Influence of Geopolitical Events on Procurement Strategies and Supply Chain Dynamics in Multinational Corporations

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Abstract

Purpose: The aim of the study was to examine the influence of geopolitical events on procurement strategies and supply chain dynamics in multinational corporations.

Methodology: This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

Findings: The study found that geopolitical events exert a profound influence on procurement strategies and supply chain dynamics within multinational corporations (MNCs), compelling them to adapt swiftly to global uncertainties. The study underscored that events such as trade conflicts, sanctions, and political instability disrupt established supply chains, necessitating strategic adjustments in sourcing, supplier relationships, and operational practices. MNCs respond by diversifying sourcing locations, enhancing supply chain transparency, and integrating robust risk management frameworks to mitigate geopolitical risks effectively.

Unique Contribution to Theory, Practice and Policy: Institutional Theory, Resource Dependence Theory & Transaction Cost Economics (TCE) may be used to anchor future studies on influence of geopolitical events on procurement strategies and supply chain dynamics in multinational corporations. Encourage MNCs to adopt agile procurement strategies that prioritize flexibility and responsiveness to geopolitical disruptions. This includes establishing multi-sourcing strategies, leveraging local suppliers, and implementing digital platforms for real-time risk monitoring and decision-making. Strengthen supplier relationship management practices to build resilient supply networks. Foster transparent communication and collaboration with suppliers to co-develop contingency plans and mitigate supply chain risks arising from geopolitical events. Advocate for transparent and stable trade policies that reduce uncertainty and facilitate global supply chain operations. Engage in constructive dialogues with policymakers to address trade barriers, tariffs, and regulatory inconsistencies that hinder cross-border trade and procurement efficiency.

Keywords: Geopolitical Events, Procurement Strategies, Supply Chain, Multinational Corporations

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INTRODUCTION

In developed economies like the USA and Japan, MNCs employ sophisticated procurement strategies to enhance efficiency and reduce costs. For instance, in the USA, companies often leverage advanced supplier relationship management systems and strategic sourcing techniques to optimize their procurement processes (Smith, 2019). These strategies involve rigorous supplier selection based on factors such as quality, cost, and reliability, aiming to foster long-term partnerships that drive innovation and sustainability in supply chains. Similarly, in Japan, MNCs focus heavily on just-in-time (JIT) inventory systems to minimize inventory holding costs while maintaining high levels of product availability and quality (Tanaka, 2018). Such approaches not only streamline operations but also enable rapid response to market demands, critical in competitive global markets.

German MNCs are renowned for their meticulous approach to procurement, which revolves around quality, innovation, and efficiency. Companies such as Volkswagen and Siemens exemplify this with their robust supplier relationship management systems. These systems emphasize collaboration and long-term partnerships with suppliers who meet stringent quality standards and share a commitment to continuous improvement. For instance, Volkswagen maintains a network of global suppliers that adhere to its rigorous quality control measures, ensuring that components and materials meet high standards across its production lines (Beck, 2016).

In France, MNCs like Airbus and L'Oréal prioritize sustainability and ethical sourcing as core pillars of their procurement strategies. These companies recognize the importance of environmental stewardship and social responsibility throughout their supply chains. For instance, Airbus, a leader in aerospace manufacturing, integrates sustainability criteria into supplier selection processes. Suppliers are evaluated not only on cost and quality but also on their environmental impact and adherence to ethical labor practices (Seuring & Müller, 2008).

In developing economies, such as those in Southeast Asia, procurement strategies in MNCs often emphasize cost containment and risk mitigation. Companies frequently engage in local sourcing initiatives to capitalize on lower labor and material costs, enhancing cost competitiveness (Chen & Paulraj, 2017). These economies also witness increasing adoption of digital procurement platforms to overcome logistical challenges and improve transparency in supply chain operations. For instance, in countries like Vietnam and Malaysia, MNCs utilize technology-driven procurement systems to integrate suppliers and manage procurement processes efficiently (Nguyen, 2020). This trend underscores a shift towards more agile and responsive supply chains capable of navigating diverse regulatory environments and infrastructure limitations.

In Brazil, MNCs like Petrobras and Embraer focus on resilient procurement strategies tailored to the country's unique economic and regulatory environment. Petrobras, a major player in the oil and gas sector, emphasizes local content requirements in its procurement processes. This strategy not only supports Brazil's industrial development goals but also enhances supply chain stability by fostering partnerships with domestic suppliers (Ribeiro, 2019). Additionally, companies like Embraer, a leading aircraft manufacturer, leverage advanced supplier development programs to build capabilities among local suppliers, thereby improving competitiveness and reducing reliance on imported components (Teixeira, 2018).

In India, MNCs such as Tata Motors and Infosys adopt diverse procurement strategies to navigate the country's complex market landscape. Tata Motors, a leading automobile
manufacturer, prioritizes strategic sourcing initiatives to enhance cost competitiveness and supply chain resilience. The company collaborates with a network of suppliers across India, leveraging economies of scale and local expertise to meet global quality standards (Srivastava & Srivastava, 2019). Similarly, Infosys, a prominent IT services firm, emphasizes vendor diversification and risk management strategies in its procurement practices. By engaging with a mix of global and local suppliers, Infosys mitigates supply chain disruptions and optimizes cost-efficiency in delivering technology solutions to global clients (Chaudhuri, 2020).

In Nigeria, MNCs such as Shell and MTN Nigeria navigate complex procurement landscapes characterized by infrastructure gaps and regulatory variability. Companies like Shell, operating in the oil and gas sector, implement robust local content policies to comply with government regulations and support local economic development. These policies require MNCs to source goods and services locally, thereby stimulating job creation and capacity building within the country (Afolabi & Ojikutu, 2020). Furthermore, companies like MTN Nigeria, a telecommunications giant, adopt innovative procurement practices to address logistical challenges and ensure continuity of service delivery across diverse geographical regions (Nwankwo & Chukwuanu, 2018).

In Kenya, MNCs such as Safaricom and Kenya Airways adopt strategic procurement approaches to optimize cost-efficiency and operational resilience. Safaricom, a leading telecommunications company, emphasizes supplier diversity and local sourcing to support Kenya's economic growth objectives. The company partners with local suppliers for ICT infrastructure and services, contributing to job creation and skills development in the country (Kabiru & Kiama, 2020). Similarly, Kenya Airways focuses on strategic supplier partnerships to enhance service reliability and cost competitiveness in the aviation industry. The airline engages in collaborative procurement practices to negotiate favorable terms and ensure seamless supply chain operations (Murithi & Iravo, 2019).

In South Africa, MNCs like Anglo American and Shoprite Holdings implement strategic procurement practices to enhance operational efficiency and sustainability. Anglo American, a global mining company, emphasizes local procurement to support economic empowerment and job creation in communities where it operates. The company engages with local suppliers for goods and services, fostering inclusive growth and reducing dependency on imported goods (Tengeh, 2019). Similarly, Shoprite Holdings, a leading retail group, integrates local sourcing initiatives into its procurement strategy to ensure product availability and affordability for South African consumers. This approach not only strengthens supply chain resilience but also contributes to socio-economic development through supplier development programs (Maritz & Geldenhuys, 2018).

In Ghana, MNCs such as Vodafone and Newmont Mining Corporation employ strategic procurement approaches to navigate regulatory complexities and operational challenges. Vodafone Ghana, a telecommunications leader, emphasizes local supplier development to enhance service delivery and support Ghana’s economic growth objectives. The company partners with local firms for network infrastructure and technology solutions, contributing to job creation and skills transfer in the country (Ofori-Dankwa & Nketiah-Amponsah, 2020). Similarly, Newmont Mining Corporation integrates sustainability principles into its procurement strategy, focusing on responsible sourcing of materials and environmental stewardship in its mining operations. These efforts not only comply with Ghanaian regulations but also promote long-term sustainability and community engagement (Boateng, 2018).
Geopolitical events exert significant influence on procurement strategies and supply chain dynamics in multinational corporations (MNCs). One major impact is geopolitical tensions affecting trade policies and tariffs. For example, the US-China trade war has disrupted global supply chains, prompting MNCs to reassess supplier relationships and diversify sourcing strategies to mitigate risks (Tsinidis & Gold, 2021). Such events compel MNCs to strategically realign procurement practices, considering geopolitical risks in supplier selection and contract negotiations. Additionally, political instability or regime changes in resource-rich regions can disrupt material supply chains, forcing MNCs to secure alternative sources or invest in local production capabilities to ensure continuity (Kovács & Spens, 2007).

Furthermore, sanctions and embargoes imposed due to geopolitical conflicts can severely impact procurement operations. For instance, sanctions against certain countries may restrict MNCs’ ability to engage with local suppliers or access critical raw materials, necessitating rapid adjustments in supply chain strategies to comply with international regulations (Beske, Köpлин, & Seuring, 2008). Moreover, geopolitical alliances and international agreements, such as regional trade blocs and treaties, can create opportunities for MNCs to streamline procurement processes and capitalize on preferential trade agreements. Companies may leverage these alliances to optimize supply chain efficiency and reduce operational costs through tariff reductions and streamlined customs procedures (Manning & Kärtner, 2013).

Statement of Problem

Geopolitical events wield significant influence over multinational corporations (MNCs), impacting their procurement strategies and supply chain dynamics on a global scale. Recent geopolitical tensions, such as trade wars and sanctions, have disrupted established supply chains, compelling MNCs to reassess their sourcing strategies and risk management practices (Tsinidis & Gold, 2021). These events introduce uncertainties that challenge traditional procurement approaches, requiring MNCs to adapt swiftly to geopolitical shifts to maintain operational efficiency and resilience (Beske, Köpлин, & Seuring, 2008). Moreover, political instability and regime changes in resource-rich regions further exacerbate supply chain risks, necessitating strategic adjustments in supplier relationships and logistics management to ensure continuity of operations (Kovács & Spens, 2007).

Theoretical Review

Institutional Theory

Originated by Meyer and Rowan (1977), Institutional Theory explores how organizations conform to external norms, rules, and practices to gain legitimacy and survival in their environment. In the context of geopolitical events, multinational corporations (MNCs) may adjust their procurement strategies and supply chain dynamics to align with international norms and regulations imposed by geopolitical tensions or trade agreements. This theory is relevant as it helps understand how MNCs adapt their practices to institutional pressures shaped by global political dynamics (Scott, 2014).

Resource Dependence Theory

Resource Dependence Theory, formulated by Pfeffer and Salancik (1978), posits that organizations must secure critical resources from external sources to survive and thrive. Geopolitical events such as trade conflicts or sanctions can disrupt resource flows for MNCs, impacting their supply chains and procurement strategies. This theory is pertinent as it underscores how MNCs strategically manage dependencies on global resources amidst
geopolitical uncertainties, influencing their sourcing decisions and supply chain resilience (Pfeffer & Salancik, 2003).

Transaction Cost Economics

Developed by Coase (1937) and further advanced by Williamson (1975), Transaction Cost Economics (TCE) examines how firms minimize transaction costs associated with engaging in economic exchanges. Geopolitical events introduce transactional uncertainties and risks that increase transaction costs for MNCs, influencing their procurement strategies. This theory is relevant as it provides insights into how MNCs structure their supply chains and contracting arrangements to mitigate risks and optimize efficiency in response to geopolitical changes (Williamson, 1985).

Empirical Review

Nguyen & Wilmsmeier (2019) investigated the impact of geopolitical tensions on procurement strategy within multinational corporations (MNCs). Using a qualitative case study approach, supply chain managers from affected MNCs were interviewed to understand the adjustments made due to trade conflicts. Findings revealed heightened efforts towards sourcing diversification as a risk mitigation strategy. Additionally, companies strengthened supplier relationships and adopted more agile procurement practices to navigate the uncertainties introduced by geopolitical tensions. The study emphasized the importance of flexibility and strategic partnerships in enhancing supply chain resilience in volatile geopolitical environments.

Cheng & Jin (2020) analyzed the effects of trade tariffs on supply chain dynamics in multinational corporations (MNCs). Employing a quantitative methodology, the research involved econometric modeling and secondary data analysis to assess the impacts of tariff increases on operational efficiency and supply chain costs. Results indicated that trade tariffs led to significant disruptions in supply chain flows and increased procurement costs for affected MNCs. Companies responded by relocating production facilities and revising sourcing strategies to mitigate tariff-related risks. Recommendations included the adoption of tariff mitigation strategies and robust scenario planning to enhance supply chain resilience amidst ongoing geopolitical uncertainties.

Foss & Stieglitz (2018) explored how geopolitical risk management strategies influence supply chain resilience in multinational corporations (MNCs). Using a mixed-methods approach, including surveys and case studies with procurement executives across industries, the study highlighted effective risk management practices adopted by MNCs. Strategies such as scenario planning and supplier diversification were found to enhance supply chain resilience against geopolitical disruptions. The study recommended integrating geopolitical risk assessment into strategic procurement planning and leveraging digital supply chain technologies to enhance responsiveness and flexibility.

Kavali & Almeida (2017) assessed the impact of international sanctions on procurement strategies within multinational corporations (MNCs). Through a comparative case study analysis of MNCs operating in sanctioned versus non-sanctioned regions, researchers examined the disruptions caused to supply chains. Findings indicated that sanctions resulted in significant supply chain disruptions, compelling MNCs to seek alternative sourcing options and revise contractual agreements with suppliers. Companies also implemented stringent compliance measures and engaged in lobbying efforts to influence policy decisions.
Recommendations included proactive stakeholder engagement and continuous monitoring of geopolitical developments to mitigate potential risks.

Fotopoulos & Psomas (2021) assessed the influence of Brexit on procurement strategies and supply chain management in European multinational corporations (MNCs). Utilizing surveys and interviews with procurement managers before and after the Brexit referendum, the research highlighted the uncertainties that Brexit introduced into supply chain dynamics. European MNCs responded by reconfiguring their supply chains with a heightened focus on local sourcing and inventory management strategies. Recommendations emphasized adaptive supply chain strategies and collaborative efforts to navigate post-Brexit trade dynamics effectively.

Ivanov & Dolgui (2019) examined the impact of geopolitical events on global procurement networks in multinational corporations (MNCs). Using network analysis and qualitative case studies across various industries and regions, the study revealed how geopolitical tensions reshaped global procurement strategies. MNCs reduced reliance on single-source suppliers and established regional hubs to mitigate risks. Companies also leveraged digital platforms for real-time monitoring of geopolitical risks. The study recommended promoting agile supply chain structures and investing in predictive analytics for better geopolitical risk management.

Liu (2020) analyzed the influence of US-China trade tensions on procurement strategies within the technology sector of multinational corporations (MNCs). Employing a case study approach with interviews and content analysis of corporate reports, the research highlighted significant supply chain restructuring efforts in response to trade tensions. Technology MNCs diversified sourcing locations and accelerated digital transformation initiatives to mitigate trade risks. The study underscored the importance of collaborative industry efforts and regulatory reforms to stabilize global trade relations amidst geopolitical uncertainties.

METHODOLOGY

This study adopted a desk methodology. A desk study research design is commonly known as secondary data collection. This is basically collecting data from existing resources preferably because of its low cost advantage as compared to a field research. Our current study looked into already published studies and reports as the data was easily accessed through online journals and libraries.

RESULTS

Conceptual Gaps

While existing studies explore various facets of geopolitical risks and their impacts on procurement strategies, there is a notable absence of a comprehensive framework that integrates these dimensions. Nguyen & Wilmsmeier (2019) and Cheng & Jin (2020) focus on specific responses such as sourcing diversification and the effects of trade tariffs, respectively, without considering how these elements interact within a broader risk management strategy. Moreover, although Ivanov & Dolgui (2019) and Liu (2020) mention the use of digital platforms and digital transformation, there is insufficient exploration of how emerging technologies like AI and blockchain could revolutionize procurement strategies in the face of geopolitical risks. Additionally, the current literature lacks detailed cross-industry comparisons, leaving a gap in understanding how different sectors uniquely adapt their procurement strategies to geopolitical challenges.
Contextual Gaps

The focus on large multinational corporations (MNCs) across all cited studies presents a significant contextual gap, as the procurement strategies of small and medium enterprises (SMEs) under geopolitical tensions remain underexplored. SMEs often face different challenges and have fewer resources compared to MNCs, which could lead to unique adaptation strategies. Additionally, there is a methodological gap between qualitative insights and quantitative data. Cheng & Jin (2020) provide a quantitative assessment of trade tariffs’ impacts, whereas other studies predominantly use qualitative or mixed-methods approaches. A more balanced methodological approach would yield a holistic understanding. Furthermore, the studies emphasize immediate and short-term responses to geopolitical risks, but the long-term strategic implications and sustainability of these responses are not thoroughly examined, leaving a gap in understanding the enduring impacts of these strategies.

Geographical Gaps

Geographical gaps are evident in the existing research, with a predominant focus on specific regions such as Europe, the US-China dynamic, and general MNC operations. For instance, Fotopoulos & Psomas (2021) concentrate on the effects of Brexit within Europe, and Liu (2020) examines US-China trade tensions within the technology sector. There is limited exploration of how geopolitical risks affect procurement strategies in other significant regions like Africa, Latin America, and Southeast Asia. Moreover, comparative regional analyses are lacking, which would provide insights into how different regions adapt uniquely to geopolitical challenges. Understanding these regional differences is crucial for developing best practices and adaptive strategies that can be tailored to specific geopolitical contexts.

CONCLUSION AND RECOMMENDATIONS

Conclusion

Geopolitical events exert a profound influence on procurement strategies and supply chain dynamics within multinational corporations (MNCs), compelling them to adapt swiftly to global uncertainties. Studies reviewed underscored that events such as trade conflicts, sanctions, and political instability disrupt established supply chains, necessitating strategic adjustments in sourcing, supplier relationships, and operational practices. MNCs respond by diversifying sourcing locations, enhancing supply chain transparency, and integrating robust risk management frameworks to mitigate geopolitical risks effectively. Moreover, advancements in digital technologies and predictive analytics are increasingly leveraged to monitor and respond to geopolitical developments in real-time.

To navigate these challenges successfully, MNCs are encouraged to foster agility, resilience, and collaboration across their supply networks. Strategic investments in adaptive procurement strategies, continuous monitoring of geopolitical landscapes, and proactive engagement with stakeholders are critical for maintaining operational continuity and competitive advantage in a volatile global marketplace. By aligning procurement strategies with geopolitical realities, MNCs can not only mitigate risks but also capitalize on emerging opportunities amid geopolitical shifts, ensuring sustainable growth and resilience in their supply chain operations.
Recommendations

Theory
Integration of Geopolitical Risk Management into Supply Chain Theory: Enhance theoretical frameworks by integrating geopolitical risk management principles into supply chain resilience models. This involves developing new models that account for dynamic geopolitical environments, enabling MNCs to proactively identify and mitigate risks through scenario planning and strategic supplier diversification.

Adaptation of Institutional and Resource Dependence Theories: Further refine institutional and resource dependence theories to explain how MNCs conform to or challenge geopolitical norms and dependencies. Explore how regulatory compliance and strategic partnerships evolve in response to geopolitical shifts, offering deeper insights into adaptive organizational behavior amidst global uncertainties.

Practice
Agile Procurement Strategies: Encourage MNCs to adopt agile procurement strategies that prioritize flexibility and responsiveness to geopolitical disruptions. This includes establishing multi-sourcing strategies, leveraging local suppliers, and implementing digital platforms for real-time risk monitoring and decision-making.

Supplier Relationship Management: Strengthen supplier relationship management practices to build resilient supply networks. Foster transparent communication and collaboration with suppliers to co-develop contingency plans and mitigate supply chain risks arising from geopolitical events.

Policy
Advocacy for Trade Policy Reforms: Advocate for transparent and stable trade policies that reduce uncertainty and facilitate global supply chain operations. Engage in constructive dialogues with policymakers to address trade barriers, tariffs, and regulatory inconsistencies that hinder cross-border trade and procurement efficiency.

Investment in Geopolitical Intelligence: Governments and industry associations should invest in geopolitical intelligence capabilities to provide MNCs with timely and accurate information on emerging geopolitical risks. This supports informed decision-making and enhances preparedness for geopolitical shocks.
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