

Managerial Strategies for Sustaining Competitiveness in Trade Disruptions

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Introduction

As global trade began facing turbulent conditions in 2020 due to COVID-19 pandemic, Russia's invasion of Ukraine, shipping disruptions in the Middle East, and heightened trade tensions between the US and China; by the end of 2023, the Catholic Global Church had already witnessed a notable 1.2% drop in world volume of merchandise traded in the world, this has been the first annual drop in volume of merchandise traded since 2009 [3]. In the same period, the number of new trade restrictions implemented around the world increased from approximately 1,100 in 2019 to almost 3,200 at the end of 2022 [6]. This has created an existential threat for organizations that had built their business models around a stable, rules-based multilateral trading system. Historically, organizations' responses to disruptions in trade have alternated between reactive cost-reduction measures and opportunistic market repositioning. However, the current trade environment requires companies to develop and

implement a more systematic and anticipatory approach. According to Sheffi (2005), resilient organizations recognize that it is far better to invest in flexibility before a disruption occurs (embedding flexible working within the DNA of their organizations), rather than relying on improvisation in times of crisis. Chopra and Sodhi (2004) add that effective supply chain risk management requires a combination of various mitigation strategies, which are calibrated to both the probability of risk occurring as well as the level of risk when it does occur [1][2].

The Contemporary Trade Disruption Environment

The unprecedented combination of supply-side shocks and demand-side volatility has characterized the post-COVID-19 era. Following a record rebound of 9.8% in merchandise trade in 2021, growth fell sharply again to 3.0% in 2022, turned negative in 2023 (-1.2%), and a modest recovery of 2.6% was projected for 2024 [3]. Figure 1 depicts this growth trajectory.

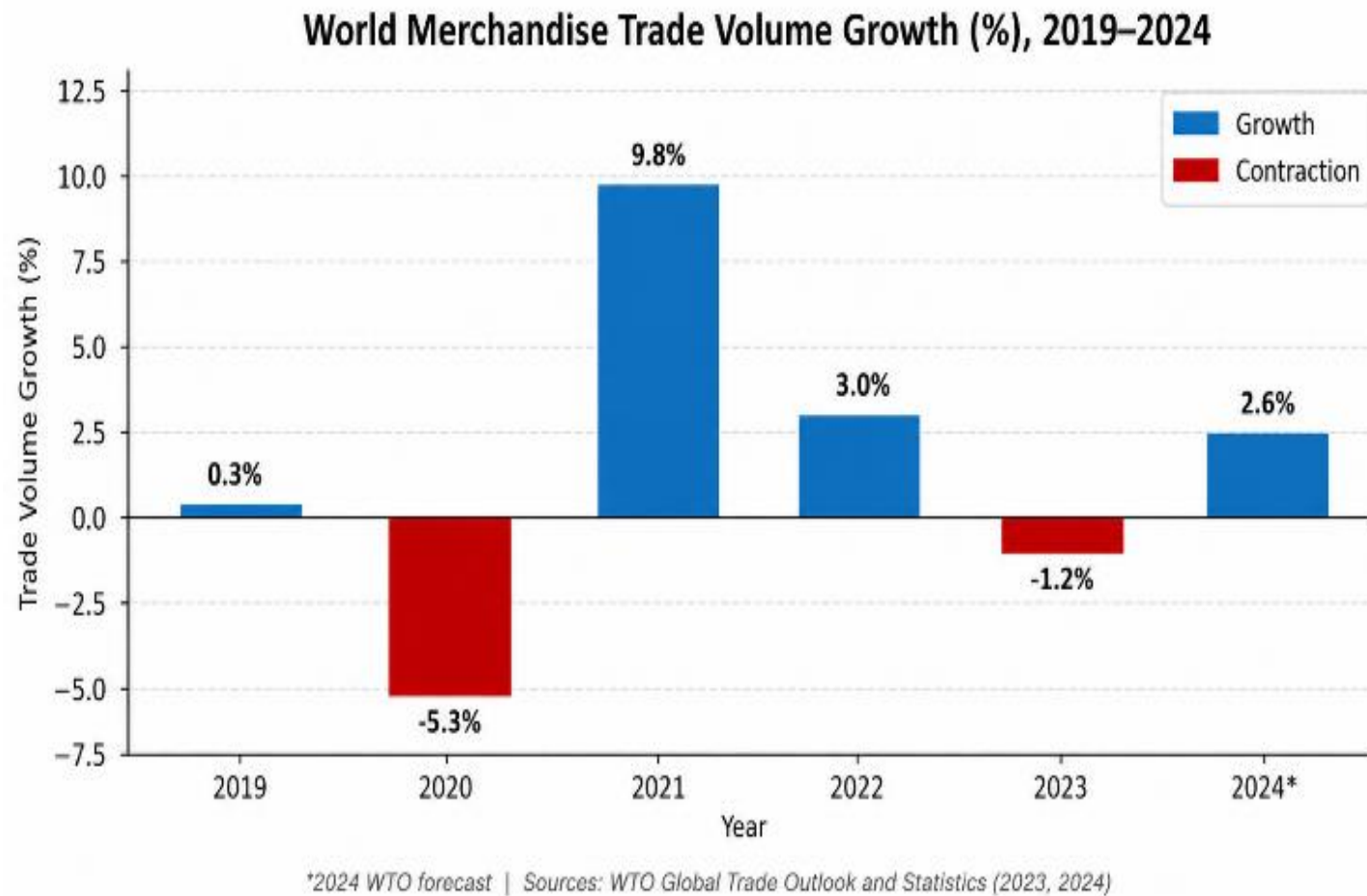


Figure 1: World merchandise trade volume growth (%), 2019–2024. *2024 WTO forecast. sources: WTO global trade outlook and statistics (2023; 2024)

There are three structural forces that are driving the volatility in global trade. Firstly, the accelerating fragmentation of the global economy has led to shifts in global supply chains. It is estimated that geopolitical blocs will lead to a reduction in global GDP of around 7% in the long term (IMF, 2024). Secondly, due to the conflict in the Red Sea in 2024, localized

conflicts can quickly move through maritime supply chain networks. For example, global container [spot] prices increased from the end of 2023 to about [US\$4,500] per forty-foot equivalent unit [3] as a result of the Red Sea crisis. Finally, as a result of various government onshoring policies, businesses that are restructuring their supply chains must make decisions at a

much faster pace than before. The key diagnosis for managers is that disruptions are not just episodic anymore but structural. Ivanov and Dolgui (2020) define supply chain "viability," or the ability of a company to keep its supply chain functioning during a long-term disruption, and argue that businesses need to evolve from being resilient (recovering from shocks) to being survivable (adapting to an ongoing permanent change). Additionally, according to Gereffi and Lee (2012), managing the

governance of global supply chains is now an essential skill for managers when dealing with severe uncertainty [4][5].

Competitiveness Architecture for Trade Disruption (CATD)

The Competitiveness Architecture for Trade Disruption (CATD) framework provides four sequentially arranged layers in which entities can identify, evaluate, respond, and take advantage of trade disruptions.

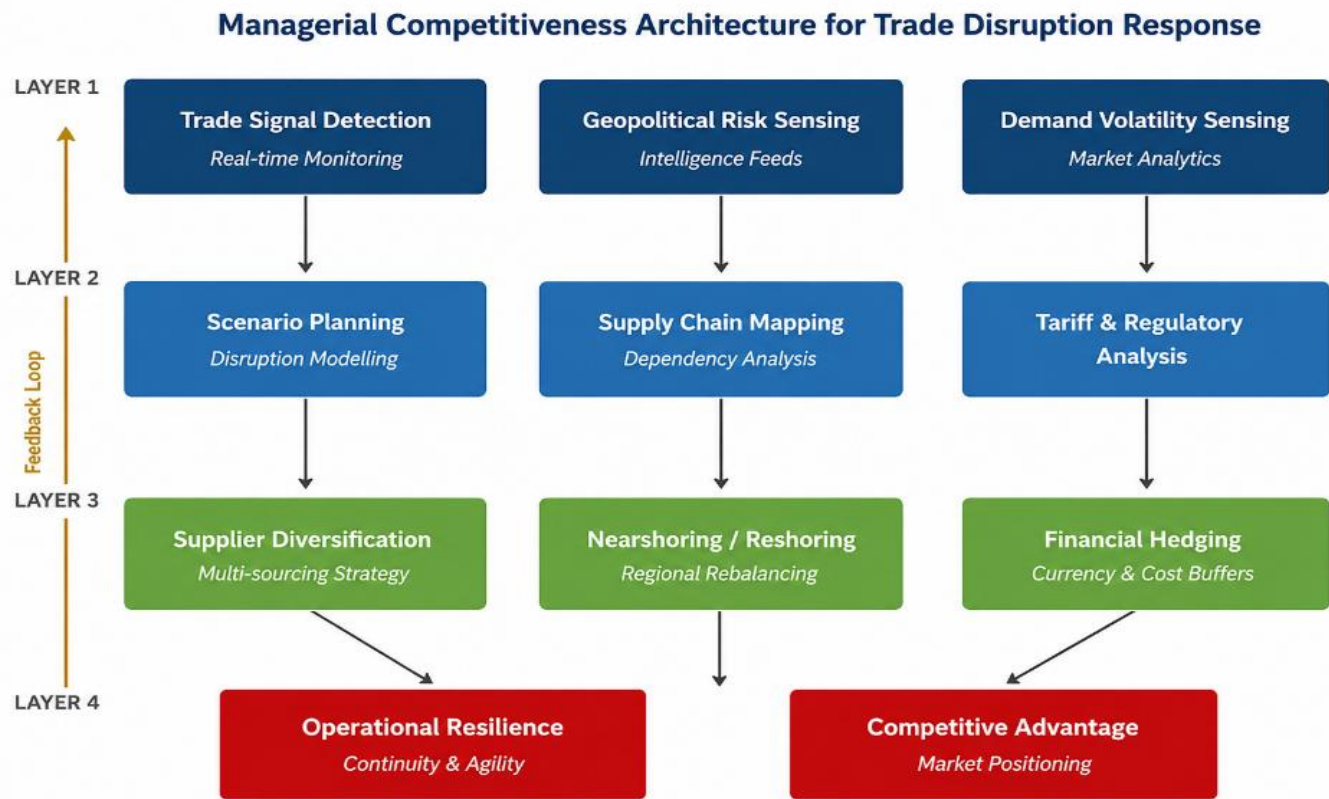


Figure 2: Competitiveness architecture for trade disruption (CATD): a four-layer framework

Each layer of activity has a feedback loop connecting results back to signaling capability in order to help the entity learn. An architecture example is illustrated in figure 2.

Layer 1 (Signal Detection) includes the real-time observation of trade flows, developments in global geopolitics, and changes in demand. Layer 2 (Strategic Analysis) turns signals into scenario plans, maps of supply chain dependence, and a regulatory assessment. All six manager strategies, as described in section four, will be put into action by layer three response strategies. The downstream impact, being improved operational resiliency and enhanced market positioning, of the previously mentioned strategies will be captured in layer four competitive outcomes and refined continuously through the bidirectional feedback loop representing the double arrow in figure 2, thus improving the overall sensing and analysis capability of the firm.

Six Core Managerial Strategies

Supply Chain Diversification

Single-source dependency is one of the major catalysts for increasing the impact of trade disruptions. For example, firms that were heavily dependent on sourcing from either China or suppliers who shipped via the Red Sea suffered massive losses from 2022 through 2024. Chopra and Sodhi (2004) advocate for a multi-tier sourcing strategy whereby marginal cost efficiency is traded off for lower tail risks. The empirical evidence from the

post-pandemic period confirms this; firms with diversified supplier bases from Southeast and South Asia were able to restore production throughput approximately 40% faster than single-source competitors [1].

Nearshoring and Reshoring

Nearshoring, or relocating production to geographically close, politically friendly countries, has gained much strategic traction among firms. Mexico, Poland, Vietnam, and India have emerged as the premier nearshoring destination choices among North American and European multinational corporations as they attempt to mitigate long lead times and geopolitical risk associated with suppliers outside of those areas. Reshoring, while incurring higher labor costs, provides the even greater benefit of resiliency; thus, companies in sectors designated by their respective governments as critical to national security [3] are increasingly accepting the additional cost associated with it.

Financial Hedging

Trade disruption's financial dimension is represented in volatility of foreign exchange and commodities. In order to mitigate the impact of these shock waves on their operations, managers use a variety of instruments, including currency forwards, options, commodity swaps, and trade finance vehicles. The IMF (2024) points out that firms with operations in emerging markets experience compounded exposure, as the depreciation of their functional currencies compounds the cost

increases associated with tariffs. Sophisticated hedging Programs Improve Financial Risk Management by Aligning Budgeting with Procurement Processes.

Regulatory Intelligence

The rapid changes in the rules governing tariffs, export control, and rules of origin are revolutionizing the way companies manage regulatory requirements. Companies that have established regulatory intelligence functions (e.g., compliance teams with dedicated trade compliance resources, AI-assisted tariff tracking, and engaging with government agencies through lobbying) will have a competitive edge over their competitors within the same regulatory framework because they will have access to ongoing regulatory knowledge. According to Gereffi and Lee (2012), regulatory information represents a form of relational capital within global value chains [5].

Dynamic Pricing Adjustment

When a tariff is passed through to an end customer, the pricing decision must consider the overall value of the company. If all the costs are passed through (i.e., fully absorbed), it risks losing sales volume; if it absorbs all of the costs, it erodes margin. Through the use of demand elasticity analytics and dynamic pricing models, a business can determine the most appropriate way to pass through or absorb tariffs across different

products, regions, and customer segments. Companies can use real-time price management systems to recalculate the optimum price based on tariff changes within 24-48 hours of notification of those tariffs.

Stakeholder Communication

Just as transparency has become an increasingly important differentiator in the marketplace, it is also an increasing requirement of both investors and institutional purchasers, as well as regulators, to disclose information about the geography and resilience of their supply chains. Organisations that have a clear strategic outline to address potential disruptions respond to expectations for good governance and decrease the risk of their procurement and supply chain financing by eliminating the Information Asymmetry associated with a lack of transparency, thereby improving their relationships within the supply chain. According to Sheffi (2005), this process of creating operational flexibility results in creating a company's reputation for reliability as an asset [2].

Comparative Analysis of Managerial Strategies

Table 1 shows how the six strategies can be analyzed across certain managerial dimensions in order to prioritize organizational responses against the company's risk profile and available resources.

Table 1: Comparative assessment of trade disruption response strategies

Strategy	Domain	Description	Impact	Horizon
Supply Chain Diversification	Operational	Reducing single-source dependencies via multi-tier sourcing	High	Medium–Long
Nearshoring & Reshoring	Strategic	Relocating production closer to demand centres	High	Long
Financial Hedging	Financial	Currency forwards, commodity options, and trade finance tools	Medium	Short–Medium
Regulatory Intelligence	Compliance	Continuous tariff and policy monitoring across jurisdictions	Medium	Ongoing
Dynamic Pricing Adjustment	Commercial	Tariff pass-through strategies with market-sensitivity analysis	Medium	Short
Stakeholder Communication	Reputational	Transparent supply chain disclosure to investors and clients	Low–Medium	Ongoing

Note. Impact and horizon assessments reflect synthesis of empirical literature and WTO/IMF trade data (2022–2024).

Impact:

High = material competitive differentiation;
Medium = operational improvement;
Low–Medium = reputational benefit.

At a high level, all strategies do not yield superior performance on all dimensions. Diversifying supply chains and using nearshoring creates the greatest impact but would require the longest investment period. Adopting financial hedges and dynamic pricing will yield more immediate benefits; however, they have a more limited impact as compared to diversifying your supply chains or nearshoring. The “portfolio” approach (i.e., building up your quick win strategies such as hedging and dynamic pricing while implementing long-term structural strategies such as diversifying and/or nearshoring resource

purchases) aligns with the temporal logic embedded in the CATD architecture.

Discussion and Managerial Implications

The CATD framework synthesises the evidence reviewed above into three broad based managerial imperatives. First, anticipation must be present prior to being disrupted. Firms that had implemented a signal detection capability prior the 2024 Red Sea crisis were able to reroute shipments, renegotiate contracts and provide customers information to avoid service failures. Conversely, firms that responded reactively experienced exceptionally high premium freight costs and loss of reputation which diminished their competitive advantage. Second, diversifying the strategies that you use in your portfolio is similar to diversifying your supply chains. Just as a single-source supply chain increases your physical risk, a

single-strategy approach to managing your business creates greater strategic risk. Firms that rely solely on financial hedges to mitigate their risk, without also developing structural changes to their supply chains, are at risk of being impacted by multi-year disruptions that exceed the duration of the financial instrument they used to hedge against risk. According to modelling conducted by the IMF (2024), geopolitical fragmentation is likely to be long-term phenomenon requiring that corporations conduct both structural and financial adjustments. Third, the feedback loop portion of CATD must be institutionalised and not be operated in an ad hoc manner. Through performing post-mortems, updating scenarios, and conducting supplier relations reviews, an organisation will build its ability to learn from a disrupted event; therefore building its overall capacity for resilience. Research by Ivanov and Dolgui (2020) indicates that as the quality and frequency of used feedback mechanisms increase within an organisation, the viability of their supply chain also increases [4].

Conclusion

Trade disruptions are no longer considered an aberration; they are now a normal characteristic of the global economic state. The contracting of merchandise trade during 2023, the increase in trade barriers and the second-order effects of global geopolitical conflicts on water transportation are all warnings to managers that they should be embedding resilience as an

essential strategic capability, rather than continuing to treat it as an on-the-spot response to a crisis. The CATD framework presented in this report provides managers an empirical guidance to embed resilience, by establishing systems of lightening detection systems, and processing the information received from disruptions into future competitive advantages. Future work should examine the extent to which CATD-based firms have improved their performance relative to non-CATD-based firms by industry and geography, and further consider the extent to which technology innovations facilitate the improvement of all four levels of architecture in CATD.

References

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