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A glance at today's headlines leaves little doubt that we have entered a new era of geopolitical turbulence. Acts of terror and violence, humanitarian crises, and public health emergencies are rarely localized events. Instead, these shocks transcend borders, presenting global challenges. Just as one crisis fades, another rises to take its place. Adding further complexity, today's enemy (unlike in that previous period of great geopolitical uncertainty, the Cold War) is often unseen or unknown.

Of course, it's not just our problems that have become global. Most mainstream businesses have operations and business units spread far and wide, and an eye perpetually turned toward expansion. For company leaders, then, geopolitical uncertainty raises critical questions: How can you make decisions, particularly long-range investment decisions in far-flung parts of the world, when so much is in flux? How do you lead your organization through ambiguity to success?

Economists tend to focus on growth in determining the attractiveness of an investment. That makes sense when the international backdrop is reasonably stable. For instance, in the pre–financial crisis environment, you could successfully choose an emerging market to invest in by throwing a dart at a map. But in a more turbulent world, these countries are becoming increasingly differentiated—in their economic health and potential, as well as in their particular rules of the road and political threats to investments and foreign business activity. On top of this, many emerging market growth rates are only on par with those of developed states, and many developed states face political uncertainty more characteristic of emerging markets. The categorization is breaking down, making it much more difficult to engage in universal strategies.

Moreover, the very definition of success changes amid uncertainty. The more volatile and hostile the environment becomes, the more we see success and survival begin to converge: In a cataclysmic environment, the two would be one and the same. We aren't facing threats of that extremity, and corporate leaders cannot give up the need to grow. But they have to take ambiguity into account. In essence, the right approach is focused on sustainability. When we hear talk of sustainability, it is typically of the need for corporations to reassess a go-go growth model—one aimed at maximizing profitability—that is viewed as insufficiently inclusive. Company leaders are asked, by their employees, customers, or society at large, to "give back" by supporting charitable causes and the environment. But the same companies do not pay enough attention to becoming more sustainable themselves.

The kind of decision making that works when you know what's likely to happen won't suffice. Sustaining a business in uncertain times requires executives to prioritize stability, resilience, and relationship management. Underpinning all three is a shift in strategic direction—from a focus on growth above all else to a focus on having enough. You make your company prosper *enough* by maintaining and improving the quality and caliber of what

Illustration by Lars Leetaru

you do. You decentralize your business *enough* so that the parts can be strong if the whole faces risk. And you maintain and improve the relationships that your business depends on *enough* by integrating them with your whole company. Developing these executive practices won't shield you from crisis, but it will help ensure that when the dust settles, your company is not just standing, but moving forward.

The Power Vacuum

To understand the shift in focus that companies need to make today, executives need to first understand how we all got here. The old geopolitical model is breaking down, but the only thing emerging in its place is sustained crisis. U.S. president Barack Obama said as much in a speech in Seattle in July 2014 that addressed the crises in Ukraine, Gaza, Syria, and Iraq: "Part of people's concern is just the sense that around the world the old order isn't holding and we're not quite yet to where we need to be in terms of a new order." The most alarming long-term global challenges, such as climate change, cyber-conflict, and the threat of terrorism, will loom much larger before they elicit a coordinated government response—and by then they will be that much more difficult to address.

In the aftermath of two long wars, and with dwindling public support for international engagement, the United States is no longer willing or able to play a robust global leadership role. The Obama administration has exacerbated the issue with a scattershot, reactive foreign policy that adapts to short-term crises at the expense of consistent longer-term approaches. And U.S. allies such as European nations and Japan will not step in to fill the leadership vacuum. They are frustrated with Washington's foreign policy disengagement and face distracting domestic challenges of their own. At the same time, a growing number of emerging markets have become strong enough to scuttle global initiatives, but are not yet sufficiently interested in or capable of presenting alternatives. So many countries with conflicting values, priorities, and political systems have led to divergence among the major powers that get a seat at the table.

The leadership vacuum also presents an opportunity for China, the world's most populous and complex emerging power, to wield more influence. China is expected to overtake the U.S. to become the world's largest economy sometime before 2020. It has grown an average of roughly 10 percent per year for the past three decades, and it has the advanced infrastructure to show for it—including state-financed roads, schools, hospitals, ports, and railroads. But can China make the transition to an advanced industrial state, attuned to the needs of an enormous, evolving consumer population, with less dependence on state investment, a more open banking system, a cleaner environment, higher standards of living, and greater overall transparency and fairness? That is unclear. And even if these changes occur, it doesn't mean that China will adopt Western values of democracy, free speech, free market principles, or the rule of law.

If the majority of Chinese people enter the middle class, it would be an enormous spur to global prosperity. However, that possibility is far too uncertain to plan for, and in the meantime, decision makers must prepare for a wide range of possible futures in China, from boom to bust, any of which would have a huge impact on the world economy.

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Preparing for the Worst

For the foreseeable future, volatility and ambiguity will continue to define the geopolitical landscape. Fortunately, companies can survive, and even thrive, in this environment, by focusing on the following three approaches.

1. Strength through stability. It isn't easy for many business leaders to recognize that the pursuit of rapid growth for growth's sake, a business preoccupation since the Industrial Revolution, is counterproductive today. U.S. corporations in particular are badly prepared for stability—given the average CEO tenure at Fortune 500 companies of roughly five years and shareholders pushing for quick returns. Rapid, lower-quality growth makes a few people rich in the short term, but it does not consistently lead to profitability; in fact, it often leads to business failure.

Undisciplined growth in a time of uncertainty results in unintended consequences that will limit your company's success and potentially curtail its survival. Leaders must become much more purposeful about the type of growth they pursue and the reasons for such pursuits. After all, you still need to take risks—that is unavoidable, whether you grow or not. But you can approach risk in a more measured, deliberate way.

A prime example of leaders' lack of discipline is their decision making about China. It's stunning how many companies are going all in on China because that is where the growth is. But they fail to develop contingency plans or give proper thought to what conditions would make doing business in China untenable. Meanwhile, this growth comes with significant costs: Their competitors supported by the Chinese government continue to grow, while non-Chinese companies surrender more and more of their intellectual property and technology—either through legal co-venture agreements or through the lax environment for intellectual property protection and the rule of law. Western companies become expendable in such a market in the longer term. Beyond these existing threats is the possibility that the massive Chinese economic transformations will begin to collapse; in a bleaker environment, the growth that global companies are chasing, and their warm welcome in the country itself, could evaporate.

This growth dilemma is not limited to China. Other geographies, such as India and the Middle East, will pose similar challenges in a world of more important emerging markets and greater geopolitical turmoil. But organizations that build an operating model around enduring stability will have an edge. An organization's strength is based on what its people have habitually learned to do together. If this is genuine strength, grounded in competent management of highly skilled people, then the institution becomes an attractor for people who are looking for havens for their money, their business, and their talent. Many presume the United States's more favorable growth trajectory compared with those of other developed countries makes it a more attractive destination for investment. But increasingly, stability is one of the reasons the U.S. has remained relatively strong in the current environment.

2. Decentralized resilience. Resilience is the ability to absorb shock: to evade the worst effects, to reduce the overall impact, and to manage the negative consequences. For companies, this means not being too vulnerable to any one sector or any one relationship. Different parts of the organization also need to have different governance models. That frees people who are truly excellent in what they do to respond more rapidly and adroitly to threats when they surface, so they can reach a profitable, relatively secure outcome. Decentralized enterprises tend to be resilient, because if they get hurt in one place—in China, for example—the business as a whole is still viable.

Think about the energy sector, which is becoming more decentralized. Historically, it has been highly consolidated. But the introduction of smaller producers and alternative energies is leading to decentralized systems of distribution for both petroleum and electricity. The shift to a smart grid is another decentralizing force, allowing more localized and tailored approaches to managing energy distribution. This enhances the sector's capacity to stay in business without price shocks, no matter what happens with any single source of supply or geopolitical threat. (Of course, smart grids also introduce a new risk: Taking anything online can make it more vulnerable to cyberattack). At a business level, a high degree of autonomy can allow companies to bounce back more quickly when their supply lines, customer base, or regional ability to operate is threatened.

But decentralization does not mean lack of a central focus. A company composed of multiple business units that have little to do with one another is not truly resilient. It is merely a collection of vulnerabilities, each on a different time line. Coordinated decentralization—within a company, and among companies—is going to be very important in the future. The most successful leaders will clearly articulate what they stand for and make it easy for others to make the right decisions.

The Japanese response to the 2011 Fukushima Daiichi disaster is a good example of this type of resilience. By many measures, this was as serious a threat as one can imagine: a 9.0 earthquake, a tsunami of equal force, a nuclear plant disaster, the death of more than 13,000 people, the displacement of many communities, the destruction of a major power source for the country, and the severing of critical supply chains on which major companies depended—all in a country that had suffered two decades of economic stagnation and had a debt-to-GDP ratio of more than 200 percent. The World Bank estimated the cost of this natural disaster at US$235 billion, which made it the most expensive in history.

And yet Japan did not collapse; indeed, it rebounded economically much more quickly than people expected. The Japanese government, its major businesses, and its people understood their common challenges as well as their common interests, and responded with resiliency. Each group acted independently but in full awareness of the needs of the whole. That type of response, whether it occurs in a company or a country, can overcome just about any external threat.

3. Broad and deep relationships. The success of an enterprise doesn't depend solely on how much value it provides for its clients annually. It can also be measured by the breadth and depth of its associations over time.

Breadth reflects the number of connections a company has. As a company leader, is your relationship with another company limited to connections with its leaders? Or are people throughout both enterprises working closely together? Networks are much more resilient than individual touch points. Particularly when a company is doing business internationally, it doesn't want one person in the firm to have relationships with 10 clients. If that person walks out the door, he or she takes those 10 clients too. Companies need to strive for more networked relationships, so even if somebody leaves, its customers are still engaged with other people and multiple parts of the firm. Such networks also become crucial in times of crisis: If your business loses access to critical resources, you can tap this network to maintain the status quo until you are able to get operations back up and running.

Depth represents the way your company engages with others: the intensity, creativity, and outcome of your work together. The quality of relationships is increasingly crucial for staying in business. For example, in a country like China, the quality of your firm's relationships with local government and business leaders can make it possible to navigate the country's shifting priorities. If you're an energy or industrial company investing in a capital-intensive facility or a consumer products company building up distribution relationships, many of your costs occur up front, but you're likely to stay in that country for a while. What do you bring to the table that the next generation of people in power might find valuable? Providing value for them leads to sustainability for your long-term endeavors in that country.

As Pankaj Ghemawat and Steven Altman have shown, breadth and depth are particularly relevant to businesses trying to build relationships with governments in emerging economies—relationships that they will need to cultivate as the economies mature. (See "Making Sense of Globalization," by Ghemawat and Altman, *s+b*, Spring 2015.) Many leaders presume that the primacy of relationships is a transitional phase. They think that as governments move toward the rule of law and transparency, they will no longer rely on access to key people; all law-abiding enterprises will be treated more equally. These leaders think they'll be able to operate with the same kind of control and assurance that has worked for them in many other countries.

But experience in countries such as Japan and South Korea tells us that the rule of law doesn't always bring equality of access to resources and customers. Some countries—for example, Brazil and Mexico—will probably come to resemble the United States in their universality of access. Others, such as Russia and South Africa, are moving in the opposite direction. Relationships with people in key positions will always be important for doing business in those countries—and can be a lifeline in a time of crisis.

Choosing Stewardship

When asked what her primary accomplishment as secretary of state was, Hillary Clinton did not point to a specific achievement. She highlighted her stewardship of American diplomacy from her predecessor to her successor. Clinton endured many legitimate criticisms of her tenure, perhaps chief among them the failed "reset" with Russia. But this stewardship approach carries a lot of merit, particularly for business leaders. It's precisely because we want metrics for growth and progress that we underestimate and diminish the importance of stewardship in a rocky environment.

To be sure, the need for stability, resilience, and relationships may not apply if your business has no interest in long-term results. If you're a hedge fund, or you make your money through trading, and you can shift in and out of a country almost immediately, then who cares? Maintain a brief attention span, get your returns as quickly as possible, and don't worry about managing uncertainty.

But that applies to only a small number of enterprises. The success of rapidly shifting investors, and of some companies, has led many managers to fetishize agility: the ability to turn on a dime, to move abruptly to a new sector, region, or business model when circumstances change. They are kidding themselves. Most companies can't change that easily. They've invested a great deal of time and money in their existing businesses—even in basic things like getting licenses to operate and vetting the right partners. And their patterns of behavior are much more deeply rooted than they think. Employees resist change, in part, because they see the value of what they already have, and don't want to see it thrown away. In business, as in nature, you can't grow too big and remain agile.

Because you can't be fully agile in ambiguous times, be a steward of your organization. Be stable, resilient, and networked enough to succeed. And remember that if the environment is particularly dire, sometimes simply not ceding ground as you recalibrate for the future is a victory in and of itself. ✚

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