

Geopolitics and business: the implications for management education

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Abstract

In this paper we identify the need for management education to incorporate a greater consideration of geopolitics. We do this by first of all noting some recent events that indicate the fundamental complex inter-connectedness of the geopolitical and the economic. We discuss some trends which underpin this (notably changes to the patterns of economic globalization and global governance, and the increased importance of the nation state), before going on to explore the prospects for continuing on-going uncertainty and volatility in the global economy. We identify areas that should be discussed with reference to the role that business plays in geopolitics, and the geopolitical plays for business. We call for an emphasis on interdisciplinarity to assist the integration of geopolitics into management education.

Keywords: *Management education; business; geopolitics; sustainability; human security; crisis.*

1. Introduction

In September 2021 the United Kingdom (UK) was confronted with a sudden shortage of carbon dioxide gas that threatened to disrupt the British food industry. Used for a range of processes – from the carbonation of beer to stunning animals prior to slaughter, and to freeze food – British production of carbon dioxide is heavily dependent on two plants owned by the United States (US) firm CF Fertilizers (Thomas and Sheppard, 2021). The plants produce ammonia, primarily for agricultural use, with CO₂ as a bi-product (Terazono, 2021). CF Fertilizers shut down production at these plants because the price of wholesale natural gas, an input to the production process, had risen 70 per cent between August and September (Sheppard, 2021b), rendering the ammonia produced unprofitable. On 22 September the UK government agreed to provide financial support to CF Fertilisers to restart ammonia (and so CO₂) production. This entailed a substantial UK subsidy to an American multinational corporation (Terazono, Pickard, and Evans, 2021)

One reason for the gas price rise was that European stocks had dwindled, largely because Russia cut supply to Europe (Sheppard, 2021b). This was most likely a consequence of the dispute over the Nord Stream 2 pipeline intended to supply Germany and the rest of Western Europe with Russian gas without using alternative transit countries, notably Ukraine. The US government has opposed Nord Stream 2, fearing that Russia could weaponise the pipeline, even isolating former Eastern bloc countries as part of its strategic ambitions in the region (Evans, 2020). The rise in gas prices also follows the switch from coal fired energy production intended to reduce carbon emissions. The natural gas provides cover when renewable sources of electricity production prove variable (Sheppard, 2021a).

On 16 September there was a fire at an electricity connecting station in Kent, where subsea electric cabling connects France to the UK electricity grid. This reduced electricity imports, placing more pressure on natural gas used to produce UK electricity (Thomas, Wilson, and Sheppard, 2021). UK dependency on imported energy was underlined when France appeared prepared to use the fire and the price spike as a bargaining lever in the dispute over post-Brexit fishing rights (Boffey, 2021).

The interconnected complexity of these events highlights how geopolitics is central to everyday business operations. The geo-strategic use of energy supply by Russia; the effects of intergovernmental agreements on climate change policy; the impact of energy security concerns on post-Brexit trading relationships; ongoing debates about national and international state aid and corporate welfare are all essential to understanding the difficulties faced by the UK food industry in September 2021 and the UK government response.

At the core of these concerns is how state and non-state actors exercise power, how and where decisions are taken, and their consequences both intended and unintended. In short, politics: the processes that determine who gets what, when and how (Laswell, 1939). This has

implications for businesses and management, and therefore for management education. Graduates ill-equipped to interpret, respond to, or anticipate the impact of geopolitics will be less effective than those better prepared.

2. All things do not remain the same

Politics is concerned with the multiple intersectionality between national interests, state-level decision-making, intergovernmental bargaining, domestic as well as global business, and impacts on various actors, employees, and consumers throughout the networked structures of contemporary economic globalisation.

Two interlocking trends under-gird this. The first is that, as the pandemic has revealed, global supply chains and economic relationships remain highly interconnected, with widespread contingent effects of crisis and/or disruption. The second is that although economic globalization remains deeply embedded, the institutional politics of globalization have gone into reverse. Global economic institutions such as the World Trade Organization (WTO) and the International Monetary Fund (IMF) have become less important or are unable to exercise decisive actions to mitigate negative outcomes, at least in the case of a pandemic. The UK's leaving the European Union in 2020 (Brexit) resulted in the first substantial example of political-economic disintegration in the bloc since 1951, undermining an integration process which accelerated following the end of the Cold War. And, though the EU successfully absorbed ten former Communist states as members, there remain problems associated with the legacy of Communism (Garton Ash, 2019). Likewise, though the advent of the Euro in 2002 has facilitated capital flows and trade within Europe, sovereign debt crises on the Eurozone periphery following the Global Financial Crisis threatened to upset economic and monetary union. The policy preference of Germany and the ECB to deal with these crises was for austerity to be imposed, the impact of which in countries such as Greece and Spain caused considerable social hardship, and has tested the durability of the European project.

Across the same period, there has been an intensification of dirigiste economics within the national political realm, especially among economies with enough international heft to exert hegemonic influence, notably the United States and China. Nation state assertiveness manifests in several ways, but perhaps most important is states are increasingly inclined towards national self-interest, protectionism and direct interventions in response to increasingly populist politics (Rodrik, 2018; Blyth, 2016; Thompson, 2021). States' preparedness to exercise hegemonic power across various dimensions – political, economic, and military – reinforces a realist analysis of international affairs (Krauthammer, 1990; Kagan, 2004; Mearsheimer, 2001; Yu, 2019; Tooze, 2022).

Secondly, governments have become more influential *within* their domestic economies. Recent crises demonstrate this: bailouts and quantitative easing (QE) following the Global

Financial Crisis in 2007/8 (Bell and Hindmoor, 2015; Braun, 2016; Reisenbichler, 2020); or economic support to businesses and households through lockdowns and other impacts of Covid-19 (Stuart et al., 2021). Additionally, the increased influence of state capitalism — from China’s Belt and Road Initiative (BRI) to the importance of sovereign wealth funds to capital markets — indicates a decisive change in the international business environment (Alami and Dixon, 2020a; Alami et al., 2021; Alami and Dixon, 2020b).

3. The coming storms

The global economy and international society will confront substantial challenges in the coming decades. The climate emergency will impact the entire global population to varying degrees. Responsibility for dealing with this is shared by all governments, enterprises, and institutions. Citizens will bear the brunt of the consequences of inaction and will also have to absorb the impact of measures undertaken to mitigate climate change.

There is already evidence that states may turn inwards, and electorates may revert to a naïve trust in nostalgic and nationalist tropes (Blyth, 2016; Rodrik, 2018). A turn away from international institutions and increased friction in the international sphere will, potentially make dealing with global crises that require unity and partnership much more difficult. A beggar-thy-neighbour approach of every state for itself would be catastrophic.

Other threats may distract governments and institutions from doing what is required. We are already witnessing military rivalry, a new arms race, regional conflicts and local wars over resources, cyber (in)security, disruption of sub-sea infrastructure, satellites and communication systems, hybrid-warfare, and influence operations (Siman, 2022). These dangers risk catastrophic consequences, as small fires may lead to a conflagration.

Geopolitics impacts the systems and processes on which business and society depends for living standards and life’s necessities, broadly encompassed in the notion of human security (Kaldor, 2007; Acharya, 2017:482). The UNDP (1994) Human Development Report referred to seven dimensions of human security:

Economic security basic income from remunerative work, or from a public safety-net

Food security physical and economic access to adequate nourishment

Health security minimum protection from disease and from unhealthy lifestyles

Environmental security shielding people from man-made threats in nature and a deterioration in the natural environment

Personal security protection from physical violence from others, including state authorities

Community security safeguarding traditional relationships and values from sectarian or ethnic violence

Political security protection of basic human rights, including ensuring that individuals and groups are free from arbitrary government control over ideas and information

A narrow business education—especially that which adopts *ceteris paribus* assumptions of a stable external environment, and prioritises internal managerial decision-making—avoids debate about how to live with the turbulence and impact of geopolitical structures and events. Business education must address the nature and consequences of policy choices, ideological preferences, political leadership (or lack of it) and the impact of events. Studying and better understanding issues like the onset, experience and recovery from financial crisis, the management of the Euro, the aftermath of Brexit, or the response to a global pandemic will help us to better address future challenges. Business leaders and anyone working in public sector organisations needs adequate preparation to meet future challenges.

4. A geopolitical turn for our curricula, a new pedagogy

We argue that business and management education must embrace geopolitical themes and a multidisciplinary curriculum to better equip graduates with the tools and insight required to be responsible citizens, and competent managers in a sustainable and human-centred business and organizational culture. Our central argument is that business and management education needs to adapt its curriculum to better comprehend the geopolitics of the global economy, and the fundamental relationship between business, environmental sustainability and human security. Relevant topics include:

- Trade policy, trade agreements, impact of Brexit
- Populist politics and the role of mainstream and social media
- Energy, energy security and the transition to renewable energy
- Climate crisis and the business response
- Cyber security and influence operations
- China's Belt and Road Initiative
- Human rights and labour relations
- Loophole capitalism – tax avoidance/evasion and free ports
- Crypto currencies and blockchain technology
- Consumption and sustainability
- Corporate responsibility and sustainable economics

Business and management schools should therefore ensure that topics such as those listed above are integral to the curriculum of the degrees we teach. The weighting between these topics, and indeed the choice of what to include, will depend upon available staff expertise. But it is in recruitment to faculty and in programme design that business and management schools must respond to the call for geopolitical content in what we teach. This should not be optional. It is of paramount importance that business and management schools accept responsibility for raising awareness of contemporary geopolitical challenges, above all that of environmental sustainability, in our graduates. We must provide students with the tools to bring about change in how corporations and organisations behave. This means going beyond paying lip-service to critical thinking and analytical skills. We should aspire to raise consciousness and instil commitment to making the world a better and more sustainable place. We urge a core strand of geopolitical content should run throughout degree programmes from the first year through to completion. In their final year students should have the scope to pursue special project or dissertation-type studies that explore contemporary issues of the kind indicated above and affecting the firm, the organization, governance, and/or wider society.

Finally, we recognise pedagogical implications of broadening the business and management curriculum. Much business school education has relied on core economic principles of free-markets, and consumption-oriented economic growth, regardless of the environmental and natural resources impact. Business school education has been in thrall to this economic orthodoxy, which since the 1980s consists of neoliberal ideology (Parker, 2018), and urgently needs re-thinking (Sweeney, 2017). Successive financial crises already indicated this. Now the entire ecosystem is imperilled by climate change (Stern, 2007; Rachman, 2021).

We therefore call for a pedagogy that develops graduates' geopolitical knowledge given the importance of the field to businesses and the environment in which they, and all kinds of management (public sector, NGOs, charities, social enterprises, SMEs, corporations, manufacturing and services) operate. This will require more focus on what is outside the firm rather than what is inside. This demands approaches to strategy that can secure value in terms not merely of profit, but of sustainability, human security and societal wellbeing. It will require a greater and integrated understanding of political, social, cultural, and economic complexity of the contemporary international political economy.

The final pedagogical implication is to underscore the importance of interdisciplinary studies. Business and management education should reach out more to other social sciences (sociology, social policy, politics, economics, psychology), humanities (business history, human geography) and environmental science. A holistic, societally sustainable, community-oriented, multi- or trans-disciplinary education will better meet the needs of tomorrow's business and organisational leaders.

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