Introduction

Joseph Mark S. Munoz

Globalization has redefined the practice of contemporary business. As a response to heightened economic integration markets expanded and modalities of business changed.

As a result of the emergence of new technologies, business innovations, and trade-friendly policies worldwide, corporations worldwide were forced to adapt to a new business terrain. This terrain was fraught with intense competition, a whirlwind of policy changes, political upheavals, and economic alignments and alliances.

The contemporary global business landscape has been transformed into an economic jungle that opened up new threats and opportunities for companies worldwide. This economic jungle pours financial crises and meltdowns that wreak havoc on governments and business. Unexpected policy changes and political alignments can change the contour of the operational terrain abruptly. Discontented players pose countless security threats and cultivate global fear.

Amidst this tough and constantly changing environment, global corporations have not been dormant. Like an animal species pushed to the brink, they sought to survive by exploring new avenues in hope for greener pastures. They continued to build their enterprises and evolve in unprecedented ways. Many are forced to travel far and wide.

In the course of this corporate evolution, three transformations have been evident: (1) local to global, (2) inner to outer, (3) private to social.

The local to global transformation illustrated how many business enterprises significantly expanded their reach. For instance, a small manufacturer learns through email correspondences that a buyer overseas wishes to purchase his products in greater volume and at a higher price. With this new option available, the manufacturer starts to look overseas and explore new business avenues. The story of this manufacturer is all too common. Millions of entrepreneurs have realized that overseas markets can transform their businesses and their profitability. For some businesses, foreign markets meant more than just a destination for selling their products; overseas markets also provided for the development of competitive advantages such as improving quality, service, production cost and more.

In the inner to outer transformation, companies have started to see the benefits of alliances and creative partnerships. Companies have realized
that by cultivating relationships and symbiotic alignments, they can significantly grow their business. Some companies soon uncovered that corporate enhancement and innovation is best brought about not by simply working on internal organizational competencies, but also by responding successfully to the external environment. For instance, a technology service company may suddenly feel the pressure of a low-cost competitor. In response to the cost pressure, the management team may outsource key projects or important organizational tasks to low-cost locations in other parts of the world.

A private to social transformation shows how corporations have started to see the value of uplifting their image and relationships. The advantages brought about by proper corporate posturing, branding, and social responsibility cannot be ignored. Companies have realized that they cannot survive in an isolated fashion. Relationships have to be created with various stakeholders, especially customers and the general public. For instance, using web tools such as Facebook and Twitter, companies keep a healthy communication flow and proper corporate posturing on an on-going basis.

These three forms of adaptation are three of many. They demonstrate that companies have evolved to respond to environmental changes and as adaptation to new markets, operational enhancements, and organizational relationships. The corporation as a surviving species needs to implement these transformations to thrive in the economic jungle. It is a means to grow their business, improve their business systems, and strengthen corporate relationships.

It is evident that these surviving mechanisms strongly offer an international angle – a shift of thinking or movement towards an outward or overseas direction. As companies however gravitate into foreign markets, new and often unforeseen sets of challenges arise. For instance, foreign market entry has been associated with issues such as corruption, legal entanglements, economic instability, government interference and many more. Successful management within an international or global realm requires new skills sets from the management team. Global managers need to be aware of international events. They need to be able to assess how an event or policy change in one part of the world can impact their overall business. Oil price fluctuations have an impact on stock markets in emerging markets (Basher and Sadorsky, 2006). Porrino (2009) alluded to geopolitical shocks experienced in the insurance industry due to unrest in Iran and Afghanistan, environmental challenges, energy prices, currency risk, and unemployment rates. Border relations impact trade (McCallum, 1995; Helliwell, 1996).
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Unfortunately, few individuals have the innate ability or training to efficiently predict and forecast the ramifications of international and global events. Much of the assessment and decisions carried out by management teams are made through gut feel or guesswork. Given the complexity and the mix of challenges and opportunities brought about by globalization, contemporary managers need to sharpen their skills in understanding connections between international events and their businesses.

At the forefront of international and cross-border thinking is the field of geopolitics. The term geopolitics is not a new term; it was introduced by Swedish political scientist Rudolf Kjellen in 1901 (Sloan, 2005). Geopolitics is shaped by geographic location, resources (natural and man-made), demographics and people factors, and relationships with other countries (Bronshtein, 2011). In describing Kjellen’s early interpretation of geopolitics, Sloan (2005) cited the convergence of five factors: geography, economics, ethnic and demographic elements, sociology and governance.

Thinking on geopolitics has been advanced by Mackinder (1904) who posited the notion that social occurrences on one side of the world will impact other locations and will subsequently affect political and economic dynamics.

In contemporary society the interplay of geopolitics is evident in international events. For example, the global financial crisis of 2007 is a geopolitical occurrence. The economic malaise of the US led to currency devaluations and financial catastrophe in other regions of the world. Politics came in the form of government intervention, policy development, and cross-industry cooperation and alignments. The implications for business were global, regardless of geography. The contemporary global society is threatened by: (1) financial challenges, (2) ecological threats, and (3) global instability due to power shifts and resource limitations (Foster, 2009). Geopolitical events impact economic growth and industry profitability (Porrino, 2009).

The geopolitical consequence of a financial crisis underscores the importance for companies to understand its cause and implications. In a Financial Executive (2011) article, leadership consulting firm Heidrick & Struggles identified risk radar and understanding of the global geopolitical ecosystem as essential skills of the contemporary CEO.

Aside from financial crises, geopolitical forces are present in diverse issues such as oil prices, war, terrorism, cyber-attacks, natural disasters, health concerns, country resources, regional and international trade accords, transportation and logistics, and many more.

Unexpected and large-scale geopolitical events lead to geopolitical shockwaves which can have an adverse impact on business.
In a geopolitical world, companies face the risk as a result of price escalations, currency fluctuations, political instability, economic downturns, terrorism, transport and service disruptions, and similar factors.

Geopolitical occurrences can impact businesses on three levels: large, medium, small. A large geopolitical impact means that the effect on the business is immediate and significant. For example, a sharp increase in oil prices by 50 percent would have a direct and deep impact on a business enterprise and even its survival. A medium impact may be a direct or indirect effect on the enterprise. For example, a currency depreciation of 3 percent of the value of a country’s currency may have a positive or negative effect on a business depending on whether it is importing or exporting. This development may impact the business over the medium to long term but is not an immediate threat to its survival. A small geopolitical impact refers to geopolitical forces that have minimal impact on the business at the current time. For example, war among two small nations in Africa may only have a minor impact on the day-to-day operations of a US business enterprise.

It is important to note, however, that geopolitical forces change. A small geopolitical event at the moment can morph into a bigger event and have global consequences.

Global managers need to be adept at observing and assessing geopolitical events as they have the ability to impact day-to-day operations. Specifically, they could have an impact on: (1) the pricing of goods or services purchased or sold by the company, (2) the movement of goods from one point to another, (3) cost and efficiency of business operations, (4) location of business operations, (5) utilization of people and other resources, (6) communication ability, (7) absorption and processing of information, (8) market purchase ability and receptivity, (9) timing of business development and expansion plans, (10) operational success in foreign markets among others.

This book aims to help the global manager or entrepreneur understand the concepts behind geopolitics, appreciate the geopolitical environment and the challenges and opportunities it brings, uncover best management approaches for a geopolitical world, and identify viable strategies to not only survive but win in a geopolitical society.

The book is useful to the academic community in that it offers avenues for connecting the dots between global events and the business enterprise. It offers values to government organizations in that it aids in policy planning. It is helpful to international organizations in that geopolitical topics are expounded and implications are discussed. Finally, it is important to the business community in general since it offers practical advice for geopolitical success.
This handbook is a compilation of articles from leading writers and thinkers on the subject from around the world. For the first time ever, an attempt is made to identify and highlight how geopolitical events can impact business.

The book is organized based on topic and theme. Part I is entitled “Geopolitics and the Business Environment” and comprises of articles that define geopolitics and the contemporary environment. Articles in this part include: The changing governance of international trade and implications for business (Louise Curran); The global ocean: geopolitics of maritime commerce (Jonathan Greenberg); Diasporas and their rising importance to the international political economy (Masud Chand); Economic growth and emerging economies: introducing TIM BRIC (Julie Rowney and Leighton Wilks); BRICS in a multi-polar world: the emerging geopolitical landscape (Lakshmi Mudunuru); and Global business, geopolitics and the United Nations global compact: the geographic reach and transnational efficacy of voluntary sustainability codes (Van Miller, Luis Perez-Batres and Michael Pisani).

Part II is entitled “Managing Geopolitics” and offers articles that provide ideas on how companies can manage the diverse challenges and opportunities brought about by geopolitics. Articles in this part include: Executive perspectives on geopolitics: management implications for international corporations (J. Mark Munoz and Anthony Liberatore); Expeditionary economics: stimulating entrepreneurship under geopolitical risk (Robert Looney); Banks and geopolitics: issues of finance connections (Hubert Bonin); The geopolitics of organizing mega-events (Martin Müller and Chris Steyaert); Impact of the geopolitical distribution of corruption and crime on the global corporation (Duane Windsor); Asset seeking behavior of MNCs and African regional integration (Nathaniel Agola); and HIV/AIDS, geopolitics and impact on business in southern Africa (Jayati Ghosh, Ezekiel Kalipeni, and Maureen Chirwa).

Part III comprises of articles designed to help companies develop effective strategies to succeed in a geopolitical world. Articles in this part include: Cross-country institutional differences and firm behavior in a geopolitical environment (Alfredo Bobillo, Félix López-Iturriaga and Fernando Tejerina-Gaite); Exploring how foreign firms select partners in international political alliances (Andrew Barron); International investment law and dispute resolution (Jonathan Greenberg and Evan Darwin Winet); The economic powerhouse of Brazil, Russia, India and China: is continued growth sustainable? (Biljana Nikolova and Ramaprasad Bhar); From society to communities: new geopolitical scenarios for sustainable business strategies (Marco Tortora and Fabio Corsini); and
Geopolitical forces and strategic approaches for the contemporary corporation (J. Mark Munoz and Michael Pettus).

As a pioneering effort, the editor acknowledges that there are many other topics of geopolitical interest that are excluded. It is hoped that future editions of this book will cover several other relevant topics.

To say that the ability of global managers to understand the dynamics of geopolitics is important is an understatement. Oftentimes, the ability to comprehend the broad global picture, assess risk and opportunities, then determine the best corporate action is not just a desirable management function but a critical one. The way a company deals with geopolitics of business shapes its ability to navigate a myriad of challenges within an economic jungle and transform itself into a successful adaptor and winner.

REFERENCES


