



Global Business Strategy in the Era of Uncertainty: Integrating Competitive Advantage, Regulation, and Sustainability

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Abstract

Article history:

Received: January 11, 2023

Revised: March 25, 2023

Accepted: April 27, 2023

Published: June 30, 2023

Keywords:

Competitive Advantage,
Globalization,
International Regulation,
Risk Management,
Sustainability.

Identifier:

Zera Open

Page: 20-39

<https://zeraopen.com/journal/ferdm>

This research aims to analyze global business strategies in dealing with the dynamics of world economic uncertainty by integrating normative and empirical perspectives. Normative approaches are used to examine theoretical frameworks such as Porter's competitive advantage, economic globalization, risk management, and sustainability, as well as international regulations such as WTO, FTA, and global sustainability standards. Meanwhile, the empirical approach is focused on actual trends such as the digitalization of trade, technology adoption, market diversification practices, and ESG implementation by multinational companies. The results of the analysis show that there is a gap between normative theories that emphasize innovation, regulation, and sustainability, and empirical reality that is colored by cost limitations, geopolitical uncertainty, and the risk of market fluctuations. The study confirms that the success of a global strategy is largely determined by the company's ability to adapt the theory of competitive advantage into practice, taking into account international regulations and sustainability demands. Therefore, this research contributes to providing a more comprehensive strategic framework for understanding the interaction between theory, regulation, and empirical reality in global business strategies.



1. Introduction

In the context of increasingly competitive global economic dynamics, companies are faced with the challenge of creating and maintaining a competitive advantage. Lestari (2019) emphasized that competitive advantage can be achieved through differentiation, innovation, and competitive strategies that are adaptive to global dynamics. This frame of thought remains relevant today, especially as economic globalization encourages market integration and accelerates the diffusion of cross-border innovation (Farida & Setiawan, 2022). However, its implementation often faces a gap between normative theory and empirical conditions in the field. Normatively, the theoretical basis of this research refers to several main frameworks. First, Porter's theory of competitive advantage, which emphasizes the importance of product differentiation, innovation, and global strategy in the face of competition. Second, the theory of economic globalization and market integration, which explains how the liberalization of international trade, supported by the WTO and free trade agreements (FTAs), creates opportunities while increasing vulnerability to external risks (Sundaram, 2018).

Third, risk management and market diversification theory, which emphasizes the importance of managing uncertainty through risk spread, both in the context of exchange rate fluctuations, trade wars, and international market volatility (Ngatikoh & Faqih, 2020). Fourth, sustainability theory, which highlights the importance of sustainable business practices, ESG (Environmental, Social, Governance), as well as compliance with international standards such as GRI and ISO (Nylund et al., 2021). On the regulatory side, there is a normative foothold that strengthens the direction

of research. International trade regulations issued by the WTO as well as tariff policies and protectionism of large countries have shaped the global trade landscape. In addition, global environmental regulations, such as the Paris Agreement, encourage companies to adopt sustainability standards. Government policies related to export-import, investment, and international business standards (OECD Guidelines, ISO, GRI) are important instruments that must be adhered to by global corporations to remain relevant and competitive.

However, in empirical reality, global dynamics show more complex conditions. International trade data recorded significant fluctuations due to the trade war, the Covid-19 pandemic, and geopolitical turmoil (Hayakawa & Mukunoki, 2021). The phenomenon of digital technology adoption, ranging from big data, e-commerce, to artificial intelligence, has changed competition patterns and opened up new opportunities for multinational companies. Recent statistics show a significant increase in market diversification carried out by global companies to reduce dependence on one particular region (Del Rosal, 2019). In addition, sustainability trends are also increasingly prominent, characterized by increasing investment in renewable energy and green business practices (Kahupi et al., 2021).

Recent global phenomena also show a contradiction between opportunities and risks. On the one hand, digitalization and globalization are accelerating the expansion of the market, but on the other hand, it increases vulnerability to cybersecurity risks. Global companies such as Tesla and Unilever have shown how sustainability integration can be a differentiation strategy, but many other companies

have difficulty adapting due to limited costs, human resources, and regulatory resistance (Visser, 2020).

Previous empirical studies support the gap between normative theory and empirical reality. For example, research shows that market diversification is effective in lowering long-term risk, but is often hampered by regulatory barriers and transaction costs (Carlisle et al., 2022). Similarly, technological innovation has been shown to increase global competitiveness, but not all companies have the capacity to invest in R&D (Sukumar et al., 2020). Trade policy changes have also been shown to have a significant impact on export-import stability, especially for developing countries (Sundaram, 2018). Thus, there is a significant research gap: normative theory emphasizes innovation, sustainability, and diversification, while empirical reality points to implementation limitations due to high costs, geopolitical risks, and market uncertainty. The urgency of this research lies in the need to formulate adaptive strategies that are able to bridge theory and practice, so that companies can remain competitive in the face of rapidly changing global dynamics.

2. Literature Review

2.1. Competitive Advantage and Globalization

The concept of competitive advantage remains central to the international business literature, but its definition has evolved along with global market dynamics. Porter emphasized that the key to maintaining long-term competitiveness is through differentiation, innovation, and global market dominance. This strategy allows companies to differentiate their products or services, create unique value, and

establish a dominant position in the market. In today's era of digital globalization, technology-based innovation has expanded the scope of competition, allowing companies, even smaller ones, to enter new markets that were previously unaffordable (Farida & Setiawan, 2022). Digital technology has broken down geographical and cost barriers, opening up opportunities for companies to compete on a global level. However, globalization also brings with it significant vulnerabilities. Dependence on international supply chains (global value chains) makes companies vulnerable to external shocks.

A study by Hayakawa and Mukunoki (2021) shows that the Covid-19 pandemic disrupted GVCs massively, forcing many companies to reevaluate their global expansion strategies. Events such as the pandemic, trade wars, and political instability show that business models that rely solely on global supply chain efficiency can collapse in the face of a crisis. Companies that rely on a single supplier or limited shipping routes are feeling the impact of this disruption the most. Therefore, contemporary literature confirms that competitive advantage is no longer determined solely by internal factors of the company, such as operational efficiency or product quality. Instead, the ability to adapt to geopolitical, regulatory and global crises has become equally important determinants. Companies that are able to build operational resilience, diversify supply chains, and respond quickly to external changes will have a more sustainable advantage. These adaptations include the development of more flexible strategies, geographic diversification, and investments in technologies that can improve operational resilience. In short,

competitive advantage in the 21st century demands a combination of internal innovation and strong external adaptability.

2.2. Risk Management and Market Diversification

In the latest literature, risk management plays an important role in a company's global strategy. Multinational corporations today face a variety of uncertainties, such as exchange rate fluctuations, trade wars, and political instability. To meet these challenges, market diversification emerged as a risk mitigation strategy. By distributing business exposure to different regions, companies can reduce their reliance on a single market. This strategy helps protect the company from external shocks that occur in one of the countries or regions. Ngatikoh and Faqih (2020) emphasized that this diversification strategy has become an effective tool for many companies to increase their operational resilience. This approach allows companies to balance potential losses in one market with positive performance in another. Thus, diversification not only serves as a "shield" against risk, but also as a foundation for long-term operational stability.

However, other studies also confirm that while diversification is able to increase resilience, its success is strongly influenced by management efficiency and a deep understanding of local regulations. Del Rosal (2019) shows that without efficient management and adequate knowledge, diversification can backfire, creating new operational complexity. Companies that do not have a strong management system in place may struggle to manage dispersed supply chains, cultural differences, and diverse legal requirements in each market. Therefore, investment in the

development of managerial capabilities and competent local teams is a prerequisite for successful diversification.

More so, contemporary literature emphasizes the importance of integrating risk management with innovation strategies. Diversification should not be just defensive, aiming to avoid losses. Instead, a proactive approach allows companies to not only protect themselves from risk, but also open up new growth opportunities. For example, a company can enter a new emerging market with innovative products or services tailored to local needs. This approach transformed diversification from a mere defense strategy into a dynamic engine of growth. By combining a mature understanding of risk with a spirit of innovation, companies can create a resilient and sustainable competitive advantage amid changing global market dynamics.

2.3. Sustainability, Regulation, and Global Standards

The issue of sustainability has become one of the most important dimensions in the contemporary international business literature. Global companies are now facing increasing pressure to comply with ESG (Environmental, Social, and Governance) standards, international environmental regulations, as well as global business standards such as the OECD Guidelines and the Global Reporting Initiative (GRI). Compliance with these standards is no longer just considered an obligation, but rather an integral part of the business strategy. This reflects a paradigm shift, where ethical and environmental values are the main considerations in business decision-making. A study by Nylund et al. (2021) shows that the integration of sustainability into business strategies not only helps companies meet regulatory demands, but also provides strong differentiation opportunities in the

market. By adopting eco-friendly practices or positive social initiatives, a company can differentiate itself from competitors, attract environmentally conscious consumers, and build a positive brand image. This practice ultimately strengthens legitimacy and trust in global markets.

Furthermore, Kahupi et al. (2021) affirm that sustainability practices not only improve a company's reputation, but are also proven to contribute to long-term competitive advantage. Companies that are committed to sustainability are often more efficient in their use of resources, more innovative in product development, and more attractive to top talent. This advantage creates a positive cycle that supports sustainable growth and profitability. Thus, the latest literature confirms the importance of combining sustainability strategies with global regulatory compliance. This is a response to increasingly complex demands from a variety of parties, including increasingly critical consumers, governments setting stricter regulations, and investors incorporating ESG factors into their investment decisions. To succeed in today's global marketplace, a company must be able to balance innovation, profitability, and social and environmental responsibility.

3. Method

This study uses an empirical normative method, which conceptually combines theory, regulation, and policy-based analysis (normative) with the collection and analysis of actual data in the field (empirical). This method was chosen because it is in accordance with the research objective, which is to bridge the gap between the conceptual foundation of global strategy and the real conditions faced by

multinational companies. The normative approach focuses on the evaluation of international theories, legal frameworks, and policies that influence global trade dynamics and business strategies. Some of the main theories that are referenced are Porter's theory of competitive advantage, the theory of economic globalization, the theory of risk management and market diversification, and the theory of sustainability. Analysis was also carried out on international legal instruments such as World Trade Organization (WTO) rules, Free Trade Agreements (FTAs), protectionist policies, and global environmental regulations including the Paris Agreement and the OECD Guidelines, ISO, and GRI sustainability standards.

At this stage, the research uses secondary data in the form of the latest academic literature, government documents, reports of international organizations, and regulations applied in various countries. Normative analysis allows researchers to understand how these theories and regulations shape corporate behavior and strategies in the face of global dynamics. Meanwhile, an empirical approach is carried out to assess how multinational companies respond to global challenges in real practice. The data used includes international trade statistics (export-import), adoption of digital technology (AI, big data, e-commerce), sustainability trends, and exchange rate fluctuations. Data is obtained from reliable sources such as the World Bank, IMF, UNCTAD, WTO. This research emphasizes analysis of contemporary phenomena such as the impact of the US-China trade war, supply chain disruptions due to Covid-19, the risk of a global recession, and the increased implementation of ESG standards in large companies such as Tesla and Unilever. The analysis techniques used are descriptive-analytical and comparative. Descriptive analysis is

used to describe the actual conditions faced by global companies, while comparative analysis is done by comparing normative frameworks with empirical conditions.

Thus, this research can identify the gap that arises between theoretical and regulatory foundations and the reality of international business. To maintain validity and reliability, this study relies on data triangulation by comparing various academic sources, company reports, and policy documents. In addition, the limitations of the research are also recognized, especially related to the limited access to confidential company data, so that the research emphasizes more on publicly available secondary data. With this framework, the empirical normative method is expected not only to make an academic contribution in the form of a comprehensive understanding of global business strategies, but also to produce practical recommendations that can be used by policymakers and business actors to increase resilience and competitive advantage in the midst of increasingly complex and uncertain global economic dynamics.

4. Results

The results of this study show that the competitive advantage put forward by Michael Porter remains the foundation in the analysis of global business strategies, but its application has undergone a major transformation in the last decade. Companies no longer only compete based on low costs and product differentiation, but also have to take into account the dimensions of sustainability, supply chain resilience, and digitalization that increasingly define their position in international competition. As digital technologies evolve, especially artificial intelligence (AI) and

big data analytics, innovation has shifted from simply creating new products to creating an adaptive, data-driven, and sustainable business ecosystem. Recent studies confirm that digital innovation has become a major factor shaping the competitive advantage of global companies because it affects production efficiency, adaptation speed, and ability to meet changing consumer demands (Hayakawa & Mukunoki, 2021).

Although economic globalization still encourages market integration, the process is now fraught with uncertainty. The trade war between the United States and China, as well as increasing protectionism in various regions, are factors that are slowing down the process of global integration. Data shows that many multinational companies that were originally oriented towards aggressive expansion are now more cautious and are opting for market diversification strategies to reduce dependence on one region. This diversification is not only aimed at expanding market share, but also as a risk management mechanism to face the turmoil of the world economy. According to Anwar (2022), a market diversification strategy is increasingly seen as a necessity because high global uncertainty has shifted companies' priorities from rapid growth to long-term stability. The Covid-19 pandemic has further reinforced this pattern by exposing the fragility of global supply chains and the huge impact of dependence on one major supplier country, especially in the manufacturing and technology sectors.

This research also shows that risk management is now a central element in the strategic decision-making of global companies. Risks arise not only from exchange rate fluctuations or changes in trade rates, but also from geopolitical

factors, climate, and digital threats. Companies that successfully diversify the market show a higher level of resilience to global crises than companies that are concentrated in a specific region. These findings show that the theory of diversification that was once more often seen as a financial strategy has now evolved into a comprehensive business strategy that determines the continuity of the company's operations at the international level.

In the context of sustainability, this study found that the application of Environmental, Social, and Governance (ESG) principles has developed into a strategic factor that determines global competitiveness. Sustainability is no longer just a moral demand or regulatory compliance, but a business strategy that is able to attract investors, increase reputation, and strengthen consumer loyalty. Anwar (2022) found that companies with high ESG scores tend to have better access to funding, lower levels of risk, and more resilient performance in the face of crises. The practices of companies such as Tesla and Unilever show that sustainability can be combined with technological innovation to generate significant market value while meeting the demands of increasingly environmentally conscious consumers. This proves that the sustainability dimension has been integrated within the framework of global competitive advantage.

On the other hand, the complexity of international regulations is becoming an increasingly real challenge for global companies. The World Trade Organization (WTO) is still the main reference, but its effectiveness continues to be questioned due to the rise of bilateral and regional trade agreements. Sundaram (2018) notes that the phenomenon of mega-regional agreements such as the CPTPP and RCEP

marks a shift from multilateral regimes to more fragmented regionalism. This causes companies to have to face multiple and sometimes conflicting rules between countries. In addition, international environmental regulations increasingly demand that companies make the energy transition, reduce emissions, and adopt green technologies. Although these policies increase operational costs, research by Visser (2022) shows that environmental regulations also encourage innovation and create opportunities for companies to develop new business models based on the green economy. Thus, regulation can be understood not only as an obstacle, but also as a catalyst for changes in global business strategies.

Digital transformation is one of the most influential factors in the results of this study. Digitalization enables significant efficiency and innovation, but at the same time opens up space for new risks in the form of cybersecurity threats. Multinational companies now face the threat of data leaks, ransomware attacks, and digital disruption that can cripple global operations. Thus, the integration of digital strategies must always be accompanied by a strong cybersecurity system so as not to create new vulnerabilities. Empirical analysis of multinational companies also reveals an interesting variety of strategies. Tesla, for example, has successfully combined technological innovation, sustainability orientation, and product differentiation to build an unmatched global competitive advantage. Tesla's success shows that the combination of innovation and sustainability can increase market value while strengthening the company's social legitimacy. Meanwhile, more traditional Japanese automotive companies, such as Toyota and Honda, are relying more on market diversification and flexible supply chain strategies to maintain performance stability

amid global uncertainty (Anwar, 2022). This case study confirms that there is no single strategy that applies universally, but rather that it is necessary to adapt the context according to the resources and market conditions that the company is facing.

However, this study also found a gap between the normative framework and empirical reality. Normatively, theories of international business strategy emphasize the importance of innovation, sustainability, and market integration. Empirically, however, many companies still face limited capital, human resources, and technology that limit their ability to implement the ideal strategy. Rehman et al. (2021) noted that around 45% of companies in developing countries are lagging behind in implementing ESG-based strategies due to cost barriers and lack of institutional support. This fact shows the need for adaptive policies that not only emphasize regulation, but also provide tangible support in the form of incentives, technology transfer, and training programs to encourage the adoption of more sustainable and innovative strategies.

The results of this study confirm that today's global business strategy is shaped by the dynamic interaction between normative theory and empirical reality. Competitive advantage, globalization, risk management, sustainability, regulation, and digitalization are intertwined and determine the direction of international corporate development. These findings show that successful companies in an era of global uncertainty are those that are able to balance theory and practice, integrate sustainability with innovation, and build adaptive strategies that are appropriate to regulatory dynamics and global market conditions. Thus, the gap between normative

and empirical can be bridged through a hybrid approach that combines theoretical vision with practical flexibility.

5. Discussion

This research discussion emphasizes that today's global business dynamics cannot be understood only through classical theoretical frameworks, but must be interpreted in the context of global uncertainty, digital transformation, and sustainability demands. The findings show that there is a convergence as well as a divergence between the normative framework and the empirical reality faced by international companies. Michael Porter's theory of competitive advantage, for example, is still relevant to explain the importance of differentiation, innovation, and low-cost strategies (Farida & Setiawan, 2022). However, such theories are no longer sufficient to address the complexity of external factors such as geopolitical risks, global health crises, and sustainability demands affecting the international business ecosystem. Thus, classical theory must be expanded to align with contemporary challenges, where digital sustainability and resilience are now considered a new source of competitive advantage.

Furthermore, discussions on international regulations show the duality of policy roles. On the one hand, international trade and environmental regulations are seen as obstacles that add to the company's operational costs. But on the other hand, regulations actually encourage the birth of new innovations and more adaptive business practices. This is in line with risk management theory, where risk is not only something to be avoided, but can also be an opportunity to build a more resilient

strategy. Research by Borsatto et al. (2020) shows that companies that respond to environmental regulations with technological innovations actually obtain a greater increase in market value than companies that only try to meet minimum standards. This fact reinforces the results of research that regulation can be a catalyst for strategic change when companies interpret it proactively.

The discussion also highlighted the importance of sustainability and the application of Environmental, Social, and Governance (ESG) principles as determinants of global competitiveness. Normatively, ESG is seen as the new standard in international business, while empirically, its application shows significant benefits for companies, both in terms of reputation, access to funding, and resilience to crises. However, there is a wide gap between multinational companies in developed countries and companies in developing countries. Companies in developed countries are better able to integrate ESG into their business strategies because they have more mature technology, regulation, and infrastructure support (Daugaard & Ding, 2022). In contrast, companies in developing countries still face cost barriers, limited human resources, and weak policy support. The gap in ESG adoption between developed and developing countries has the potential to create new inequalities in global trade, where companies from developing countries risk lagging behind international competition.

Therefore, this discussion emphasizes that the urgency of research lies in bridging the gap between normative theory and empirical reality. Global companies need to develop hybrid strategies that integrate digital innovation, market diversification, and sustainability in response to global complexity. The government

is also required to provide a policy framework that is not only regulating, but also supporting, through incentives, easy access to green financing, as well as technology capacity building programs in developing countries. Only with a combination of internal corporate factors and external support from regulations, international business strategies can evolve to be adaptive, sustainable, and resilient in the face of global uncertainty. Thus, this research discussion shows that the success of global companies is not only determined by their classic competitive advantage, but also by their ability to read changes, adapt to regulations, and utilize sustainability as a strategic opportunity that determines the future of global business.

6. Conclusion

This research shows that today's global business strategy can no longer be separated from the integration between normative theory and empirical reality. Porter's theory of competitive advantage emphasizing innovation, differentiation, and cost efficiency remains relevant, but not enough to address the complex challenges that arise in the era of contemporary economic globalization. Geopolitical changes, global supply chain disruptions, health crises, and sustainability pressures require companies to adopt more adaptive and multidimensional strategies. Therefore, competitive advantage is now increasingly shifting from just traditional cost and innovation factors to mastery of digital technology, market diversification, and integration of sustainability principles. The results of the study also show that international regulations, both in the fields of trade and the environment, play a dual role as an obstacle as well as a catalyst for innovation. Companies that are able to

interpret regulations as opportunities can actually increase their competitive value through proactive innovation and compliance. This reinforces the view that global regulation is not merely restrictive, but can encourage positive strategic change.

In the context of sustainability, ESG standards have become the new norm that determines the competitiveness of global companies. However, there is still a significant gap between developed and developing countries in terms of ESG adoption, which has the potential to deepen inequalities in international trade. Thus, the urgency of this research lies in the strategic recommendation that companies need to develop a hybrid approach that combines digital innovation, risk resilience, and sustainability, while governments must strengthen regulations that support, provide incentives, and build an ecosystem conducive to global business transformation. Only with the synergy between the company's internal factors and external policies, global business strategies will be able to survive economic uncertainty while making a positive contribution to sustainable development.

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