

LEADING IN AN ERA OF GEOPOLITICAL TURMOIL

Executive Bootcamp

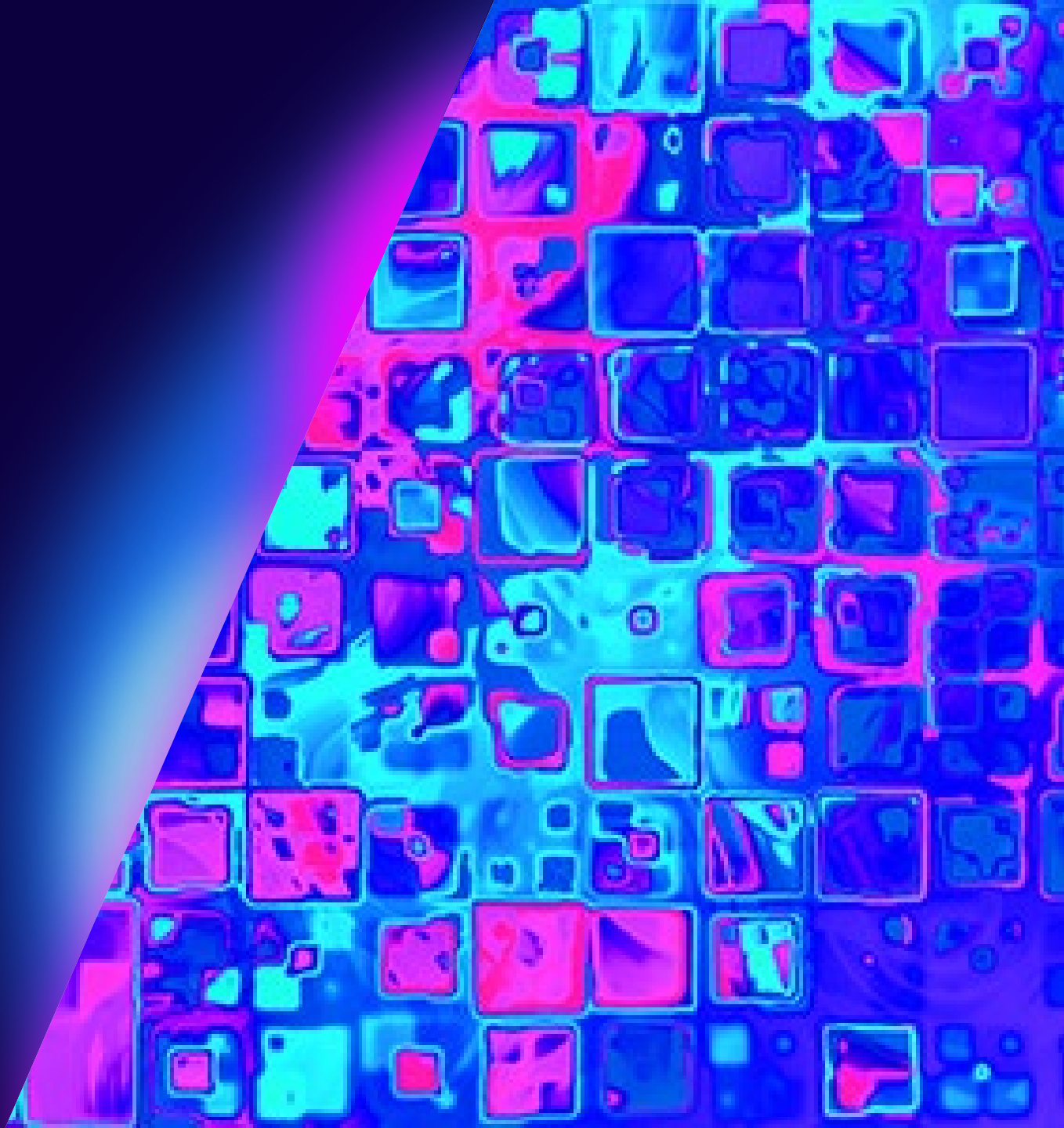
David S. Lee
Hong Kong University Business School

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ARTHUR D LITTLE

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COMMUNITY



Overview: Leading in an Era of Geopolitical Turmoil

Day 1: Exploring the New National Security Economy (“Threat”)

- Introductions
- Unpacking the New National Security Economy
 - *Harvard Business Review*: [“How Companies Can Navigate Today’s Geopolitical Risks”](#)
- Case Discussion
- Q&A

Day 2: Navigating the New National Security Economy (“Response”)

- How organizations respond to the New National Security Economy
- Case Discussion
- Q&A

DAVID S. LEE

Hong Kong University Business School

Expert in the areas of fintech, the intersection of geopolitics and business, risks of new technology, ethics, law, and corporate governance.

Teaching includes executive education (*Fortune* 500, 100, 5 companies), MBA, and other postgraduate degree programs, including the IMBA with Fudan University and the Executive MBA-Global Asia offered with Columbia Business School and London Business School.

Formerly a POSCO Visiting Fellow at the East-West Center, David is a Network of Korean-American Leaders Fellow; a Fellow at the Asian Institute of International Financial Law at the University of Hong Kong; and was a Young Leader and a James A. Kelly Fellow (non-resident) at the Pacific Forum, Center for Strategic & International Studies, where he is currently an Adjunct Fellow.

Published/featured in *Harvard Business Review*, *Handelsblatt*, *Nikkei Asian Review*, *The Korea Times*, *TRT World*, and the *South China Morning Post*.

Prior to academia David worked in investment management. He started his career at Goldman Sachs and has experience as a lawyer, in consulting, and entrepreneurial ventures. Received legal education at UCLA School of Law; graduate degrees from Harvard and the LSE; postgraduate training at Cambridge; and undergraduate education from Brigham Young University.

[Full bio](#)



What is VUCA?

Volatility

Uncertainty

Complexity

Ambiguity

A Guide to Approaching Events in the Four VUCA Categories

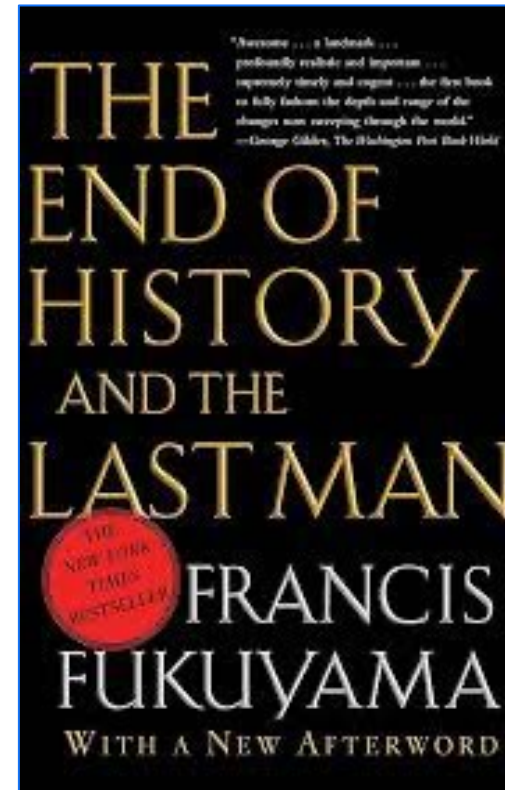
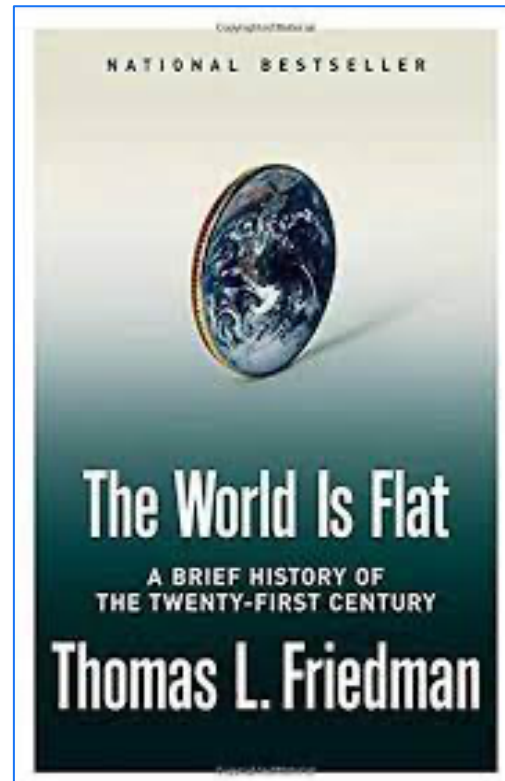
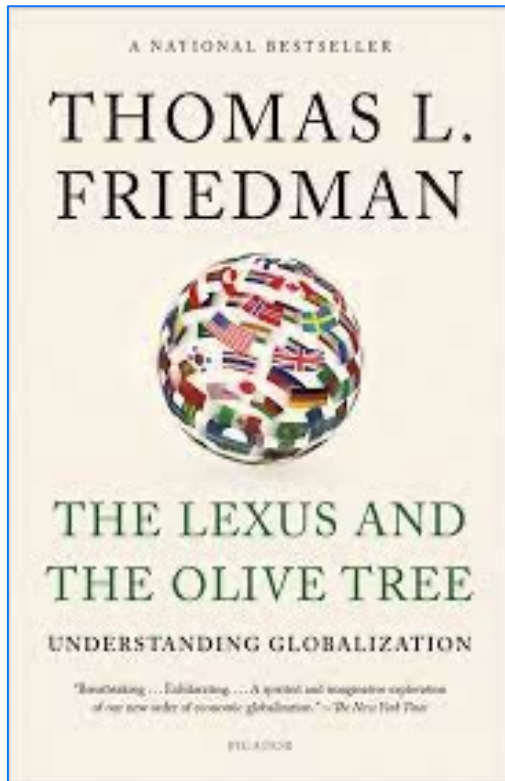


Outlining the New National Security Economy (“NNSE”)

NNSE is shaped by 4 factors:

- 1) deep connectivity within and between societies, which has yielded benefits like globalization while introducing risks related to interdependence (globalization shift);**
 - How has globalization changed?

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“Most CEOs came of age during a period of globalization, when free markets and trade were assumed to be net goods. But the ground has shifted.”

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 - How is this competition different than the Cold War?

2. geopolitical competition between the West and China

Speech by Bill Clinton, given at Johns Hopkins University's School of Advanced International Studies (SAIS), March 9, 2000

“By joining the W.T.O., China is not simply agreeing to import more of our products; it is agreeing to import one of democracy’s most cherished values: economic freedom. The more China liberalizes its economy, the more fully it will liberate the potential of its people — their initiative, their imagination, their remarkable spirit of enterprise. And when individuals have the power, not just to dream but to realize their dreams, they will demand a greater say.”

“Now there’s no question China has been trying to crack down on the Internet. (Chuckles.) Good luck! (Laughter.) That’s sort of like trying to nail Jello to the wall. (Laughter.) But I would argue to you that their effort to do that just proves how real these changes are and how much they threaten the status quo. It’s not an argument for slowing down the effort to bring China into the world, it’s an argument for accelerating that effort. In the knowledge economy, economic innovation and political empowerment, whether anyone likes it or not, will inevitably go hand in hand.”

How have his comments aged?

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 - What about these technologies is different?

3. the primary arena is advanced technologies (e.g., AI, semiconductors, etc.)

“The fall of 2023 [*sic*] will be remembered as a crucial moment in US policy on the transfer of high technology to China. In a speech delivered at the Special Competitive Studies Project Global Emerging Technologies Summit, National Security Adviser Jake Sullivan announced a shift in the Biden administration’s approach. In the past, Sullivan said, export controls were formulated with the goal of maintaining ‘relative’ advantages over competitors in certain key technologies, defined as staying ‘only a couple of generations ahead.’ Due to changes in the strategic environment, the US now must ‘maintain as large of a lead as possible,’ he stated. Tarun Chhabra, who runs technology policy under Sullivan at the NSC, later stressed that the US goal is to ‘extend absolute advantage.’”

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Consider a Different Technology: Digital Currencies→Central Bank Digital Currencies (CBDC)

What are reasons that a country might develop a CBDC?



“It’s something like the space race of the 1960s between Russia and the United States,” says Duffie. “China is the first out with this technology, and it is on track to have the world’s largest economy in about a decade. Some people think the United States is potentially allowing itself to be a step behind in a way that’s not in its interest.”

—Professor Darrell Duffie,
Stanford GSB

Josh Lipsky, a former International Monetary Fund staffer now at the Atlantic Council think tank, said, “Anything that threatens the dollar is a national-security issue. This threatens the dollar over the long term.”

Nicholas Burns, longtime American diplomat and favorite to be ambassador in Beijing, told the group, “The Chinese have created a problem for us by taking away our sanctions leverage.”

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- 4) **the private sector is a primary actor in this fight**
 - How has your organization been impacted by the rise of geopolitics in business?

4. the private sector is a primary actor in this fight (*often reluctantly*)

“We are not a geopolitical actor. But in today’s world, everything we are doing is in one way or another influenced by politics. Our competitiveness is strong, and geopolitics seems to be favoring us. In many parts of the world, the position of Chinese vendors is weakening....We are testing all our business strategies against geopolitics. The megatrends seem to be favoring us. And we see great opportunities to take market share.”

Pekka Lundmark, CEO, Nokia

Fortune interview at Mobile World Conference, Barcelona (2023)

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Didi's Roundtrip

Tech

Didi shareholders give green light for New York delisting after IPO saga sees US\$60 billion in value evaporate

- Didi said that more than 96 per cent of shareholder votes cast were in favour of the delisting plan
- Ride hailing giant was put under an unprecedented Chinese cybersecurity investigation days after it forced its way to a US IPO



Coco Feng in Beijing

+ myNEWS

Published: 9:36pm, 23 May, 2022 ▾

 [Why you can trust SCMP](#)

Didi's Roundtrip

1. What led to Didi's problems?
2. How are regulations and financial markets being used to shape national policies?
3. How would you describe such activity—is it a new trend or more of the same for companies?
4. How can companies navigate this landscape—both in a company's home markets as well as when venturing abroad? (We'll explore this further in Day 2)



Responding in the New National Security Economy (“NNSE”): Two prongs of response: GRAPL (strategic) + PIPE (tactical)

1. GRAPL

Global Business is Now Different

Risk in the New National Security Economy is Holistic

Accept Politics (especially Geopolitics) is a Key Component of Business

Purpose is Paramount

- Remember VUCA?

Learning About the New National Security Economy is Essential



Responding in the New National Security Economy (“NNSE”): Two prongs of response: **GRAPL** (strategic) + **PIPE** (tactical)

2. PIPE

People Power

Identify Your Identity

Processes

Engagement: Shaping the Future



Response to War

BUSINESS

A list of companies still doing business in Russia circulated. McDonald's, Coca-Cola and Starbucks soon pulled out.



By Bryan Pietsch

Updated March 8, 2022 at 4:24 p.m. EST | Published March 8, 2022 at 6:16 a.m. EST



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Over 1,000 Companies Have Curtailed Operations in Russia—But Some Remain

March 11, 2023



Caught in the Middle: Lotte in China



South Korea's Lotte seeks to exit China after investing \$9.6 billion, as Thaad fallout ensues



A Lotte Department Store in Seoul. Lotte Department Store, one of Lotte Group major businesses in China, saw an operating loss of 140 billion won (\$167.6 million) from 2016 to 2018. ST PHOTO: AKSHITA NANDA

Caught in the Middle: Reflection

1. Could Lotte have anticipated China's response? If so, how?
2. Could Lotte have done anything that might have resulted in a different outcome? What might you have advised?
3. What lessons can be learned from Lotte's experience?
4. What guidance can be given to government and business leaders in countries/companies that are caught in the middle?

Let's Discuss:

Any Thoughts or Questions?

If I can ever be helpful, please let me know.

David S. Lee
dslee@hku.hk

Appendix

Strategic Public Policy: A Simple Framework

Variables (Optional)	1 st Order Effects	2 nd Order Effects	3 rd Order Effects
Variable 1 (e.g., cost)			
Variable 2 (e.g., employment)			
Variable 3 (e.g., privacy)			

“In a time of growing uncertainty on the global front, where the ‘new normal’ proves itself to be a state of constant flux, organizations must now contend with the fallout of persisting crime and outbursts of domestic unrest. Since 2020, growing rates of petty and violent crime continue to challenge businesses’ security outlook. As such, risk managers and corporate security leaders must review their organization’s crisis management and business continuity plans in anticipation of crime, protests, unrest and related challenges. Businesses operating in major cities must oversee comprehensive intelligence and resilience planning and prepare for escalations at a moment’s notice. Coupled with global developments, 2023 will pose a host of persisting and emerging challenges.”

Commissioner Bill Bratton, Executive Chairman, Risk Advisory, Teneo

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