



10EQS | WHITE PAPER

## **INSIGHT**

# **Agility and Resilience to Navigate Geopolitical Tensions and Uncertainty**

In collaboration with [Lilly Liu Minkove](#), 10EQS Senior Collaboration Manager

Multinational companies (MNCs) are facing uncertainty as the geopolitical relationship between China and the US remains tense, and the war between Russia and Ukraine wages on. New tariffs and regulations are causing leaders to re-evaluate their supply chains, organizational structure, future investments, and geographic priorities.

To understand best practices for navigating the uncertainty and protecting business performance, 10EQS conducted a deep dive with MNCs across the technology, retail, financial services, chemicals, and automotive sectors. We spoke with senior leaders in Asia, Europe, and North America in financial, supply chain, IT, and general management roles to understand their approaches and learnings to manage geopolitical risk.

In this white paper, we will explore how to incorporate agility and resilience into business processes, as well as how to identify opportunities emerging from the uncertainty.



## **A Portfolio of Tools that Enable Agility and Resilience**

The COVID pandemic, more frequent natural disasters resulting from climate change, and the war in Ukraine have all provided real-life lessons in business continuity and risk management for global enterprises.

Our analysis recommends that companies large and small be prepared by managing 5 key areas:



Revenue and Margin Management



Inventory and Supply Chain Diversification



Business & Continuity Planning



Talent Recruitment and Development



Data Privacy and Cyber Security



One way to continue driving long term growth and margins is by creating tailored products for local markets, leveraging innovation, and manufacturing close to the end consumer. This is often imperative given the rapidly shifting consumer sentiments globally and allows companies to shift direction quickly along with consumer trends. This level of investment happens frequently in China due to the large consumer market and growth potential. Differentiation helps drive growth, maintain margins, protect IP, and traverse tariffs and regulations in some instances.



### Case Study: Unilever China <sup>1</sup>

China is the company's 3rd largest market. Unilever China is designed to be "the best local company with global leverage" with 4 key pillars:

- Designed for China – 100% of formulations designed or adopted for China
- Decide in China – Key decision makers based in China, and 99% of talent is local Chinese
- Move at China Speed – 75% of innovations launch within 6 months
- Be fully Digital in China – 80% of investments on digital media and 40% on digital commerce

The company has 20+ brands that reach 80% of all Chinese households and is a top 3 player in 65% of the categories where it competes. It has grown at a +9% CAGR from 2017 to 2021.

<sup>1</sup> [Unilever China investor presentation, September 2021](#)

## 02 Diversify Inventory and Supply Chains

China has historically been the “world’s factory,” the top manufacturer for 75% of the world’s top manufacturing categories, including apparel, pharmaceuticals, computers, electrical and industrial equipment just to name a few. COVID-19 shutdowns wreaked havoc on supply chains in every industry, and China’s prior zero-COVID approach prolonged the impact in many sectors.

There are several strategies that companies are employing, depending on their strategic supply chain investments and complexity of manufacturing. These strategies are not mutually exclusive and are often layered to create comprehensive risk management approaches.

- **China Plus One:** Companies are diversifying their supply chain outside of China to avoid reliance on one market. They’re moving manufacturing or assembly to SE Asian countries like Thailand, Malaysia, and Vietnam, as well as Taiwan and India to source 10-30% of their supply.
- **China for China:** Companies are leveraging the R&D and local manufacturing capabilities in China to serve the growing domestic Chinese market. This allows companies to decrease exports from China but continue to meet the needs of local Chinese customers.
- **Nearshoring or Friendshoring:** American companies are moving manufacturing to domestic or local sites like Mexico and Brazil. While this often increases manufacturing costs, it is mitigated by lower transportation costs and shorter delivery times.

*“Many companies are moving to the China Plus One model to diversify supply chains. This was already being considered, but COVID accelerated those efforts”*

– Executive Director, Risk Management, Global Financial Services Firm

*“[Due to recent US tariffs], we have decreased exports from China, and make China for China”*

– Director of Supply Chain, Global Chip Manufacturer



Companies should integrate geopolitical risks into their planning processes, investment decisions, and corporate communications. This allows leaders to react with more agility and be prepared for potential scenarios.

- Start with the leadership level: Add executives and board members with experience in geopolitics. Create board forums to incorporate risk scenarios and potential business decisions on a regular basis.
- Evaluate risk with short, mid-, and long-term time horizons in mind: Establishing regular executive briefings on geopolitical risks will keep the leadership team informed and have critical conversations ahead of time. Creating crisis response teams and processes will allow companies to be prepared for business interruptions and protect employees, business, and corporate assets.
- Add geopolitical filters to investment and business decision-making processes: Companies can be prepared for low-likelihood, but high-impact geopolitical developments by incorporating this lens into their processes.
- Evaluate reputational risk and the company narrative with a global perspective: As the world becomes increasingly global, consumers have shunned brands for cultural faux pas or for criticizing their government's actions. Seemingly small corporate statements can have outsized implications on business performance. Companies may need to review or even redefine how they talk about their companies to avoid geopolitical missteps.
- Consider the potential impact for all stakeholders: Multinational business leaders must consider all geographies, employees, and partners when making business decisions to avoid damaging company culture, reputation, and business performance. For example, the communication strategy for a company's supply chain shift from China to India may impact corporate morale for China-based employees and relationships with Chinese business partners.



*"We do annual business planning, and we do strategic planning for two to three years. We also look at the business from a quarterly standpoint. So geopolitical tensions easily fit into strategic discussions as well as get into the annual planning...A large portion is investment allocation that includes multiple fronts that we need to consider, the R&D side, sales side, go-to-market side, and marketing side. So, all the different [departments] are aligned together."*

**– VP, Strategy & Business Planning at B2B Technology firm**



The war for talent is global. Multinational companies are increasingly relying on local talent to traverse changing consumer sentiments and preferences. Covid restrictions have also slowed the flow of foreign talent into strategic markets like China. Gone are the days when expatriates led global brands in each market.

Market leaders are more likely to be globally educated or trained locals who have a different level of insight into market practices and consumers.

Savvy global firms recruit locally to find the best and brightest talent in each market. They conduct talent assessments and succession planning exercises annually. This enables them to develop their current and future leaders at the functional and geographic levels for the long term.

Lastly, local leaders are likely to be experienced in navigating changing regulatory needs.

*"If you go back in time, up to 20, 30 years ago...a large part of our teams were [people] coming from either Europe or the U.S. At the moment, our China chairman is Chinese. I think something like 80 to 90% of the talent we have in China is Chinese. [Only] when we need functional expertise or category expertise, we may bring in an ex-pat. "*

**– Divisional CFO, Global Consumer Goods Company**

*"The entire team I work with in China [is local]...it's just a day-and-night situation, the level of commitment and communication and the amount of work that you can do with using locals to drive the change [compared to non-locals]"*

**– SVP Ecommerce & Business Development, Tech & Robotics Firm**



Cybersecurity is the clear link between geopolitics and technology. Cyberattacks can be geopolitically driven and adversely impact business. Global enterprises need to be prepared with strong cyber defenses and data protection systems. Employee data policies also need to be reviewed, as each access point represents a potential risk.

### **The Cyber War is only just starting**

*“With China’s leader securing his third term and Russia’s war in Ukraine, many experts predict an increase in state-sponsored cyber-attacks. China may increase cyber-attacks on Taiwan, Hong Kong, and other countries opposing the regime. Meanwhile, Russia is predicted to sponsor attacks on countries supporting Ukraine.”*

**– Marijus Briedis, CTO at Nord VPN<sup>2</sup>**

In today’s world, data is currency. The prevalence of data breaches and controversy over Big Tech emphasizes how modern technology can erode consumer privacy. Data protection and privacy regulations vary across countries or regions. More than 120 countries have engaged in privacy laws to protect their citizens. From the General Data Protection Regulation (GDPR) in Europe to the Personal Information Protection Law (PIPL) in China, global enterprises need to invest in understanding and complying by these rules. Corporations are at the mercy of global geopolitics as data has become currency.

*“Who processes data and how it is processed — especially when it is outside of a national border — is increasingly becoming a geopolitical issue. Laws like GDPR and PIPL offer privacy protections for the citizens that reside in those jurisdictions, but they are additionally being used as a front for economic protectionist aims to better control the profits and opportunities inherent in the data ecosystem.”*

**– Heather Federman, VP of Privacy & Policy at Big ID<sup>3</sup>**

*2. Info Security Magazine - 3. IAPP Privacy Perspectives, January 2022*





### **Conclusion: Navigating the Uncertain Future**

Global enterprises are taking a range of actions to leverage the opportunities and risks that geopolitical tension brings. Taking a holistic approach to evaluating top-line growth opportunities, supply chain and inventory, business planning, talent, and data / cyber security will enable them to remain resilient while reacting with agility.

### **About 10EQS**

10EQS helps businesses grow globally by advising on category or market entry, organizational models, supply chain strategies, risk management best practices, and more. We work with a deep bench of industry experts, consultants, and advisors on a global scale creating tailored solutions to accelerate businesses and support strategic-decision making.

Contact us to learn more at [clients@10EQS.com](mailto:clients@10EQS.com) or visit us at [www.10EQS.com](http://www.10EQS.com).



#### **ABOUT THE AUTHOR**

Lilly Liu Minkove is a Senior Collaboration Manager with 10EQS based in Washington DC. She is a former McKinsey & Co. consultant with a strong industry background in consumer goods and retail. She specializes in strategy, innovation, digital, and VoC projects.