Russian-Ukrainian War, BRICS+ & Global Markets: New Management Competitive Landscapes

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Abstract

The Russian-Ukrainian war introduced new elements into the strategic management of large global corporations. Recently, the marketplace of international companies has found a specific growth element, defined in the so-called BRICS+, that is changing competitive horizons and developing new models of management.

In global markets, the managerial economics imposes an adaptive policy of corporate social responsibility, dominated by economic sustainability and eco-responsibility, with corporate conduct that is not always truthful and effective

From the beginning of 2010s and up to these 2020 years, a fifth phase of globalization (Competitive Landscapes Globalization) produced a structural change of competitive horizons, with policies of innovation and imitation focused on oversize management, the obsessive task of cost reductions, the worldwide localization of productions based on alliances, joint ventures and accords, that have developed multi-polar network organizations.

Keywords: Management; Imitation; Innovation; Russian-Ukrainian War; BRICS+; New Competitive Landscapes; Network; Circular Economy; Global Competition; Global Markets

1. New Landscapes, Global Competition & Oversize Management

The Russian-Ukrainian war began in 2014, when the Russian Federation annexed the Crimean Peninsula. In February 2022, Russia launched a full-scale invasion of Ukraine, the largest military conflict in Europe since World War II.

The Russian-Ukrainian War introduced new elements into the strategic assessments of large global corporations, changing competitive horizons and developing new models of competition (Brondoni,2023). The Russian-Ukrainian war

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has had a great impact on the global economy, rising energy prices and disrupting supply chains.

> □ *War in Ukraine: Twelve disruptions changing the world: 1. Ukrainian refugees have considerably increased the population of host countries. 2. As people spend more on essentials, many European households could fall into poverty. 3. Energy policy is rotating toward secure access and source diversification. 4. The war Ukraine will mostly threaten the food security of the Middle East, North Africa, and Western and Central Asia. 5. The race for critical materials, equipment, and commodities intensifies. 6. Global value chains depend on Russia and Ukraine mostly for agricultural and material and chemical products. 7. Most telecom, media, and tech companies from the United States and the European Union are leaving Russia or scaling back, while others are staying (but other companies are making big business, i.e. food, energy, health and communication). 8. Financial-system effects are unpredictable. 9.Defense spending is rising. 10. Cyber attacks continually disrupt societies globally by targeting critical infrastructure. 11. The war has increased the economic volatility. 12. The markets are reacting differently to the war (White, et. Al., 2022).*

Recently, the marketplace of large companies has found a specific element in the new configuration that is being defined in the so-called BRICS+ (Brondoni, 2023). The BRICS is a group of five emerging economies: Brazil, Russia, India, China, and South Africa. The BRICS was founded in 2009, and its members have since become major players in the global economy. In 2022, the BRICS expanded their economic influence when the new BRICS+ expanded their membership, including Argentina, Iran, and Saudi Arabia. The BRICS+ would create a new global economic bloc with a significant amount of power and influence.

Global corporations have been expanding their presence in the BRICS countries in recent years. This is due to a number of factors, including the growing economies of the BRICS countries, their large populations, and their relatively low labor costs.

Since the financial global crisis in 2007, indeed the worldwide largest corporations are worried about the future of industries dominated by U.S., Chinese and Asian economies.

> □ *Since the 1980s, European industries have been declining for many reasons:*
>
> *- Impact of industry dynamics on profitability. The heavy incidence of fixed costs has been an important factor for many capital-intensive industries. Investments on research and development (R&D) were a driver of competitive strength, but*

in markets in decline companies have lowered their investment in research and development.

- Excess of production capacity. Europe delayed in modifying mass production with 4.0 processes; that generated a situation of non-cyclical but structural production over-capacity, independent of normal fluctuations in demand (Brondoni, 2014; Brondoni, 2008).

- Demand stagnation. Producers and suppliers were affected by the risks linked to volatile demands and to stagnant market volumes.

- Market fragmentation and lack of a unique regulation. Western economies are fragmented into so many markets with different speeds in terms of growth, production and sales. Moreover, there are many markets, with so many different laws.

- The financial crisis of 2008, which has driven Asian countries to double down on the tradition of state intervention that has fueled extraordinary growth and produced global industries, such as electronics manufacturing in South Korea and Japan, and China's solar power and semiconductor industries (Brondoni, 2021).

From the beginning of 2010s and up to these 2020 years, a fifth phase of globalization (*Competitive Landscapes Globalization*) produced a structural change in competition. The new policies of innovation and imitation, the obsessive task of cost reductions, the worldwide localization of production have developed the network organizations and have created new opportunities for global competitive alliances, joint ventures, merger and acquisitions (Brondoni, 2012). As a result, strategic alliances, mergers and acquisitions, increased concentration of ownership and created a 'megamerger' of corporate giants that has radically transformed the international competitive landscape (Bosetti, 2019; Brondoni, 2014).

2. Network Policies in New Global Competitive Landscapes

With competitive landscapes globalisation, major corporations abandon the static, limited conception of competition space and attribute the development of particular partial competitive advantages to specific geographical contexts, where they will be coordinated in a more complex system of corporate operations and profitability (market-space management).

□ *State Grid Corporation of China (State Grid) is a large state-owned enterprise crucial to China's energy security and economic lifeline, founded on Dec. 29, 2002. By June 2020, State Grid has successfully invested in and operated backbone energy networks in nine countries and regions, including Brazil, the Philippines, Portugal, Australia, Italy, Greece, Oman, Chile and Hong Kong*

> *China, with overseas investments of US$23.2 billion and overseas equity capital of approximately US$65 billion. State Grid has exported equipment to more than 100 countries around the world, mainly in South America, Africa and Asia, such as Brazil, Ethiopia, the Philippines and Kenya. The equipment includes towers, wires, transformers, circuit breakers, disconnectors, control and protection equipment and others, covering most primary and secondary equipment (Baoan, 2021).*

With the fifth, new stage of globalisation the competitive scenarios and the balance of power between large corporations are changing.

Market-space competition demands managerial capabilities that can govern ramified, disseminated and interconnected organisations (networks). Network relations are managed in such a way as to permit control of alliances, equity (international joint ventures, equity investments) or non-equity (shared manufacturing/co-makership, R&D partnerships, outsourcing, supply-chain partnerships, cooperative marketing, licensing, franchising, etc.) (Brondoni, 2010).

The transformation from MNCs to global networks has led towards vertical specialization and highly diversified patterns of collaboration through inter-firm and intra-firm transactions coordinated by global corporations (Brondoni, 2020).

In global markets, network organisations emphasise ‘competitive knowledge management’; collaboration between companies is achieved by the creation of specific information channels and flows; and finally, company processes are developed inside networks, which postulate the optimisation of performances by dividing operating structures on the basis of space, time and the function performed. In other words, by imposing corporate behaviour focused on competition (market-driven management) (Brondoni, 2010).

3. Competitive Imitation and Innovation in New Global Landscapes

In global markets, the greatest corporations orient internal and external R&D structures to create projects and operational plans strongly driven to competition (market-driven management) (Brondoni, 2010).

Therefore, the R&D projects and plans are characterized by corporate policies of open innovation (dominated by global competition and global financial capitalism), which should minimize the risk of failure by crossing the traditional policy of ‘supply innovation’ (production breakthrough, Schumpeter 1934) with competitive imitation policies developed by global firms (Brondoni, 2010).

> □ *...global companies adopt closed innovation policies when they operate in sectors that are protected from competition…With closed innovation policies, leading companies tend to consolidate their leading position in R&D by sustaining the crucial role of*

Resource-Based Theory (RBT), based on the principle of the maximisation of resources existing inside the company…On global markets where competition is particularly fierce, the leading companies reveal the crucial importance of open innovation policies…Companies therefore acquire ideas, guidelines, resources, processes, etc. from outside, developing them internally to implement innovations and imitations that are competitive…Open innovation stands out for the presence of distributed know-how (in network relations, and therefore within dedicated structures but also outside, with competitors, consultants, suppliers, customers, etc.). In open markets where competition is strong, innovation therefore loses its role of 'ideological hierarchy' over imitation; both have the common goal of maximising company profitability, with the constraint of optimising performance results in the very short term. (Brondoni, 2012).

At the end of the last century, the US automotive industry had introduced the policy of selling the same product with different brands (twin cars with different brands). This competitive marketing policy then developed in the 2000s with a network policy focused on competitive imitation and aimed at minimizing product costs (especially R&D) and maximizing corporate profits.

□ *In the automotive sector, the forerunners of competitive imitation were the 'twin cars' Toyota AYgo, Citroen C1 and Peugeot 107 and 108. This great success of the corporate network between French and Japanese companies has generated numerous current proposals for SUVs and crossovers, including electric or hybrid. Some current examples are: Renault 'Clio' and Mitsubishi 'Colt'; Toyota 'Rav4 Phev' and Suzuki 'Across'; Ford 'Tourneo' and Volkswagen 'Caddy'; Mercedes 'T-Class' and Nissan 'Townstar'; Toyota 'Proace' and Fiat 'E-Doblò'; Dodge 'Hornet' and Alfa Romeo 'Tonale'.*

4. Network Circular Economy in Global Competitive Landscapes

In recent years, global corporations develop circular economy within a company's network. From this perspective, some companies are specifically oriented towards recycling, while other companies belonging to the same group use raw materials obtained from recycling, thus gaining an extensive competitive advantage for all the network's companies (*competitive circular economy*) (Salvioni & Brondoni, 2020).

□ *Since 2010, globalisation has imposed a new view of the competitive environment in which competitors are not always direct rivals. On the contrary, as a result of alliances and*

> *agreements, certain firms can become competitors in the sense that together they contribute to the common objective of generating greater profits, with mega-organisations that have the potential to change the long-term competitive structure of sectors (oversize economy) (Brondoni, 2019; Brondoni & Bosetti, 2018).*

In these last years, the biggest global companies used the circular economy as a specific tool to compete, in a network vision (McIntyre & Ortiz, 2016).

> □ *'**Saint-Gobain Ceramics New Horizons Team.** The Saint-Gobain Ceramics New Horizons Team is ready to work with our valued customers, to provide unique and differentiated solutions, to help customers succeed in what we have identified as six Ceramics Global Grand Challenges. Circular Economy: Performance & Sustainability; Energy Efficiency; Renewable Energy; Recycling; Waste to Energy Conversion.*

5. Network Cost Reductions in Competitive Landscapes

In global markets corporations must maintain high growth rates, and develop an high profitability, with a faster and faster performance time shrinking. In addition, global companies are targeted for: a continuous comparison between big players, with common global competitive horizons; the development of managerial skills of flexible adaptation to change; a narrow focus on the 'core business'; outsourcing of non-core processes; and disposal of marginal business to profitability.

The growing competition imposed by global markets determines particular organizational priorities in the organization of corporations' management, which include: a continuous focus on management, with elective managers reductions and career progression within the networks; the upgrading of internal and external R&D departments oriented on very specialized research objects and focused on development plans characterized by investments with very low return periods (Brondoni, 2010).

The circular economy does not change the profit-maximization paradigm of businesses. It suggests, by contrast, an alternative model from linear forms of production, targeted to value chains based on the development of new core competencies. Indeed, it creates superior performances that cut costs, improve efficiency, and meet the expectations of consumers and the government regulations (Brondoni, 2020; Ellen Mac Arthur Foundation, 2015).

In global markets, with new geographical and administrative boundaries, companies adopt very flexible management behaviours that are characterised by the absolute predominance of costs reductions, and that target the exploitation of global economies of scale.

In business networks the search for global economies of scale aimed at obtaining a pro tempore competitive total cost, requires: 1. complex outsourcing functions; 2. dynamic localisation of plants; 3. and finally, a large-scale commercialisation, to tackle local demand that is poorly motivated to purchase, volatile in its choices and non-loyal in its repurchasing habits. (Brondoni, 2010).

The nowadays globalisation phase (*Competitive Landscapes Globalization*) is characterized by an increasing number of fragmented markets, sometimes over-supplied, where new BRICS+ economies face old western economies, with very different consumer habits and different social/demographic trends. In this new, complex competitive scenario global corporations develop their key-target of dimensional growth with management policies focused on worldwide network structures, hard competitive imitation and innovation hierarchies, an extensive management based on circular economies and first of all an obsession with reducing corporate and network costs.

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