

Editorial

Geopolitics in International Business: Challenges and Insights

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In the current geopolitical context, multinational corporations (MNCs) face a high level of uncertainty and volatility while trying to navigate a changing landscape. This *AIB Insights* special issue aims to provide the first steps towards articulating novel and actionable insights to guide MNCs as they interact with a rapidly shifting geopolitical environment. Our introductory editorial to the issue first briefly introduces the topic of geopolitics and international business in the current global environment. It then surveys the issue's five articles. Given current international circumstances, many of the articles revolve around themes of war and peace, but the lessons derived are applicable to any manner of geopolitical risks.

INTRODUCTION

In the past decade, geopolitics has become an increasingly prominent topic in boardrooms across the world. The Russian invasion of Ukraine in 2022 and the global pandemic of 2020-2021 have further heightened geopolitical tensions, creating an environment of uncertainty for businesses engaging in cross-border transactions (Ciravegna & Michailova, 2022). This uncertainty is compounded by the ongoing rivalry between the US and China, which has the potential to bifurcate the world economy and split it into competing blocs (Li, 2022). At the same time, the rise of populism, both in advanced and developing countries, has led to an increase in political violence in some regions (e.g., Bassou, 2017; Devinney & Hartwell, 2020). These shifts have the potential to alter the current world order, moving it away from the unipolar landscape of the late 20th century to a more multipolar one (Acharya, 2017; Grosse, Gamso, & Nelson, 2021).

In this new geopolitical context, multinational corporations (MNCs) face a high level of uncertainty and volatility when trying to navigate the changing landscape. With stakes much higher than during the 1990s and early 2000s, businesses must find ways to effectively react to geopolitical shifts. Yet, *how* they should do so is less clear. Should they dust off old playbooks on political risk (Kobrin, 2017)? There are clear parallels to the 1970s: growing state intervention, a new arms race, and geopolitical rivalry between the two largest world powers. The 2020s, however, are also intrinsically different from the 1970s. In spite of growing rivalry, both China and the US adhere, at least formally, to the world order that emerged after World War II. China is ruled by a Communist Party, but it is also profoundly capitalist, ranking as the world's top exporter, and the largest economy on purchasing power parity terms. China and the

US are also highly interdependent economically, and both would suffer tremendously if the world became truly split into two competing blocs. Do firms need a new toolkit to deal with political uncertainty and volatility? Which strategic actions should they prioritize and how will they remain agile in a world of multivariate threats? These are difficult questions to answer, as MNCs must simultaneously navigate tensions between multilateral and bilateral stakeholders, account for liability of origin in host countries, and align with or fight against national priorities (Li, Shapiro, Peng, & Ufimtseva, 2022). As such, understanding how to effectively manage geopolitical risks has become a critical task for businesses in the current era.

THE SPECIAL ISSUE

The five articles in this Special Issue of *AIB Insights* provide the first steps towards articulating novel and actionable insights to guide MNCs as they interact with a rapidly shifting geopolitical environment. As the actual situations that firms may face are shifting and geopolitics has become more fluid, the notes format of the journal offers an ideal outlet for thinking rapidly about such crucial issues. Given the current international circumstances, many of the articles assembled here revolve around themes of war and peace, but the lessons derived are applicable to any manner of geopolitical risks.

In the first article, Harald Pühr and Alexander Kupfer (University of Innsbruck, Austria) address an important question: how can managers even identify geopolitical risk? Their article, "Media in the Geopolitical Crossfire: Identification and Novel Data Sources for IB Research," points to two novel data sources – GDELT and Google Trends – to identify policy uncertainty, stakeholder attention, and

issue salience. The usefulness of these tools is illustrated through a case study of Russia's 2022 invasion of Ukraine.

Secondly, Maria De Villa (Universidad EAFIT, Colombia)'s article titled "Assessing Geopolitical Risk: A Multi-Level Approach for Top Managers of Multinationals," takes a different approach in assessing geopolitical risks. Aggregating insights of more than one hundred top managers of multinational firms, this article provides a multi-level approach encompassing the supranational, international, national, industry, and firm levels to factor geopolitical risk more effectively into strategic decision making.

The next set of two articles addresses how firms can manage geopolitical risks in the specific context of war. Molly Melin (Loyola University Chicago, USA), Santiago Sosa and Andres Velez-Calle (Universidad EAFIT, Colombia), and Ivan Montiel (University of California, Santa Barbara, USA) examine geopolitical tensions leading to war in their article titled "War and International Business: Insights from Political Science," framing war as a bargaining failure and presenting five causes of war. They also identify business-for-peace initiatives that may partially attenuate the tensions leading to war.

In "Should I Stay or Should I Go? How Danish MNEs in Russia Respond to Geopolitical Shifts", Michael Mol, Larissa Rabbiosi, and Grazia Santangelo (Copenhagen Business School, Denmark) examine the responses of five Danish multinationals with operations in Russia to offer a framework for managers. Their framework highlights how corporate responses to geopolitical shifts vary with operational and reputational considerations. They argue firms need increased preparedness and awareness while policymakers must reconsider their strategies for using corporations as geopolitical instruments.

Finally, in their article "Geopolitics of the Digital Economy: Implications for States and Firms", Thomas Lawton, Stephanie Tonn Goulart Moura, and Damian Tobin (Cork University Business School, Ireland), and Bernardo Silva-Rego (Centro Federal de Educação Tecnológica Celso Suckow da Fonseca (CEFET/RJ), Brazil) examine how geopolitics plays a role in the burgeoning digital economy. Drawing on the theory of structural power, they argue that actors who control the main structural pillars of international political economy – production, security, knowledge, and finance – are critical in determining how firms (and policymakers) navigate digital geopolitics in an age of uncertainty and volatility.

These articles and this Special Issue represent a first attempt to engage with the reality of uncertainty and geopolitical volatility and serve as a call for further and more developed applied research in this area to help guide MNC managers and government policy makers when confronting these issues. Rather than facing the "end of history," firms are facing its return, and the international business field needs to further explore the ramifications for business in the 21st century. Additionally, significant opportunity exists to explore how geopolitical issues interact with other global issues. This would include examining geopolitical impacts on achieving sustainability development goals (Zhao, Dilyard, & Rose, 2022), including United Nations Sustainable Development Goals (Cuervo-Cazurra, Doh, Giuliani, Montiel, & Park, 2022), and addressing cross-national diversity, equity and inclusion challenges (Newburry, Rašković, Colakoglu, Gonzalez-Perez, & Minbaeva, 2022), such as refugee integration (Szkudlarek, Roy, & Lee, 2022).

Please also be on the lookout for additional articles related to geopolitics in international business in the next issue of *AIB Insights*.



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