

Leadership Approaches to Navigating Global Trade Volatility

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Introduction

The COVID-19 pandemic has revealed an unfortunate truth: since the early 1990s, there has not been enough trust or cooperation between countries to make global trade a viable option. The growth of merchandise trade has greatly declined, with total trade expected to drop from a 9.8% growth rate in 2021 to -1.1% in 2023, with a modest recovery of 2.6% forecasted for 2024 [3]. The reasons for this are structural (e.g., increased competition due to geopolitical tensions, re-nationalisation of industrial policies, supply shocks due to climate change, erosion of WTO processes for dispute resolution) and suggest an era of ongoing uncertainty regarding trade. In this new volatile environment, the quality of organizational leadership has transitioned from "soft" metrics to "hard" performance metrics. Organizations led by executives who can synthesize real-time novel data, build adaptive cultures, and successfully execute organizational pivoting are much more resilient than those that rely only on procedure-based governance. Kotter (2012) has long posited that leading change requires two distinct structures (a traditional hierarchy for efficiency and an agile network structure for sensemaking and responding). His insight is particularly relevant today due to the

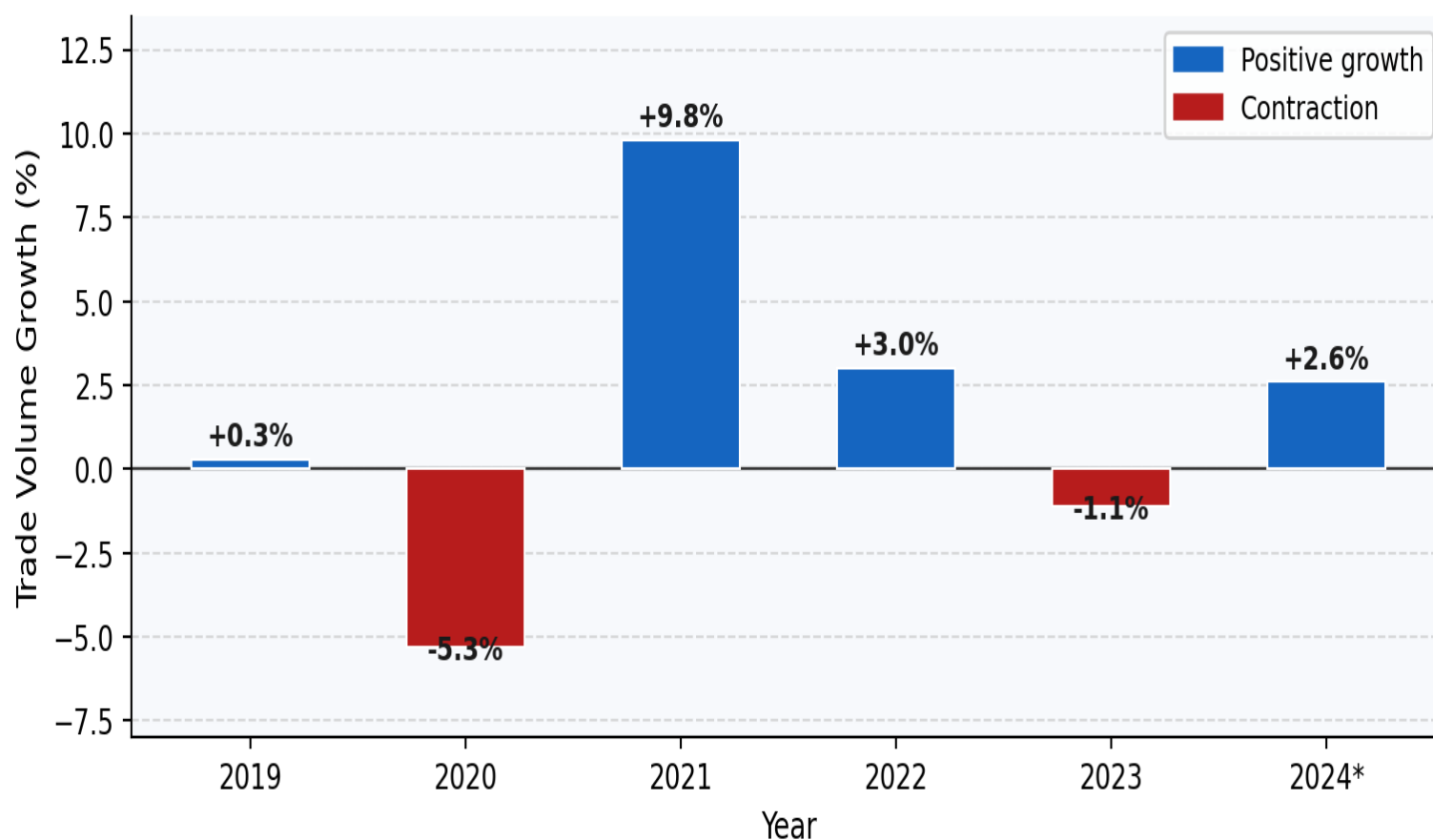
anticipated disruptions to global trade. These contributions provide insights into leadership theory as a means of understanding the dynamics of global trade volatility. First, this paper contributes to the literature by situating the leadership literature within the context of trade volatility. Second, the author introduces the Leadership Framework for Trade Volatility Navigation (LFTVN), which consists of four levels of leadership (Sensing, Strategy, Execution, and Outcomes). Third, the author identifies six empirically supported leadership approaches with defined impacts and horizon levels (see Table 1). The author's argument is supported by a combination of Bass and Riggio (2006), Teece et al. (1997), Ivanov and Dolgui (2020), and current data from the WTO and the IMF [1][2][4][5].

The Trade Volatility Environment

Figure 1 depicts the world's merchandise trade volume growth from 2019 to 2024. The trade growth trajectory was greatly impacted by a combination of COVID-19, which caused a -5.3% decline in 2020; however, deferred demand from 2020 due to COVID-19 and fiscal stimulus in 2021 created a rebound of +9.8%. Despite this rebound in 2021, the rate of growth beyond this period was moderated. In fact, in 2022 trade volume

grew by just +3.0%, contracted (again) by -1.1% in 2023, and is forecast to grow at +2.6% in 2024. Thus, the trade volume growth forecast for 2024 is well below the pre-pandemic historical average trade volume growth rate of approximately 3% - 4% [3]. In the WTO Update (October 2024), the WTO

stated that global trade volume was about 7% higher than it was in 2019 during the first half of 2024; however, the main risks to trade volume growth are geopolitical conflict, an escalating protectionist environment, and central banks pursuing diverging monetary policies [6].



*2024 WTO forecast (Oct 2024 update). Sources: WTO Global Trade Outlook and Statistics (2023, 2024).

Figure 1: World merchandise trade volume growth (%), 2019–2024. *2024 WTO forecast. sources: WTO global trade outlook and statistics, October 2024 update [3]

Contemporary volatility in the global economy has been largely caused by three structural forces. First, Geopolitical Fragmentation: The IMF (2024) estimates that a full decoupling of economies along geopolitical lines could reduce global GDP by up to 7% as trade restrictions escalated from approximately 1,100 trade restrictions imposed globally in 2019 to over 3,200 restrictions imposed globally in 2022. Second, Maritime Route Instability: Due to the Houthi rebels' attacks on commercial shipping in the Red Sea in 2024, many vessels were redirected around the Cape of Good Hope, which resulted in longer transit times of 10-14 days as well as a >400% increase in container spot rates as of late 2023 (Ocean Conservancy & World Shipping Council). Third, Industrial Policy Re-Nationalization; the US Inflation Reduction Act, EU Green Deal Industrial Plan, and similar industrial policies across Asia have introduced significant subsidy-driven distortions that are changing the comparative advantage calculations of firms operating within the countries with those policies. Dynamic capabilities are defined by Teece, Pisano, and Shuen (1997) as an organization's ability to sense, seize, and reconfigure in order to respond to changes in the environment. When this dynamic capability

framework is applied to the context of trade volatility, it translates into an organizational strategy: leaders need to develop sensing systems that can identify disruption signals early, have the decision authority to take action on changing opportunities (examples include windows for near-shoring and available supply from competitors), and develop mechanisms for re-configuring supply chains, pricing strategies, and customer/vendor relationships without creating systemic disruption. Ivanov and Dolgui (2020) extend this logic to supply chain viability and note that organizations must design for survivability, not simply resilience, when there are conditions of prolonged structural disruption.

The Leadership Framework for Trade Volatility Navigation (LFTVN)

The LFTVN organizes leadership action across four sequential yet iterative layers as shown in figure 2. A perpetual loop of feedback—linking outcomes back to sensing—allows the organization to learn from every cycle of disruption and continuously improve its ability to detect and respond to changes with each disruption.

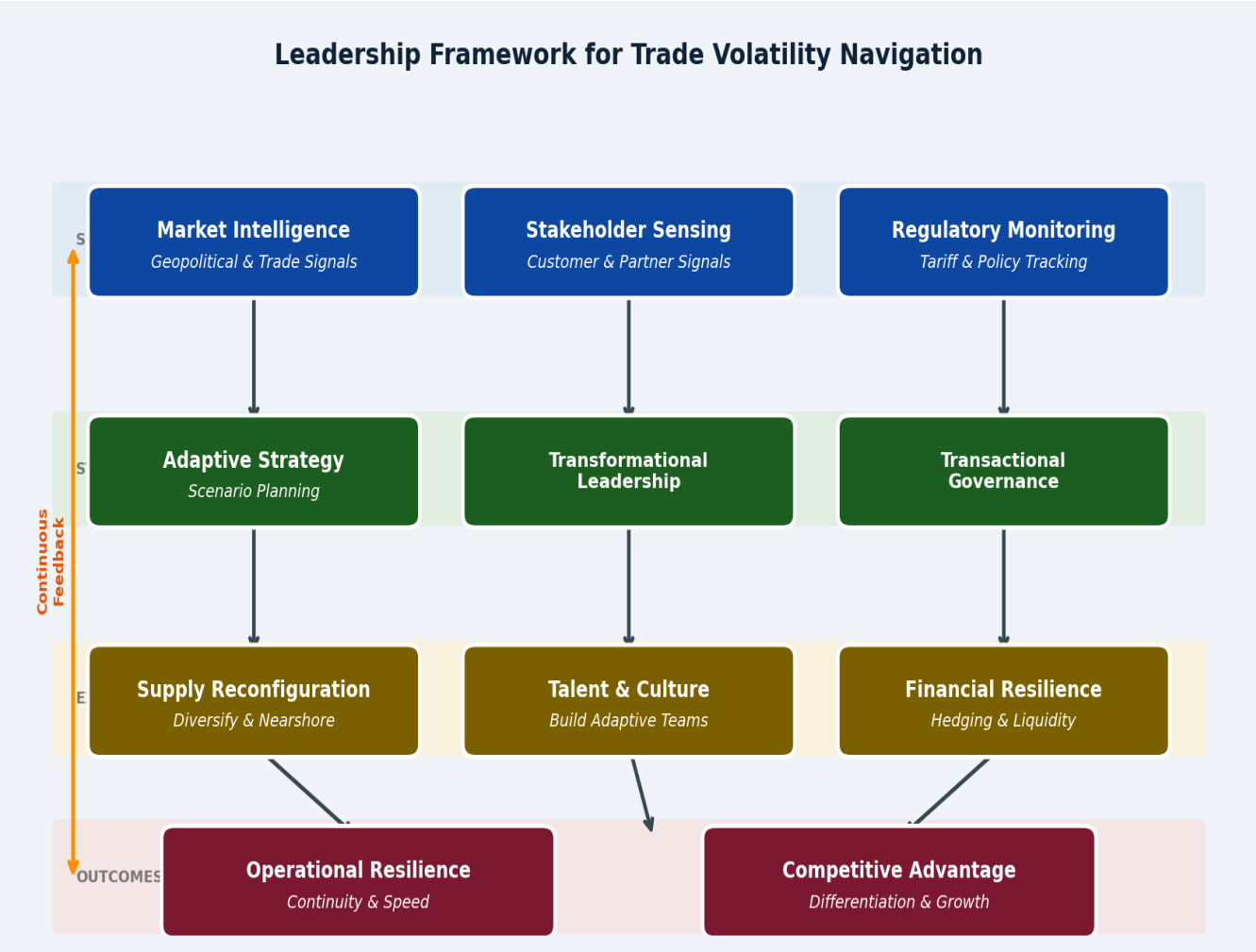


Figure 2: Leadership framework for trade volatility navigation (LFTVN): a four-layer architecture. note: arrows denote information and decision flows; the bidirectional left-side arrow represents the continuous feedback loop

Layer 1 (Sensing) collects three sources of information—market intelligence about geopolitical events and trade flows; stakeholder intelligence that provides insight into changes in customer needs and partner vulnerabilities; and regulatory monitoring that tracks changes in tariffs, export

controls, and trade agreement enforcements. Layer 2 (Strategy) translates signals into strategic decisions, including differentiating between transformational leadership (which changes organizational identity and culture) and transactional governance (which optimizes existing processes). The concept

of adaptive strategy creation is implemented in the intersection of transformational and transactional strategies. Layer 3 (Execution) will execute the strategic plan in terms of how you will reconfigure supply chains, change talent and culture, and manage financial sustainability. Layer Four (Outcomes) includes two kinds of Competitive Product Outcomes: operational resilience (continuity of operation, recovery speed, and cost containment) and competitive advantage (market share, differentiation, and sustained profitability). The feedback loop depicted in figure 2 illustrates how Layer Four outcomes inform Layer One sensing and guide subsequent decision-making processes. Following each incident (e.g., tariff shock, shipping bottleneck, or foreign currency crisis), leaders conduct structured reviews of their businesses that entail updating their scenario-based assumptions, refining stakeholder maps, and calibrating their regulatory compliance thresholds. According to Bass and Riggio (2006), transformational leaders are defined by their ability to institutionalize learning and embed it into the culture of an organization rather than delegating learning to periodic strategic review processes.

Six Core Leadership Approaches

Transformational Leadership

Transformational leadership, which includes characteristics of inspirational motivation, idealised influence, intellectual stimulation, and individualised consideration [1], provides an

emotional/cognitive foundation for responding to change in a volatile environment. Leaders who utilize a transformational style in the trade environment have established a clear vision of how their organisation intends to position itself competitively in a fragmented marketplace; therefore, they can energise their cross-functional teams to pursue ambitious opportunities for redesigning their supply chains and foster the intellectual curiosity necessary to question previously held assumptions regarding future market conditions. Furthermore, organisations with a culture of transformational leadership are able to implement strategic changes quickly and increase employee engagement throughout the entire duration of an organisation's disruptive event.

Adaptive Decision-Making

Adaptive decision-making is defined as the ability to rapidly adjust an organisation's decision-making processes based on the changing dynamics of its external environment. In a trade environment marked by volatility, this entails switching from the use of systematic scenario planning (which is best suited for tapered geopolitical trends) to the use of rapid, heuristic-based decision-making in response to acute situations (e.g., ports being closed down and/or sudden tariff announcements). Kotter (2012) noted that adaptive capacity is an essential characteristic of a "dual operating system" whereby flexible network layers

support hierarchical structures to provide quicker response times while maintaining co-ordination.

Supply Chain Redesign

Supply chain redesign as a leadership imperative extends beyond procurement decisions to encompass organisational architecture, partner relationship management, and investment prioritisation. Leaders who champion nearshoring, multi-sourcing, and strategic inventory buffering are translating Ivanov and Dolgui's (2020) viability concept into operational practice. Mexico, Vietnam, Poland, and India have emerged as primary nearshoring destinations for firms de-risking exposure to US-China trade tensions and Red Sea route instability [3][4].

Financial Resilience

In order to demonstrate financial resilience, leaders must develop integrated ways to manage treasury, procurement, and strategy functions, as these functions have typically been managed independently within many prior organisations. Agencies typically hold multiple instruments (e.g., currency forwards, commodity swaps, trade finance facilities, liquidity reserves) to mitigate the financial impact of trade disruptions. The IMF (2024) indicates firms based in emerging markets typically have two sources of potential loss as currency devaluation exacerbates the impact of tariff-based increases in costs, therefore there is value in establishing hedging programs that are aligned to the procurement process.

Talent and Culture Building

Occupying a position of leadership requires investment over the long term in developing a skilled and adaptive workforce who understand and are capable of successfully engaging in international trade. Organisations that have leaders that develop international trade cross-training in trade compliance, geopolitical risk, and supply chain economics have established credible systems for recognising disruption signals that occur going undetected by siloed organisations. Creating cultural values such as psychological safety, constructive dissent, and continuous learning through transformational leadership will result in conditions to have detected weaknesses in the signal and provide corrective actions rather than suppress the signal.

Digital Trade Intelligence

A system monitoring both freight indices and the financial health of your global partners provides you with a capability multiplier. By investing in these digital trade systems, your leaders will be better able to go from detecting the beginning of change to developing a strategy faster than ever before. Moving to proactive versus reactive approaches, Teece et al. (1997) describe this as the sensing capability at the very heart of their dynamic capability framework and the means for improving the effectiveness of all other ways that a leader may lead.

Comparative Analysis

The comparison of the six leadership styles relative to each other by output, description and time frame is provided in table 1. One can see that while transformational leadership and supply

chain redesign provide long-term gains, financial hedging and adaptive decision-making provide short-term gains. Putting together a combined portfolio of short-term defensive actions while building longer-term structural capabilities is consistent with the LFTVN framework.

Table 1: Comparative assessment of leadership approaches to trade volatility navigation

Leadership Approach	Domain	Description	Impact	Horizon
Transformational Leadership	Strategic	Inspiring a shared vision for navigating volatile trade environments	High	Ongoing
Adaptive Decision-Making	Operational	Real-time scenario responses to tariff and logistics disruptions	High	Short–Medium
Supply Chain Redesign	Structural	Nearshoring, multi-sourcing, and buffer stock strategies	High	Medium–Long
Financial Hedging	Financial	Currency forwards, commodity swaps, and liquidity reserves	Medium	Short
Talent & Culture Building	Human Capital	Developing trade-literate, agile workforces and leadership pipelines	Medium	Long
Digital Trade Intelligence	Technology	AI-enabled monitoring of tariffs, logistics, and partner signals	High	Short–Long

Note. Impact ratings reflect synthesis of Bass & Riggio (2006), Teece et al. (1997), and WTO/IMF trade data (2022–2024). Horizon: Short = 0–12 months; Medium = 1–3 years; Long = 3+ years.

Discussion and Managerial Implications

The LFTVN framework captures in totality the key ideas presented above as three key leadership imperatives. First, leaders must invest in their sensing capabilities before a crisis occurs. The Red Sea (2024) crisis demonstrated successfully

how firms that had developed capabilities to monitor regulatory developments as well as logistics risk were able to revise freight to different destinations and renegotiate transportation contracts to meet their customers' expectations shortly after the escalation of a crisis. Conversely, firms that only had a reactive monitoring process experienced increased premium transportation expense as well as significant reputational challenges leading to the degradation of their business-to-business relationships. The combination of transformational leadership with transaction-focused leadership techniques is a more powerful

leadership method than using either on their own. Transformational leadership sources the energy and culture needed to develop large-scale, structure-based responses like nearshoring, while transaction-focused (or transactional) governance establishes the level of structure needed to implement those changes smoothly and without disrupting operations. The framework proposed in the Kotter (2012) dual operating system synthesis provides an appropriate way to combine the two methods—focus on operational effectiveness for traditional hierarchical operations and leverage networks for sensing and creating innovative strategies [5].

The LFTVN framework includes a built-in method for feedback, but it is not automatic. Leaders who regularly (e.g., through structured interruption reviews) assess the quality of scenario plans (i.e., schedules) will develop cumulative, organisational-level learnings through matching Layer 4 outcomes against Layer 1 sensing. Ivanov and Dolgui (2020) note that supply chain viability is related more strongly to an organisation's mechanisms for learning than to an organisation's structural diversity of suppliers or routes.

Conclusion

Trade volatility has evolved to the point where it requires a leader to provide direction as opposed to managing risk. The contraction of merchandise trade in 2023; the growing number of trade regulations; and the growing fragmentation of global

supply chains all require leaders to anticipate disruption, adapt quickly to changes, implement changes decisively, and learn continuously through feedback and other mechanisms. The LFTVN model as finalised in this paper provides leaders with a strong framework for developing those capabilities, as it is based on the theory of dynamic capability (Teece, 2007), leadership science and several pieces of current empirical evidence. The six leadership types discussed in this paper (transformational, adaptive decision-making, supply chain redesign, financial options strategy, talent creation and digital intelligence) do not represent either/or options of leadership, but complementary capabilities which are more effective when utilised together within a coherent portfolio of leadership approaches that fit the firm's unique risk exposure and strategic timeline. Future research should evaluate LFTVN performance across multiple industries and determine how applicable the LFTVN is in small and medium-sized enterprises (SME) and emerging markets, where portfolio resources can be limited.

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