK, for example.

To summarize, the focus of global supply chains is no longer just on increasing efficiency, minimizing the number of suppliers, relying on stable networks, or eliminating costly inventories. Natural disasters, political realities, technology, and the COVID-19 pandemic have called for a deconstruction of the traditional supply chain principles. A shift from *"Just in Time"* to *"Just in Case"* supply chain management is happening around the globe. Businesses are reconfiguring supply chain to ensure flexibility and resilience and leveraging artificial intelligence and big data analytics to achieve these goals.

People/Relationship strategies

A recent BCG study found that interest in working abroad among workers has fallen in most countries.[23] Naturally, COVID concerns loom big, exacerbated by concerns over immigration policies, social and political unrest, and the rise of virtual mobility. For instance, in 2018 some 62 percent of workers in the UK had indicated that they would be willing to relocate abroad for work, while in 2020 this percentage fell to 48 percent. While Brexit might have somewhat influenced this decline, the experts contend that a diminishing interest for working abroad is now a worldwide phenomenon in most countries due to the uncertainty, unpredictability, and increased regulations of the new VUCA world.

In the broader context, migration and global mobility of highly skilled workers were blamed as reasons for rising inequalities worldwide.[24] Further, the recent trend in trade protectionism and political populism seem to treat mobile human capital, especially those for multinational enterprises, as a threat to national identities and eventually leading to de-globalization and de-coupling.[25,26]

At the same time, with accelerated automation and digitalization, companies are left with fewer qualified workers. Apart from fundamental requirements such as communication and analytical skills, employees now need to acquire Industry 4.0 skills and more. These include higher cognitive skills such as business analytics, technological skills such as AI and robotics, relational skills to initiate and build trusted connections with diverse business partners in complex global value chains, and emotional skills to manage one's own and others stress levels.[27]

This implies that managers must invest in reskilling and upskilling of existing staff to provide the workforce with professional and personal development opportunities. In addition, they must recruit successive generations of qualified talent.

The confluence of de-globalization and de-coupling in capital and supply chains, the availability of technologies such as cloud computing and blockchain for remote work, and the urgent need for industry 4.0 skills may offer more possibilities for the "boundaryless career" and for entrepreneurship.[28,29,30]

On one hand, these developments have the potential to contribute to increasing inequality between skilled and unskilled workers in both emerging and advanced markets. On the other hand, the need for such anytime/anywhere workers can also provide opportunities for individuals, organizations, and business schools to train and develop the next generation of skilled and boundaryless professionals. For example, currently underserved minority communities and less developed regions such as Africa and South America could take advantage of these trends by building a pipeline of educated professionals.

These trends also have important implications for MNEs with international operations. First, the question arises as to how well MNEs can build foreign partner relationships without a large expat workforce. Is it possible to build meaningful and lasting relationships while working remotely? For example, if your customers, network partners, or employees are hesitant, non-committed, or confrontational about working with you, how likely is it that you will be able to change their attitude from afar? Second, conflict management is likely to become more challenging. Consider the difficulties of resolving disputes and conflicts with your partners with only virtual connectivity. Third, knowledge transfer will become more complicated. How will managers be able to communicate tacit knowledge through virtual communications?

Globally mobile workers such as expatriates or immigrant investors have long been crucial for knowledge sharing across borders.[31] Despite the rising interdependence in global supply chains, the political and cultural barriers among nations have increased the liability of foreignness.[32] This implies that international business managers should spend more time building and navigating relationships with globally diverse partners, going beyond the traditional modus operandi of only wining and dining with business clients.

Managing relationships in a multicultural world involves understanding both culturally universal needs for connections and culturally specific mechanisms of social exchange.[33] All human beings need to be connected to others to achieve a sense of belonging to a certain community, starting with family and friends, and extending even to strangers. Such universal needs can initiate a common ground for partnering and building trust with others who are culturally different from us. Globally competent professionals should not only monitor perspectives taken by their foreign business partners in uncertain situations but should also be able to adjust their mindsets about managing the specific relationships.[34]

A crucial need in the VUCA world is to build a diverse network of allies and coalitions, not only among like-minded individuals or within one's own industries, but also across professional boundaries with one's own and foreign governments and transnational organizations.[35] Given the influence of trade policies and tariffs, and the turbulent impact of climate change on business operations, broad and deep personal and professional networks could offer a safety net for businesses. This "networked" safety net will help them build business resilience through both access to information and alternative resources that could be needed in times of crises.

MNE's have traditionally been successful in building a global workforce adept at transferring and exploiting existing repositories of knowledge around the world. With a decrease in global mobility and physical interaction, it is crucial for companies to devise strategies that mitigate the negative side effects of such reductions. For example, finding new ways to build a diverse network of allies and coalitions and focusing on building trust and investing in a workforce that is culturally sensitive and connected are some of the ways that might be useful in addressing the potential communication bottlenecks.

Business agility strategies

Increasing levels of high uncertainty and change were already taking their toll on organizations in many industries even before the COVID disaster hit and accelerated their impact. Now, in the not-so-brave new world of the post-pandemic, there is an intensely heightened interest on business survival.

A recent McKinsey survey placed company agility, adaptability, and resiliency among the top three priorities of CEOs for business success.[36] Among these qualities, the concept of agility has garnered special attention from academics and practitioners alike, as its powerful conceptualization incorporates several other qualities in addition to the critical notion of speed.

Business agility is a rich construct which is defined both as an overall "capacity to react quickly to rapidly changing circumstances" and as a "set of specific tools and methods."[37,38] Furthermore, the strength of the concept stems from its multi-layered omnipresence in the company, both at the strategic, organizational, team and leadership levels of analysis, and within the different functions, such as marketing, IT, finance, HR, and operations.[39] In sum, business agility overlaps with many pre-existing concepts such as flexibility, adaptability, rapidity, resilience, iteration, and ambidexterity, all of which are necessary for organizations to survive in the new VUCA world.

Perhaps the main reason why uncertainty and change are so challenging for today's organizations is that these forces directly conflict with the underlying assumption of their strategy, namely, the traditional approaches to planning that assume a relatively stable and predictable world.

The principal aim of crafting a strategy is to build a sustainable competitive environment by achieving a dominant position (through either scale or a profitable niche) via exploiting certain abilities and resources. However, in the new economy the enduring competitive advantage no longer can be built on such positioning or resources. Instead, it is now deeply rooted in organizational capabilities that foster agility and adaptability. This means, among other qualities, that today's successful organizations should possess:

- an ability for "sense-making" and acting rapidly on signals of change (e.g. Amazon and Google);
- the courage to experiment quickly and frequently, not only with offerings (e.g. P&G) but also with systems, processes and strategies (e.g. IKEA);
- the ability to manage complex and connected groups of multiple stakeholders, outside the company and often beyond its domestic boundaries, due to supply chain outsourcing, off-shoring, value eco-systems, and so forth (e.g. Toyota supply pyramids, Apple adaptive systems); and
- the ability to drive its employees and partners via flexible structures and decentralized decision making (e.g., Netflix and Cisco).

Let's look at how companies can operationalize the concept of agility, when navigating the profound changes taking place in their environments. One organization which early on grasped the importance of sense-making is Tesco, a UK-based retailer known for its use of algorithms and analytics in an industry (retailing) which is notorious for its lack of technological rigor and interest. In an effort to maximize its ability in signal-reading of its customers, Tesco invested heavily in digitization and analytics, which allowed it to analyze its base of 13-plus million loyalty card holders in real time. The company constantly tracks the purchase behaviors as well as the pre- and post-purchase dynamics of its customers, which are then acted upon with rapid operational interventions, unencumbered by decision-making hierarchies.

These rapid interventions help Tesco customize each of its stores according to its own target market and the community it serves. This practice not only reduces their inventory and pilferage costs (arguably the biggest burden on any retailer's shoulders), but also increases customer traffic, satisfaction, brand loyalty and, of course, company profits. In addition, Tesco even re-purposes its technology and sells it to other retailers who are not its direct competition. The speed at which Tesco analyzes and reacts via real time adjustments to its operations, something which typically takes their competitors weeks, if not months, is a profound example of agility by a company whose industry is notorious for its lack of adaptability and speed.

Another example of a truly agile company is Proctor & Gamble, whose main strategy is rooted in innovation and experimentation to meet the challenges of change. Despite its enormous product portfolio -- some 150,000 SKUs in over 180 countries -- the company's ethos is grounded in constant innovation and renovation of its offerings to tackle the complex and never-ending changes in its customer base across the many geographies in which it operates.

To achieve this, P&G has devised various models that are grounded in sophisticated technologies. One is the Connect +Develop model which is solely focused on technical design problems; another is Vocalpoint, an online user community for new product development and product augmentation input, while yet another one is a 3-D Virtual Store, which is used to experiment with and test the new offerings in a way that is much faster, reliable, and cheaper than traditional test marketing. Much like Tesco, the company's operational agility is also supported by its organizational efficiency, which allows the necessary changes and initiatives to be undertaken quickly without being burdened by a slow decision-making bureaucracy.

While an essential quality to survive today's VUCA environment, it is clear that business agility is not an easily secured advantage. This is unfortunate, given that its importance will only increase in a world that promises to become ever more uncertain, rapidly changing, and disruptive.

For business leaders and educators alike, preparing to become more agile will mean facing several questions head on. For example:

- What is the potential role (positive and negative) that digital technology can play in supporting business agility?
- How does the drive for corporate agility affect technology adoption and innovation?
- How do managers balance the competing demands of stability (e.g. for marketing brand success) and change (at the root of agility)?
- How do the MNCs establish their organizational structures and talent in order to maximize their agility since they are the ones who confront highest rates of risks as they cross cultures and countries?
- Are there any KPIs to assess agility?
- How do we train managers and students to become visionary leaders equipped with ability to sense and rapidly act upon changes in their environment, with a tolerance for and courage to act upon ambiguity with limited information and guidance?

The answers are neither obvious nor standard. Perhaps, an important place to begin is to recognize that in a world where nothing is stable, the notion of the traditional strategy is no longer viable. If change (and a disruptive one at that) is the new normal, then both the structure and strategy of the company should be aligned to survive it. Judging by the increasingly crowded "cemetery" of failed companies, it seems that there is room only for the ones which are smart, sensible, courageous, and indeed agile enough to survive in this fickle new world.

Sustainability/ESG strategies

In his 1759 book, *Theory of Moral Sentiments*, Adam Smith underscored the importance of empathy. He reminded us that, while we all have a natural tendency to look after ourselves, as social human beings, we are also endowed with empathy towards others. In 1945, Milton Hershey, American chocolate pioneer, suggested that "business is a matter of human service." More recently, Paul Polman, former chief of Unilever, has been promoting "conscious capitalism," as a sustainable form of capitalism. Similarly, Neville Isdell, former CEO of the Coca-Cola Company, spoke of "connected capitalism" as a way for companies to better engage with their stakeholders, wherever they do business.

It is no surprise that social accountability and sustainability have now risen to the top of corporate agenda. Consumers and shareholders alike want more from business, including solutions for a better future. MNEs operating in emerging markets are especially under scrutiny and increased pressure to comply with these broader societal goals. In response, business leaders have implemented numerous programs and adopted new scorecards to comply with these societal pressures. Companies now track and report such measures of societal impact as mitigation of climate effects; externalities of business activity; ESG priorities; and products that "do good." In fact, corporations of all sizes face greater scrutiny today for their social and environmental impact.[40]

The question is also raised whether shareholder value accurately reflects what society values. Is GDP still a valid measure of well-being? As capitalism evolves, so must its metrics. Accordingly, there is now growing consensus that what we measure no longer reflects what we value. The metrics guiding national policies and corporate investments focus narrowly on *short term financial value*. We now require a longer-term perspective, a deeper understanding of value, and new metrics measuring human, social and environmental well-being.

The pandemic has had several negative consequences worldwide, including a decrease in life expectancy in many countries. Also, inequality, understood as the disparity in distribution of economic assets and income, was accentuated by the pandemic. Because of this impact, topics related to diversity and inclusion became more urgent for international businesses of all sizes.[41]

Increasingly, businesses are being expected to contribute to a fairer and more equal world. Corporate social responsibility (CSR) has expanded from philanthropic actions to the systematic corporate activities and intensive interaction with stakeholders. At a time of crisis, CSR related activities should be based on social, economic, and environmental interests of stakeholders, and aimed at long-term sustainable economic development and public welfare.[42] For example, in the time of COVID-19, MNEs that are seen as aiding public safety and wellbeing will likely benefit from improved stakeholder relations and goodwill.

To stay ahead of this trend, international companies should develop a robust sustainability mindset. This means that they view sustainability not just as a scorecard or as a risk mitigation strategy, but rather as a lens through which they view business decisions, including things like stakeholder impact (how do decisions impact each stakeholder group), long-term resource availability (how will this help my business long-term?), and societal trends. Doing so will undoubtedly contribute to the long-term resiliency of the international enterprise. For example, reducing inequality in the work environment can "lead employees to be valued, respected, accepted, and encouraged to participate fully in the organization."[43]

Leveraging Technology

We began this paper with an overview of how the digital economy, and everything that comes along with it, is upending "business as usual." This digital disruption does not need to be viewed in a negative light, as there are technological breakthroughs and positive developments that go along with the long-term trend towards digitalization.

Disruptions, of course, create new space for entrepreneurs. As we already remarked, "necessity is the mother of invention," and many new startups today leverage advances in digital technologies. The new wave of digital startups calls attention to a new breed of born globals -- born digital enterprises. These are web-based, platform businesses, engaged in the creation, delivery, and capture of value to customers by creating user communities. They are viable to the extent that they can build large user communities.

This is a global phenomenon, not just encountered in the west. We observe the explosion of new entrepreneurial activity, and a new breed of digital enterprises in many countries, including Brazil, China, India and Turkey. All these countries have witnessed the rapid formation of new digital entrepreneurial ventures, and countless platform startups.

For the more traditional international businesses, leveraging the new wave of digital start-up companies and their unique expertise offers an opportunity to advance technological prowess more quickly than developing new technologies in house. Through partnerships, joint ventures and targeted investments, international firms can effectively stay "ahead of the curve" in the digital economy. This is by no means a passive strategy. Doing so means actively researching and exploring potential areas for process improvements, collaboration, efficiencies, and connectivity.

A good example of a more recent technology that allows for improved processes and connectivity with clients, employees and other stakeholders is virtual reality (VR). Many years ago, behavioral scientist Robert Ardrey (1908-1980) stated in his work *The Territorial Imperative* that territoriality is one of our most robust biological drives.[44] The evidence strongly suggests that we have innate tribalistic tendencies, and that "the territorial imperative" is one of the most powerful root causes of these tendencies. Protecting our territories is an innate human behavior that reduces our capacity to connect to the larger whole.

It has been argued that Virtual Reality will increasingly mitigate participants' territorial imperative by providing, for the first time, shared immersive space for individuals and teams to collaborate across borders. Research shows that VR already represents a significant opportunity for organizations to create value and reduce cost. There is no doubt that rapid virtual prototyping and collaboration using VR can also speed up and enrich the creative process.

A McKinsey study suggests that those firms that race ahead in technology adoption can sustain their competitiveness.[45] Of course, this is not limited to virtual reality, although it is certain to be one of the emerging technologies that will drive the next phase of globalization.

Conclusion

In this new VUCA environment, the ultimate goal for management is to build resilient and successful organizations. Just as relevant for individuals and communities, resilience refers to the capacity to withstand or absorb external stressors. In the face of adversity, managers must assume a proactive role in dynamically adapting to the new imperatives. This involves overcoming problematic, stressful, and life-changing events by sometimes letting go of the blueprints, norms, traditions, and processes that made the company successful in the first place.

This is a tall order especially for Multinational Enterprises (MNEs) -- multi-country, multi-industry organizations, bound by multiple national and geopolitical environmental influences. Yet, resilient organizations manage this when they stick to what Bartlett & Ghoshal identified in 1989 as three strategic objectives: efficiency, flexibility, and learning on a worldwide basis.[46]

What does building organizational resilience through a dynamic approach to adaptation imply? Key tasks include:

- Learning how to track, anticipate, and respond to megatrends
- Gaining agility; an ability to quickly respond to disruptions
- Acquiring flexibility, and an ability to switch course of action.
- Fostering a proactive and risk-mitigating culture where employees are empowered to take quick action.
- Supporting the development of a world class team and their respective professional networks and connections

Planning for future is effective to the extent we can anticipate the watershed events down the road and comprehend their implications for business. In the contemporary business landscape, it is clear that volatile, uncertain environments are almost inescapable.

With firms facing elevated levels of risk, we need to rethink our extant risk frameworks. Textbooks tend to be outdated in terms of what constitutes risk, and how they influence international business. Typically, we talk about political, cultural, financial, and commercial risks. Yet today we face novel types of risk. We have seen technological developments and breakthroughs as the underlying causes of corporate risk. Cybersecurity constitutes a new variant of risk in the digital economy. Ongoing automation operations is another, making some industries and companies, and even certain professions, totally obsolete. Other contemporary risks include trade conflicts, and tensions, as in the example of ongoing U.S. - China trade wars, and climate/resource related risks.

So how can multinational firms go about building more robust, risk resilient organizations? This topic makes an attractive research topic for scholars. One of the key research questions relates to how firms can systematically assess their vulnerabilities, something they haven't been disciplined about in the past. Risks that are considered excessive or imponderable are always there, but what is intolerable risk versus tolerable risk? How do firms adopt early warning systems? How can proactive planning reduce the likelihood of disruptive, adverse effects? How do you build agile, flexible, adaptive organizations of the nature Bartlett and Ghoshal suggested in 1989? And how do you foster proactive, risk-mitigating, and less bureaucratic cultures?

This is the idea of making an organization's entire workforce risk sensitive, and risk proactive, rather than seeing risk as primarily a senior management function or something to avoid altogether. Organizations that buy into a risk-mitigating culture, while simultaneously becoming more agile, technologically advanced, and more responsive to real-time changes and opportunities in the marketplace, will be well placed to thrive in the brave new VUCA world.

Authors

S. Tamer Cavusgil currently serves as Regents' Professor, Fuller E. Callaway Professorial Chair, and Executive Director, Center for International Business Education and Research (CIBER), Georgia State University, Atlanta, United States. Tamer's work is among the most cited contributions in international business. Google Scholar lists him among the top scholars in the world in international business, international marketing, emerging markets, and export marketing.

Tamer is the recipient of an honorary doctorate, Doctor Honoris Causa, from The University of Hasselt, Belgium, and an honorary doctorate from the University of Southern Denmark. He was also honored as an Honorary Professor by Atilim University in Ankara, Turkey. Tamer is an elected Fellow of the Academy of International Business. Tamer holds a BS degree in business and economics from the Middle East Technical University in Ankara, Turkey. He earned his MBA and PhD degrees in business from the University of Wisconsin.
email: stcavusgil@gsu.edu

Sebastian van der Vegt is co-founder of WBMV Consulting and Managing Director of Untold Communications, a strategic communications consultancy. A native of the Netherlands, Sebastian received a BA in Psychology from the University of Calgary and an MBA from Dalhousie University, both in Canada, before embarking on a global career that saw him live and work on four continents. He is an expert in communications, strategy, international business, and marketing, working for years with the United Nations, and over a decade with The Coca-Cola Company.
Currently based in Atlanta, Georgia, Sebastian is passionate about sustainable growth and about helping clients achieve their long-term objectives through excellent communications.
email: sv@untold-communications.com

Mourad Dakhli, Ph.D., is clinical professor of International Business at J. Mack Robinson College of Business, GSU. He holds a PhD from the Moore School of Business at the University of South Carolina. He is also a Visiting Lecturer at Shanghai Business School, and frequently leads pedagogy-focused faculty development programs around the world. Dr. Dakhli also serves as Director of the Master of international Business, and as Faculty Director for the study abroad programs in Morocco, South Africa and the United Arab Emirates. His research publications center on the value-generating processes of human and social capital across different cultural and institutional settings, with implications on learning, innovation, and entrepreneurship. He has published and presented on various topics including experiential learning in international business, signature experiences on study abroad programs, and modes of delivery effects on learning. He holds a Master Teacher certification and is a Six Sigma Black Belt certified.
email: mdakhli@gsu.edu

Salomao De Farias, Ph.D., is a professor of International Business at J. Mack Robinson College of Business, GSU. He graduated at University of Sao Paulo, Brazil. Prior to joining GSU, he served as a tenured Marketing faculty member at the School of Business, Federal University of Pernambuco in Brazil. He has received a Fulbright scholarship and was Editor in Chief of BAR – Brazilian Administration Review. His prior work experience includes developing executive training programs, designing, and coordinating research projects and study abroad programs.
email: sdefarias@gsu.edu

Evaristo F. Doria, Ed.D., is a former Fortune 100 executive expatriate who has worked in more than 20 countries. He is currently a Senior Lecturer at the Institute of International Business - J. Mack Robinson College of Business - Georgia State University where he codirects the Minor in International Business. He is also the coauthor of four books in the field of business strategy.
email: edoria@gsu.edu

Sevgin Eroglu, Ph.D., is a faculty member in the Robinson College of Business, Institute of International Business, Georgia State University. She specializes in international marketing, retailing, and consumer behavior. Dr. Eroglu's research has been published in leading academic journals including: Journal of Business Research, Journal of Personal Selling and Sales Management, Journal of Retailing, International Marketing Review, Marketing Letters and Journal of Consumer Psychology. Her extensive teaching, consulting, speaking and training activities span a variety of organizations (commercial and academic) and geographies (Europe, Asia, North Africa and the Americas). Dr. Eroglu has been recognized as a master teacher in graduate and executive teaching and has been the recipient of numerous teaching awards. Her consulting work spans the spectrum from marketing research to marketing strategy in both domestic and international contexts. She maintains her long-term affiliations with many academic and commercial institutions including those in France, Brazil, Egypt, Italy and Turkey.
email: seroglu@gsu.edu

Leigh Anne Liu, Ph.D., is the Fulbright-Hanken Distinguished Chair in Business and Economics 2020-2021 and a professor of international business at Georgia State University. She studies how culture and cognition influence intercultural interactions. Her research appears in Administrative Science Quarterly, Journal of Applied Psychology, and Journal of International Business Studies, among other outlets. She has been a visiting professor at University of South Australia, Toulouse Business School in France, Peking University and Nanjing University in China. She has consulted for Fortune 500 companies and the non-profit sector on conflict management and multicultural competency programs. Professor Liu has taught courses and workshops for undergraduate, MBA, MIB, Ph.D., executives, and high school students on topics of international negotiation, intercultural competency, cross-cultural management, and research methods. She is an associate editor for Journal of Business Research and Cross Cultural & Strategic Management, and a guest editor of three special issues.
email: laliu@gsu.edu

Edward Yihuai Wang, Ph.D., is a lecturer of International Business at J. Mack Robinson College of Business, GSU. His teaching focuses on international business management, cross cultural competence, and global innovation. He holds a Ph.D. from the Centre for International Business at the University of Leeds. His research focuses on international business education, international joint ventures,

knowledge transfer, and global innovation management. His Ph.D. thesis explored issues of international joint venture performance measurements and parent company learning through international joint ventures in the context of the Chinese automotive industry through structural social anthropology lens. Prior to joining GSU, he served as a researcher and teaching member at the Leeds University Business School in the UK. His prior work experience includes analyzing global technology innovations at multinational consultancy firms. He has served multinational clients include Ford Motor and Tata Group. He specializes in autonomous driving technologies.
email: ywang160@gsu.edu

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