# Strategies for Coping with Global Disruptions: Diversify, Transform, Disengage, or Bypass?

**Valeria Nyu**
*Nord University*

**Frode Nilssen**
*Nord University*

*Abstract*

*Global disruptions have a dramatic effect on international trade and often come as a shock to businesses. The consequences of disruptive events lead to uncertainty and radical changes to companies´ well-established strategies. As a result, companies need to develop appropriate responses in order to adapt to the new reality and survive. In this paper, we discuss two cases – the Russian embargo introduced in 2014 and the U.S. additional tariff imposed in 2019 – to shed light on importers´ strategies in response to disruptions in the seafood industry. Based on our field observations, we propose a typology of strategic responses to global disruptive events.*

**Firm Responses to Global Disruptions**

How do firms respond to sudden, dramatic changes in the global environment? In today´s increasingly turbulent world, businesses find themselves frequently affected by unpredictable external factors. Increasingly, these are disruptions of global scale rather than being confined to nation states or a certain geography. Some examples are natural disasters and other climate change issues, disease outbreaks, technological and cyber changes, and trade disputes and policies. Such discontinuities have been previously addressed in the literature as disruptions. Each of these disruptions has increasingly influenced international trade in recent decades.

Disruptions on a global scale are now a reality in an increasingly interconnected global economy. International trade has become particularly vulnerable to regulative disruptions as governments forward their political agendas via economic penalties and sanctions with increasing frequency. For firms, it is a recurrent phenomenon that companies need to cope with in order to maintain their business in international markets. Such disruptions are often rooted in non-tariff (SPS and TBTs) and tariff barriers to trade, which have an immense impact on the local businesses. In terms of buyer-supplier relationships, such trade barriers lead to reduced amounts of imports and the loss of existing suppliers. As a result, importers are forced to seek alternative opportunities to compensate for the sudden market loss.

Disruptions may lead to devastating consequences (i.e. financial losses) for firms that may linger for years after the event occurred.[1] The success of businesses in the face of such disruptions varies across markets, industries and companies. Often, companies are caught unprepared and are not able to react rapidly or effectively. This is understandable, since trade barriers may result in significant changes in the "rules of the game". Yet, the actions that companies take in response to disruptions determine their fate. Some organizations manage to succeed, others face catastrophic consequences. Managers need to respond quickly by implementing proactive measures and allocating necessary resources.[2] Difficult and volatile conditions require specific strategic responses to adjust to the new challenges.[3] Some firms struggle and fail. Others are able to survive the breakdown of the old patterns and take advantage of the new opportunities. In other words, it is crucial to find the new sources of competitive advantage in the moment of change. The question is: what strategies allow companies to navigate through the challenges associated with global disruptive changes in accessing foreign markets?

A vast array of studies has addressed the influence of sudden changes and uncertainty on internationalization, international trade and FDI.[4-9] However, many address exporters or foreign direct investors that aim to engage in the host country. In contrast, issues related to importing firms have been generally neglected. In this article, we examine how the importing companies adapt and behave in order to mitigate the adverse impact of disruptions in a rapidly changing environment. We use the global seafood industry as the context for our research. Today seafood represents an immense international commodity, which is traded back and forth across the world depending on market conditions. Globally, world trade in fish and fish products has grown significantly in value terms, with exports rising from USD 7.8 billion in 1976 to USD 164 billion in 2018, at an annual growth rate of 8 percent in nominal terms.[10]

Key national players in this sector include China, Norway, Vietnam, the United States, India, Thailand, and Russia. Much of seafood trade involves both large wild fish species such as pangasius, pollock, cod, pelagic fish (herring, sardines and mackerel), and aquaculture species such as carps and salmon species to mention a few.[11]

The seafood business is particularly exposed to disruptive changes due to the nature of the industry. The value of the product is determined by buyer imperatives for quality (i.e. freshness), which requires establishing an efficient supply chain. The high perishability of seafood products obligates firms to provide rapid strategic responses to the changes. Given that the industry has been exposed to a number of disruptive changes in recent years (for example, Russia´s closure of all imports from traditional seafood suppliers, the U.S.-China trade war dispute, the U.S. import restrictions on tuna imports from Mexico,[12] South Korean ban on Japanese seafood products (the Japanese Fukushima food dispute),[13] the anti-dumping measures on fish fillets from Viet Nam in the U.S.,[14] the U.S. anti-dumping measures on shrimp and diamond sawblades from China[15]), the question arises as to how well importers of seafood cope with a risky, turbulent environment.

We introduce two cases as illustrative examples of how firms accommodate sudden changes that arise from the global environment. First, we introduce the example of the Russian embargo on food imports from August 2014. Based on a series of in-depth interviews with Russian importers, we illustrate how companies adapt their strategies to a major disruption in their procurement process. Second, we draw attention to the recent imposition of a 25 percent additional tariff on Chinese imports by the Trump administration in 2019. We examine how U.S. importers deal with the new challenges associated with seafood imports and how these changes shape their strategic decisions. Both cases represent a major disruptive change to trading activities of local companies, which is a cause for confusion and uncertainty. Due to the highly competitive intensity and environmental turbulence, such changes require effective, timely, and strategic responses. With that in mind, our main question is: What should be strategic responses by importers to major global disruptions?

In the following discussion, we propose a set of strategic responses that may help to classify and analyze companies′ reactions to global disruptions. The strategic response option mainly relies on two strategic dimensions; company capabilities and resources on the one hand and market opportunities and business environments on the other hand. First, we provide a brief overview of the literature on strategic responses to global disruptions. Next, we introduce the two case studies to illustrate how importers have been impacted by disruptive changes in two different contexts within the seafood industry. We then introduce our typology of response strategies based upon the integration of previous research and our own empirical findings. We revisit the cases and discuss the response strategies implemented in Russia and the U.S. Our aim is to identify the best practice in responding to disruptive changes. Lastly, we reflect upon the potential measures that companies could undertake in order to anticipate and be better prepared for likely disruptive events in the future.

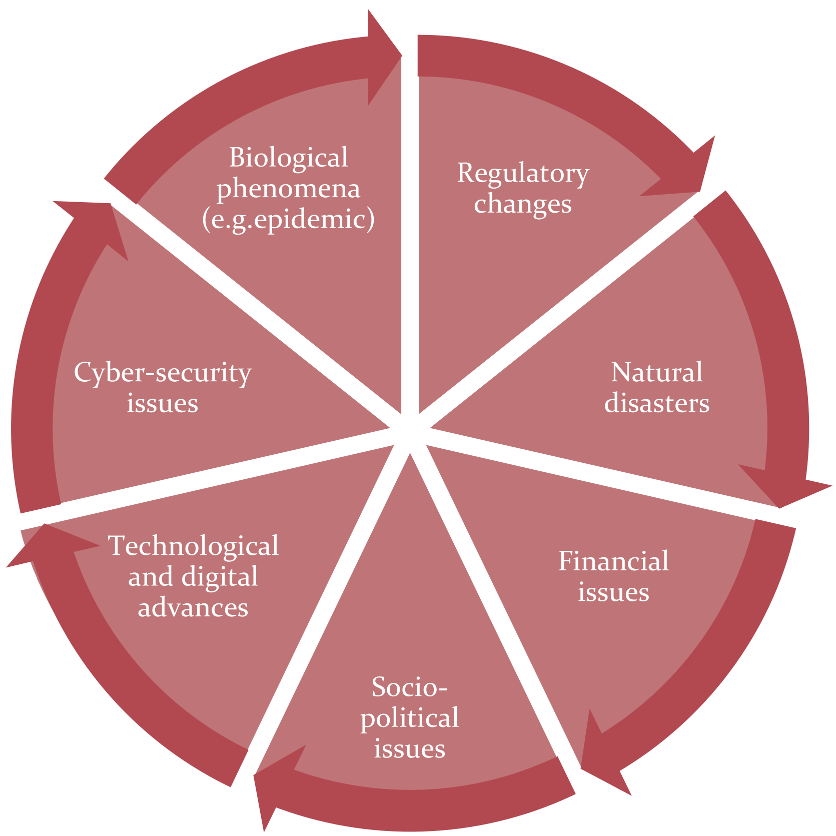
## Global disruptions and strategic responses

The topic of strategic behavior in response to different types of disruptions has received considerable attention among both scholars and practitioners. Previous research on global disruptions and adaptive strategies has focused primarily on several broad areas: supply chain disruptions, disruptive innovations, and technological/digital disruptions. A number of scholars have addressed the impact of disruptions on managing supply chains.[16-21] Sudden disruptive events result in substantial financial and operational costs for the companies. The appropriate response within supply chain disruption management typically involves building organizational resilience in order to anticipate current challenges as well as anticipate and address disruptions in the future. In a recent study on disruption recovery, Zhu, Krikke and Caniëls[22] identify several major sources of disruptions including: natural disasters, socio-political issues, regulatory changes, and financial issues. A graphical representation of such disruptions is presented in Figure 1. In order to ensure a successful recovery from such events, it is necessary for companies to implement a strategy that allows them to quickly respond to and mitigate the harmful impacts of sudden disruptions.

The relationship between disruptions and strategic behavior has been addressed in several studies by Clayton Christensen and his colleagues. Christensen and Overdorf[23] investigated the managerial responses to disruptive innovations. The authors posit that managers are usually able to anticipate the disruptive changes ahead of time and therefore, can develop an appropriate response. By relying on organizational capabilities managers are able to recognize the opportunities that stem from the disruption and cope with it accordingly. The crucial step in coping with disruptive innovation is identifying it in advance and determining whether an organization possesses the resources required to succeed. While this approach may be effective in addressing disruptive innovations, regulative disruptions often occur abruptly and companies find themselves caught off guard. Therefore, organizational responses should require a broader spectrum of strategies to tackle with the sudden disruptive changes.

The importance of developing a suitable strategy in response to disruption was emphasized by Voelpel et al.[24] In order to survive and succeed in discontinuous and competitive environments companies need to look beyond the existing ways of doing business and instead focus on working differently than their competitors. The authors refer to it as escaping the trap of the "Red Queen Effect". The "Red Queen Effect" implies that in order to survive the companies need to "run harder" than their competitors. Working harder and improving competencies may allow companies to avoid risks and benefit from short-term success. However, the authors suggest that in an increasingly competitive business environment it is necessary for companies to break free from the "traditional" and "unoriginal" practices and reinvent their business models. By implementing proactive and different responses to the unsettling disruption companies can improve their efficiency against competitors and ensure long-term success.

**Figure 1.** Types of disruption




Since Christensen first introduced his conceptualization of disruption in 1992, the world has changed and so did the pace of disruption.[25] The growth of global businesses, the IT revolution, and the increasing pace of information exchange, all have caused dramatic changes to the context where disruptions occur. If back in the day, the cycle of disruption lasted 10 to 30 years, disruption can now reach the global scale in a matter of months. The accelerating pace of disruption calls for rapid responses from the business community. The examples of such fast-paced business model disruptions include widely used platforms such as Twitter, Netflix, Hulu, Skype.[26] These are also referred to as big-bang disruptions, which are defined as unplanned and unintentional disruptive products or technologies.

Rapid development of technologies has brought the attention of scholars and practitioners towards technological disruption. Khanagha et al.[27] emphasize that finding an effective strategic response to disruption turns out to be challenging for a number of companies. Technological developments of the past appeared to be mostly gradual and incremental in nature. In today´s world of fast-paced technological advances, the survival of the firms often depends on their ability to cope with digital disruption. The successful strategic response is the one that acknowledges the need to maintain the relationship with key customers and, at the same time, allows strategic flexibility.

In a recent article, Stalk and Stewart[28] emphasize the importance of rapid decision-making in the face of disruption. The authors propose the Observe-Orient-Decide-Act (OODA) loop model in military pilot maneuvers to demonstrate the process of avoiding disruption among legacy companies. The dynamic model includes the following steps: scanning the business environment in search of potential opportunities and disruptions (i.e. competition, technologies, customers, etc.); orienting their strategy towards the new circumstances (i.e. introducing a new product, developing new skills, accessing a new market), deciding how to respond, acting rapidly upon the selected strategy. Although, this model offers a broad set of actions, it focuses mainly on avoiding disruptions from the business environment. Hence, more guidance is necessary on how to cope with sudden disruptions in addition to the existing preventive strategies.

Although, previous studies have covered many topics related to strategic responses to global disruptions, there is still need for further research, particularly on regulative disruptions. When it comes to digital or technological disruption or innovation, both researchers and practitioners emphasize that managers should be able to anticipate the disruption. In other words, how to avoid the disruption before it occurs. Such an approach is not applicable to regulative disruptions, as they often happen out of the blue – so-called black swan events that make it impossible to prepare the course of action in advance. Moreover, the companies are unable to "outrun it". Based on the above reasoning, we have reviewed some key contributions that address issues to strategic planning, contingencies and market failures. A brief overview of the extant literature is presented in Table 1. The intention is to develop a set of strategic responses to regulative disruptions.

**Table 1.** A brief overview of the extant literature

| Author(s) | Key themes |
|---|---|
| Oliver [29] | Based on institutional theory, the study develops a conceptual framework that classifies strategic responses to institutional pressures. Strategic responses range in the extent of resistance to institutionalization: acquiescence, compromise, avoidance, defiance, and manipulation. Each of these strategies involves different tactics. |
| Christensen & Overdorf [23] | The article focuses on managerial responses to disruptive innovations. In particular, it looks into the organizational capabilities that allow companies to cope with disruptive changes. The capabilities arise from organizational resources, processes, and values. |
| Hadjikhani & Ghauri [30] | By applying network theory, the study investigates how firms at different stages of internationalization manage their relationships with political actors. Two behavioral options: 1. Adaptation (organizational and production change); 2. Influence (changing the established political rules in the enterprise's favor). |
| Vance [31] | A firm-level analysis of strategic responses by Canadian and U.S. exporters to the regulative disruptions - increased U.S. border security measures after September 11$^{th}$. E.g.: outsourcing, changing pricing structure, increasing warehousing, reducing dependency, expanding to other global markets, disinvestment (relocation home). |
| Kumar, Himes & Kritzer [32] | Reduction of the impact of supply chain disruptions can be achieved through risk assessment and risk-mitigating strategy. The study aims to develop a process and framework that can be used by organizations in order to determine areas of risk and further provide a set of strategies for tailoring the risk mitigation strategy to their unique needs. |
| Gasbarro & Pinkse [33] | The study emphasizes adaptive behavior in response to climate-induced physical change (corporate climate adaptation). Four types of adaptation behavior emerge (depending on the degree of awareness and vulnerability): 1. Pre-emptive; 2. Reactive; 3. Continuous; 4. Deferred adaptation |
| Revilla & Saenz [17] | The study develops supply chain risk management framework to explain how firms respond to supply chain disruptions. Four patterns in managing supply chain risks: 1. Passive; 2. Internal; 3. Collaborative; 4. Integral. |
| Wang & Wang [34] | By using structural inertia theory (SIT) and the resource-based view (RBV), the study focuses on how firms deal with disruptive strategic change. Two approaches: dynamic capability-based and ad hoc problem-solving approaches. |
| Parker & Ameen [35] | Based on dynamic capability framework this study sheds light on the influence of specific resilience capabilities (i.e., resource reconfiguration, disruption orientation, investment in risk-averting infrastructure, and proactive risk management) on a firm's resilience to power supply disruptions. The concept of disruption management is linked to the concept of risk management. Two types of risk management behavior are identified: proactive risk management and passive risk management. |
| Stępień & Weber [36] | The study investigates how EU enterprises adapt to the European Union (EU) sanctions against Russia. Several types of adjustment strategies are found: proactive conformance; passive conformance; defiance; avoidance (based on Oliver[29]) |

The criteria for choosing these particular contributions are twofold. First, they address issues relevant for the problem at hand drawn from disruptive market situations. Second, the articles (with a few exceptions) are quite recent and timely. As seen from the brief elective literature review above the literature seems to suggest that the responses mainly are a combination of external forces and internal resources and capabilities. An interesting question is how companies decide to respond as they combine the internal and external factors that can provide a successful course of action and strategic change.

## Two Case Studies of Disruption

### *2014 Russian embargo*

As a result of the Russian-Ukrainian conflict that followed the Russian annexation of the Crimea in March 2014, Western countries imposed several economic penalties and sanctions against Russia.[37] In August 2014, Russia retaliated with the introduction of the embargo that banned the import of agricultural products, raw materials and food from the EU, the USA, Canada, Australia and Norway. The embargo led to increased prices on food and the lack of products from the banned countries, which had a negative effect on Russian consumers.[38,39] At the same time, the introduction of the embargo fell in line with the overall state intention to strengthen self-sufficiency and substitute imported products with domestic production.[40] Consequently, the banned products were partially replaced by domestic production and by imports from non-banned countries. Another consequence of the embargo was the rise of the black/grey market loophole, through which banned products were delivered to Russia via Belarus and Kazakhstan. By changing the labels and the country of origin in the documentation, exporters transported small amounts of the banned produce to Russia.

We use the food embargo of 2014 as an illustrative example of a disruptive change that had a significant effect on the Russian importers in the seafood industry. In the course of our interviews, several respondents pointed out that the introduction of embargo was catastrophic to their company. It was found to be particularly problematic for companies that had extensive cooperation with EU countries, Norway, USA and Canada before August 2014. When the import ban was put into place, Russian importers suddenly lost a number of suppliers from the banned countries, which led to substantial financial losses and the need to restructure their established market channels. The embargo had massive consequences not only for traders but also for processing companies due to their investments, resource commitments and long-term obligations to their customers.

In general, the embargo was perceived by respondents as a sudden, damaging event that dramatically changed their working conditions and significantly reduced the possibility for a continued cooperation with existing suppliers. It was, thus, necessary for the importers to compensate for the loss of existing suppliers as soon as possible. One of the respondents illustrated the need for an immediate response with an urgent business trip to the Faroe Islands, a self-governing nation within the Kingdom of Denmark located in the Northeast Atlantic. The Faroe Islands has grown over time to become a significant supplier of seafood to the European market: *"On Thursday I already booked myself a plane ticket, a hotel and arranged the meetings with Faroese and I was the first person from Russia that arrived to the island in order to buy fresh fish instead of Norwegian fish, of course."* The company responded quickly in order to substitute the loss of fresh salmon previously supplied by Norway.

Providing an immediate response to the disruptive change was particularly problematic for large companies due to constrained flexibility. One of the interviewees supported this with the following quote: *"Big, large companies are slow, it is hard for them to change their consciousness. Historically, they had worked primarily with one supplier, then if something needs to be changed in a different direction, it is very hard. It is a huge mechanism which is difficult to change. As a small company, however, we are very flexible and can make decisions instantly."* Thus, the sudden introduction of the embargo required a quick response, which was more challenging to deliver on behalf of large importers.

The overall period of adaptation to the disruption among the importers varied from two months to a year. At the beginning, these companies focused on securing the major products in their product portfolio while at the same time searching for alternatives in other markets. Once the alternative markets were established, the initial panic ceased and the importers were on the path to balancing out their need for critical supplies.

These observations suggest that the embargo was perceived as an abrupt and shocking event that disrupted the existing importers´ supply strategies in Russia. The companies were caught unprepared and reacted in a number of different ways.

### *The U.S.-China Tariff Case*

In September 2018, the United States Trade Representative (USTR) announced an additional 10% tariff on approximately $200 billion worth of imports from China. The introduction of the tariff was presumably a response to the findings of the Section 301 investigation, which concluded that "China's acts, policies and practices related to technology transfer, intellectual property and innovation are unreasonable and discriminatory and burden or restrict U.S. commerce”. [41] According to the tariff action in the Federal Register (Vol. 83, No. 184), the additional duty was effective from September 24th, 2018 and was scheduled to be increased up to 25% as of January 1st, 2019. The tariff list included a large number of Chinese products that “entered for consumption” including seafood products. However, the duty increase was postponed twice (in December 2018 and March 2019), as the U.S. and China held a number of meetings and negotiations in December 2018, March, April, and May 2019. After the meeting in May, the U.S. claimed that China retreated from its earlier commitments. Eventually the duty was increased becoming effective on May 10th, 2019 in response to the lack of progress in negotiations with China.

The threatening news came as a shock to the local businesses and caused a major panic among the U.S. importers.[42] The unpredictability of the newly imposed tariffs led to uncertainty and instability for U.S. seafood companies. Moreover, it resulted in logistical problems for the U.S. Customs and Border Protection, which were not given sufficient time to prepare and accommodate the changes. According to the electronic newspaper Intra Fish, the results of the study conducted by the National Bureau of Economic Research (NBER) showed that the tariffs harmed mostly U.S. businesses (producers) and consumers. According to their estimates, real incomes were reduced by approximately $1.4 billion (€1.3 billion) per month due to the imposition of tariffs. This conclusion is also in line with Li, He and Lin[43] who found that:

> Effects to the U.S. are also the same as the results in pure tariff wars. The U.S. can gain on production, but lose on welfare, manufacturing employment, and trade. Trade effects (especially import effects) are more prominent than production and employment effects, and production effects are more prominent than welfare effects. As trade cost rates increase in the war, the U.S. will lose more. (p. 1567)

The imposition of tariffs on imports from China turned out to be a major disruption for local U.S. businesses. According to Bown,[44] the strategy implemented by President Trump in the trade war with China is particularly different due to the “element of surprise.” Previously government enabled protection after a careful trade investigation, which was announced to the public early on. That gave businesses time to prepare for the change and possibly make alterations to the scope of protection before the trade barriers came into place. As a result, American companies had less time to constrain the negative impact of tariffs. Such an “element of surprise” turned out to be highly disruptive for American businesses, which defeated the purpose of protectionist measures to begin with.

Next, we review strategic responses implemented by the importers and investigate the remaining question: what is the best practice in responding to disruptive changes?

**Proposed typology of strategic responses**

We use the Russian food embargo of 2014 as an illustrative example of a disruptive change and intend to explain how it affected importers' strategies. In order to investigate the response strategies of importers, it was important to emphasize the influence that the import ban had on the company trade. In the course of our interviews, several respondents pointed out that the introduction of the embargo was catastrophic to their company. It was found to be particularly difficult for larger importing firms that had an extensive cooperation with EU countries, Norway, USA and Canada. In general, the respondents reported that the embargo was perceived as a sudden, damaging event that dramatically changed their working conditions and significantly damaged the conditions for maintaining the cooperation with existing suppliers. However, it was necessary to adapt to new conditions fast in order for the companies to survive.

The responses may be categorized along a two-way matrix. On the one side there are two dimensions; the more passive reactive adaptation to the situation - how to survive, and the proactive adaptation – how to thrive. On the other side we draw on classical strategy literature that suggests that other dimensions may also be important factors. Thus, we suggest adding two other complementing dimensions, namely the time perspective. As Eisenhardt[45] suggested in her article in *Sloan Management Review* time must be taken into account as an important factor that also has impact on the choice of strategy. Disruptions / unforeseen events that significantly influence the business may demand different strategic grips depending on the nature of the disruption and the impact it might have on the business environment.

> The best temporal strategies also exhibit a pattern that occurs in the natural world of earthquakes and tropical storms: the inverse power law. That is, small events are common, midsize events occur occasionally, and large events are rare. Good temporal strategies are unique combinations of small, incremental changes plus midsize changes and large, radical changes. Most of the time, temporal strategy should feature safe, small changes that elaborate on aspects of the core business. (p.91)

In line with this we also suggest that a time dimension should be an element of the strategic matrix. For many reasons we suggest that the time dimension may be expressed in a two-dimensional format; short-term and long-term strategies rather than as a continuum or several stages. Our suggested conceptualization of strategic responses to global disruptions would then be represented by four main alternatives. These are; diversification, bypassing, transformation, and disengagement. Transformation and bypassing represent proactive strategies, while we consider diversification and disengagement as reactive strategies. Further, we suggest that bypassing and disengagement are categorized as short-term responses, while transformation and diversification are likely to be implemented as a strategic response with a somewhat longer time perspective. These response strategies are illustrated in Table 2 and elaborated next.

**Table 2.** Proposed Response Typology

| | *Reactive* | *Proactive* |
|---|---|---|
| *Long-term* | **Diversify** | **Transform** |
| *Short-term* | **Disengage** | **Bypass** |

**Diversify**

This strategy refers to refocusing the existing portfolio and changing the sources of supplies. The Russian embargo led in turn to a massive effort to search for alternative sources of critical input to the companies´ production. As an example, one of the interviewees stated: *"We do not break the law, we listen to what our leaders tell us, so we do not try to buy fish from Norway, for example, via Belarus. We do not make these attempts. In this sense, we are a law-abiding company."* Since the companies were not able to import raw materials from the existing supplier located in banned countries, the search for alternative suppliers became a costly but nevertheless necessary strategy in order for them to survive.

One of the examples involves switching towards alternative sources of raw material supplies (fresh farmed salmon), which was mainly supplied by Norway before the embargo. After the restrictions were imposed, the companies re-oriented their imports towards Chile (frozen salmon), the

Faroe Islands (fresh salmon) and increased their domestic supplies (mainly far eastern and northern producers). The change was associated with certain challenges. For instance, it took some time for importers' clients, the processors, to adjust to working with frozen fish instead of fresh, as it required more handling, including the need for defrosting. As strange as it might sound, the swap from fresh to frozen raw material actually entailed a kind of moderate diversification. The reason relates to the fact that the qualities of frozen raw material are significantly different from fresh when it comes to industrial use and processing. So, while keeping up with a core business based on fresh raw material, some chose to add frozen in order to maintain business and market position. Furthermore, respondents indicated that the choice of suppliers became quite narrow, especially in terms of fresh salmon mostly located in the Faroe Islands. The number of exporters in the Faroe Islands was limited, which led to an intense competition. As a result, some companies managed to make arrangements with the new suppliers, others sought a diverse strategy and extended their product portfolio with frozen salmon. In doing so they sought a survival strategy by seeking new segments and/or maintaining some of their existing segments and customers.

The search for alternative suppliers was found particularly challenging for companies that worked with a limited number of products: "*The main mistake that everyone in the seafood business makes is focusing on one product. You will face a problem one day or another. If you have several products you are diversified. And diversification is necessary these days.*" It was considered important for handling external uncertainty, dominating the retailer price and also in terms of benefits from the government.

All in all, the adherents of the diversification strategy dealt with the consequences of the embargo by refocusing their portfolio. Given that the embargo has been in place for six years, this supports the suggestion that diversification represents a more long-term survival strategy as a viable response to a major disruption. In addition, our observations indicate that the importers who were diversified before the embargo found it easier to adjust to the new reality, unlike the ones that prioritized their trade with a limited number of sellers and products.

### Disengage

A disengagement strategy represents the other passive strategic response to the disruption. The notion of disengagement like the relationship strategy metaphor stems from social sciences, marital and other social engagement research. However, the construct as such may prove to be useful in a model that depicts and predicts strategic responses in specific situations. Carver and

Scheier[46] for instance argue that adaptive self-regulation requires a "disengagement" from unattainable goals.

The disengagement construct has also been embraced in business studies. The entrepreneurial school of thought has, amongst others, used the notion of disengagement when possible explanations for entrepreneurial exit have been discussed. According to Yusuf[47] reactive or uninformed exit results from lack of planning and a perceived inability to solve problems.

The key issue here is that business actors seem prone to disengage from the business area if they perceive problems or disrupted market situations difficult to cope with. Empirical evidence seems to support this contention. The respondents interviewed indicated that a large number of companies were not able to deal with the damaging consequences of the import ban. Some smaller companies did not have enough resources to invest in major changes. Others had a very limited network of suppliers and, therefore, were unable to find alternatives quickly. One of the respondents mentioned: "*Due to the sanctions, a lot of small companies quit the market, and only reliable and stable players that are understandable for us, on the one hand, and for our clients, on the other hand, have stayed. And, in the end, the market was narrowed down and it is rather comfortable to compete in this market."*

Some large companies were not diversified and lacked flexibility to adjust to the new conditions at a rapid pace. One of the interviewees added: *"Big, large companies are slow. It is hard for them to change their way of reasoning. Historically, they had worked with one supplier. Then something needs to be changed in a different direction, and it is very hard. It is a complicated, huge mechanism that is difficult to change. A small company, however, is very flexible and it makes decisions instantly."*

The importers that lacked flexibility to rapidly adapt to the consequences of the disruption were unable to survive. They had to disengage from the market due to the financial losses.

**Bypass**

A third strategy identified in response to disruptive changes involves finding a balance between the company´s own goals and the new external regulative demands. It is seen as a proactive strategy where the company aims at taking control of the situation by adapting to the new market situation employing as much institutional flexibility as possible. In the Russian case, bypassing refers to carrying out imports from banned countries via a third country - Belarus. According to our findings, such import falls into two categories that may be seen as both legal and illegal imports depending on certain conditions. The raw materials from sanctioned countries that are smuggled into Russia are considered contraband. According to respondents, this type of illegal import was not currently present to a large extent. Another category includes processing raw materials from banned countries in the third-party country: *"The raw materials are brought to Belarussian territory and they are completely processed by a Belarussian enterprise. At least the product code changes, so, for example, fresh fish entered the country and salted fish left it. Fresh fish entered and then smoked fish left. So, in this case, it is an absolutely legal scheme…"* The legal import of processed goods, on the other hand, is quite significant. According to the respondents, import of processed fish via Belarus is characterized by a convenient logistics scheme and certain customs preferences that exist between Belarus and Russia.

One of the importers argued that the embargo did not affect their cooperation with suppliers from Norway, as they still continued to import seafood from there on a regular basis by rearranging their supply channel: "*We organized a full processing cycle in Belarus. We rented a production site there, invested 20 million dollars, and started to import through Belarus.*" Although, it took some time to adjust to a new mode of operations, the company managed to sustain a cooperation with the Norwegian supplier. The findings indicate that the companies continue to import seafood from Norway and are ready to invest money in the processing cycle in Belarus, if they see the potential benefit from it. Hence, it could be suggested that the importers choose to implement this strategy, when they are driven by self-interest to maximize their profit. The extent to which the importers use this strategy depends mainly on the price. One of the respondents added: *"When the prices in Norway go down, the volumes in Belarus increase. It is all about the price."*

Our observations indicate that importers were willing to choose the bypassing strategy under three broad conditions. First, it was implemented by the firms that placed a large emphasis on importing fresh fish from Norway before the imposition of embargo. Second, it took place when importers were able to invest a considerable amount of resources into rearranging the channels. And finally, it was considered sensible when such imports were profitable for the firms. At the same time, some respondents mentioned that this response was associated with a number of risks that the companies were not willing to take.

In the U.S.- China case, the bypass strategy entails avoiding the tariff with "substantial transformation." In other words, the U.S. companies change the country of origin by shipping the product from China to a second country (e.g. Thailand, Vietnam, Malaysia) and, afterwards, importing it to the U.S.[48] As a result, the country of origin has changed and the importer is not obligated to pay a 25 percent tariff on the imported product.

We view bypassing as a proactive, albeit short-term strategic response. The bypass strategy is probably not very robust and sustainable. Due to the high costs and risks associated with the rearrangement of the supply chain we view this strategy as a short-term fix to mitigate the devastating consequences of the disruption. We suggest that this response alone cannot compensate fully for the loss of the suppliers from banned countries in the long haul. Thus, it can be implemented as a short-term response or as an additional source of products combined with a more robust strategy.

### Transform

The fourth strategy suggested to categorize behavior is a change of the company´s identity or core business idea. There are several examples from this reported in the business literature. For instance, strategy transformation through strategic innovation, strategy transformation under technological convergence, and digital transformation strategies to mention a few.

Several of our respondents mentioned that many companies tried to survive the embargo, and their attempts included the exploration of other or new business domains: "*Some have changed species, some have changed country, some have even changed to other products, not only seafood. Some have completely changed their business models.*" One of the interviewees added that they developed restaurant chains: "*We have started a restaurant business, cafes, so in the past we delivered a lot to the retailers, and now we basically are a retailer ourselves. That's how we have done it. Other people... most people, they just try to survive it.*"

Interestingly, one of the importers completely changed the focus of their activity after the embargo. Before the import ban came into force, the company used to supply around 50 percent of their raw materials with imports and the rest was supplied by domestic producers. When the embargo was introduced in 2014, the company sustained great financial losses and their balance of imports and domestic supplies shifted significantly in the favor of domestic raw materials (from 50/50 to 20/80). Most importantly, however, the company distanced itself from trading activity towards providing customs services: *"I mean, yes, we continue to sell here and there from time to time, but there are no volumes. So, the company has gained a new status and by using this status, we changed the aspect of our activity into a different area: we help other companies import all kinds of products: fish, products, clothes, furniture and so on."* Currently the main activity of the company is providing customs services as an industrial trade operator. The respondent mentioned that providing services is associated with fewer risks than trade. The particular example of this company demonstrates that the sudden changes in the working conditions led them to take their company in a new direction and discover a new business opportunity.

Overall, we view the change in company´s identity as a proactive approach to handling the disruption. Instead of trying to outrun the competitors by acquiring new suppliers and products, the companies broadened their business horizons. Exploring new opportunities in the moment of crisis allowed importers to find a new source of competitive advantage. In the end, the companies managed to survive the embargo and successfully re-shape their business. The choice of strategy also proves strategic and financial capabilities of the companies.

**Conclusion**

Managers will continue to encounter drastic changes in the global environment which will impose formidable challenges to their viability. It is no wonder that risk management has risen to the top of corporate agendas as the most critical function for senior executives and boards of directors. As the two case studies we shared from the global food industry illustrate, managers need to vie for resilient organizations and be well prepared to take proactive responses in view of sudden, unpredictable disruptions.

We identify four different strategic alternatives that vary in their degree of proactiveness and long-term orientation. Our observations indicate that companies were caught unprepared for the disruptions and had to deal with shock, uncertainty, and great financial losses. Therefore, the initial responses based on heuristics were inadequate, incomplete and not well developed. However, with time, some companies were able to stay in the market and others even managed to prosper. The results suggest that the more successful companies managed to combine internal resources and capabilities and external opportunities better. This proposition should, however, be subject to more rigorous investigation and analysis. The reactive strategies namely disengagement and diversification were presented by the immediate actions under the critical harmful circumstances. Between the two, diversification turned out to be a viable long-term strategy that allowed importers to survive and, in some cases, succeed. The success of the importers implementing this strategy was influenced mainly by two factors: their ability to react in a rapid and thoughtful manner and their ability to master the necessary level of diversification. The more successful reactive strategy may be seen as a short-term, viable coping strategy in response to the unpredictable change in the working conditions. Due to the intense competition in the seafood industry, it was crucial for firms to find decent alternatives to the banned products faster than their rivals. Evidently, these factors are determined by organizational resources and capabilities, which we suggest as a potentially interesting development for further research. Moreover, the consequences of the embargo were less harmful for importers that were not limited to a handful of products and suppliers. With this in mind, we can propose that diversified companies are more resilient to disruptions.

The proactive responses to the regulative disruption were bypassing and transformation. We suggest that bypassing is a short-term strategy aimed at preserving the sources of supply that the importers relied on before the embargo. It allowed companies to keep the relationship with their existing suppliers and offer the same product to their customers. However, it required substantial investments and was associated with certain risks. Furthermore, it did not allow companies to import as large volumes as they used to. Therefore, we believe that bypassing could not be used as a viable alternative in the longer perspective. It was established as a partial solution and combined with another, more long-term oriented strategy.

The fourth strategic response identified in our data involved transforming the identity of the company. In this case, disruption motivated importers to seek new opportunities. The companies found a way to work differently and adapt to the new situation at hand in a proactive way. This approach allowed firms to find a new competitive edge and escape "Red Queen Effect". The "Red Queen Effect" refers to responding to a disruptive event by "working harder," when in fact it is necessary for companies to "work differently" in order to survive in the competitive environment. We suggest transformation can be beneficial as a sole response as well as in combination with another strategy (e.g. diversification).

## Authors

*Valeria Nyu is a Ph.D. candidate at Nord University Business School in Bodø, Norway. Her primary research interests include marketing strategy and international trade, with a particular focus on marketing channels, export and import strategies in the seafood industry. Valeria´s research also examines the role of relational and transactional orientation in channel selection, the determinants and outcomes of export distribution strategy and its influence on export performance, the impact of institutional environment on strategic behavior. Her research has been presented at various international conferences. Prior to her doctoral studies, Valeria earned her Master of Science degree in Business and worked as a research assistant at Nord University Business School. She has completed her undergraduate studies in linguistics and translation at Northern (Arctic) Federal University in Arkhangelsk, Russia.*
*email: valeria.nyu@nord.no*

*Frode Nilssen is a DSc and Professor in Marketing at Nord University Business School and is Research Professor at Fridtjof Nansens Institute. Nilssen holds a MSc*

*in Marketing from Stirling University, UK and a MSc in Fisheries Economics from the University of Tromsø, Norway. The main topics of interest are related to international marketing strategy and the tension between economic behaviour, bilateral and multilateral governance and politics in the exploitation of natural resources. This is also reflected in his publications. Through the professional career, he has amongst others held positions as a researcher and research director at the Norwegian Institute for Fisheries and Aquaculture, Fisheries councillor at the Royal Norwegian Embassy in Moscow and a professor in marketing. He is currently Head of the department for marketing, strategy and management at Nord University Business School. The research is mainly related to marketing strategy, market access, international trade and export barriers. Professor Nilssen is teaching strategy and international marketing and supervising at all levels; Bachelor, MSC, MBA and PhD.*
*email: frode.nilssen@nord.no*

## Endnotes

1. Cavusgil, S.T., & Deligonul, S. (2012). Exogenous risk analysis in global supplier networks: Conceptualization and field research findings. *Information Knowledge Systems Management, 11*(1, 2), 131-149.
2. McNulty, E.J., & Marcus, L. (2020, March 25). Are you leading through the crisis…or managing the response. *Harvard Business Review.*
3. Rumelt, R.P. (2009). Strategy in a 'structural break'. *McKinsey Quarterly, 1*, 35-42.
4. Rosson III, C.P., & Adcock, F.J. (2005). Food chain disruptions and trade: The importance of North American market integration. *Choices: The Magazine of Food, Farm & Resource Issues, 20*(2), 149–155.
5. Peck, H. (2005). Drivers of supply chain vulnerability: An integrated framework. *International Journal of Physical Distribution & Logistics Management, 35*(4), 210-232.
6. Aizenman, J., & Marion, N. (2004). The merits of horizontal versus vertical FDI in the presence of uncertainty. *Journal of International Economics, 62*(1), 125-148.
7. Belke, A., & Gros, D. (2017). The economic impact of Brexit: Evidence from modelling free trade agreements. *Atlantic Economic Journal, 45*(3), 317-331.
8. Manolova, T.S., & Yan, A. (2002). Institutional constraints and entrepreneurial responses in a transforming economy: The case of Bulgaria. *International Small Business Journal*, *20*(2), 163-184.
9. Peng, M.W. (2003). Institutional transitions and strategic choices. *Academy of Management Review*, *28*(2), 275-296.
10. Food and Agriculture Organization. (2020). *The State of World Fisheries and Aquaculture 2020: Sustainability in Action.* Rome, Italy: Food and Agriculture Organization of the United Nations.
11. Food and Agriculture Organization. (2018). *The State of World Fisheries and Aquaculture 2018: Meeting the Sustainable Development Goals.* Rome, Italy: Food and Agriculture Organization of the United Nations.
12. World Trade Organization Appellate Body. (2018). *United States – Measures Concerning the Importation, Marketing and Sale of Tuna and Tuna Products, DS381*. World Trade Organization.

13. Sohlberg, M., & Yvon, A. (2019). Korea – Import bans, and testing and certification requirements for Radionuclides (Korea–Radionuclides (Japan)), DS495. *World Trade Review, 18*(3), 533-535.
14. World Trade Organization Panel. (2018). *United States – Anti-Dumping Measures on Fish Fillets from Viet Nam, DS536.* World Trade Organization.
15. World Trade Organization Panel. (2012). *United States – Anti-Dumping Measures on Shrimp and Diamond Sawblades from China, DS422.* World Trade Organization.
16. Kumar, S., Himes, K.J., & Kritzer, C.P. (2014). Risk assessment and operational approaches to managing risk in global supply chains. *Journal of Manufacturing Technology Management, 25*(6), 873-890.
17. Revilla, E., & Saenz, M.J. (2017). The impact of risk management on the frequency of supply chain disruptions: A configurational approach. *International Journal of Operations & Production Management, 37*(5), 557-576.
18. Zhu, Q., Krikke, H., & Caniëls, M.C.J. (2017). Integrated supply chain risk management: a systematic review. *The International Journal of Logistics Management, 28*(4), 1123-1141.
19. Tang, C.S. (2006). Robust strategies for mitigating supply chain disruptions. *International Journal of Logistics Research and Applications, 9*(1), 33-45.
20. Blackhurst, J., Craighead, C.W., Elkins, D., & Handfield, R.B. (2005). An empirically derived agenda of critical research issues for managing supply-chain disruptions. *International Journal of Production Research, 43*(19), 4067-4081.
21. Craighead, C.W., Blackhurst, J., Rungtusanatham, M.J., & Handfield, R.B. (2007). The severity of supply chain disruptions: Design characteristics and mitigation capabilities. *Decision Sciences, 38*(1), 131-156.
22. Zhu, Q., Krikke, H., & Caniëls, M. (2016). Collaborate or not? A system dynamics study on disruption recovery. *Industrial Management & Data Systems, 116*(2), 271-290.
23. Christensen, C. M., & Overdorf, M. (2000). Meeting the challenge of disruptive change. *Harvard Business Review, 78*(2), 66-77.
24. Voelpel, S., Leibold, M., Tekie, E., & Von Krogh, G. (2005). Escaping the red queen effect in competitive strategy: Sense-testing business models. *European Management Journal, 23*(1), 37-49.
25. Wessel, M. (2013, March 7). Stop reinventing disruption. *Harvard Business Review.*
26. Downes, L., & Nunes, P. (2013,). Big bang disruption. *Harvard Business Review,* 44-56.
27. Khanagha, S., Ramezan Zadeh, M.T., Mihalache, O.R., & Volberda, H.W. (2018). Embracing bewilderment: Responding to technological disruption in heterogeneous market environments. *Journal of Management Studies, 55*(7), 1079-1121.
28. Stalk, G.J., & Stewart, S. (2019). Avoiding disruption requires rapid decision making. *Harvard Business Review.*
29. Oliver, C. (1991). Strategic responses to institutional processes. *Academy of Management Review, 16*(1), 145-179.
30. Hadjikhani, A., & Ghauri, P.N. (2001). The behaviour of international firms in socio-political environments in the European Union. *Journal of Business Research, 52*(3), 263-275.
31. Vance, A. (2008). Strategic responses by Canadian and U.S. exporters to increased U.S. border security measures: A firm-level analysis. *Economic Development Quarterly, 22*(3), 239-251.
32. Kumar, S., Himes, K.J., & Kritzer, C.P. (2014). Risk assessment and operational approaches to managing risk in global supply chains. *Journal of Manufacturing Technology Management, 25*(6), 873-890.

33. Gasbarro, F., & Pinkse, J. (2016). Corporate adaptation behaviour to deal with climate change: The influence of firm-specific interpretations of physical climate impacts. *Corporate Social Responsibility and Environmental Management, 23*(3), 179-192.
34. Wang, Y., & Wang, K.Y. (2017). How do firms tackle strategic change? A theoretical model of the choice between dynamic capability-based and ad hoc problem-solving approaches. *Journal of Organizational Change Management, 30*(5), 725-743.
35. Parker, H., & Ameen, K. (2018). The role of resilience capabilities in shaping how firms respond to disruptions. Journal of Business Research, 88, 535-541.
36. Stępień, B., & Weber, P. (2019). Passive, aggressive or creative? Adjustment strategies of companies affected by sanctions. In R. Van Tulder, A. Verbeke, & B. Jankowska (Eds.), *International Business in a VUCA World: The Changing Role of States and Firms* (Vol. 14, pp. 131-156). Bingley, UK: Emerald Publishing Limited.
37. Shirov, A.A., Yantovskii, A.A., & Potapenko, V.V. (2015). Evaluation of the potential effect of sanctions on the economic development of Russia and the European Union. *Studies on Russian Economic Development, 26*(4), 317-326.
38. Rutland, P. (2014). The impact of sanctions on Russia. *Russian Analytical Digest*, 157(1), 1-8.
39. Nefedova, T.G. (2016). Russian agricultural resources and the geography of their use in import-substitution conditions. *Regional Research of Russia, 6*(4), 292-303.
40. Wegren, S.K. (2014). The Russian food embargo and food security: can household production fill the void? *Eurasian Geography and Economics, 55*(5), 491-513.
41. Office of the United States Trade Representative. (2018, September 18). *USTR Finalizes Tariffs on $200 Billion of Chinese Imports in Response to China's Unfair Trade Practices* [Press release].
42. Sapin, R. (2019). Seafood importers and consumers, not China, bear brunt of Trump tariffs. *IntraFish.*
43. Li, C., He, C. & Lin, C. (2018). Economic impacts of the possible China–US trade war. *Emerging Markets Finance and Trade*, 54(7), 1557-1577.
44. Bown, C.P. (2018, April 16). The element of surprise is a bad strategy for a trade war. *Harvard Business Review.*
45. Eisenhardt, K.M. (2002). Has strategy changed? *MIT Sloan Management Review, 43*(2), 88-91.
46. Carver, C.S., & Scheier, M.F. (1990). Origins and functions of positive and negative affect: A control-process view. *Psychological Review, 97*(1), 19-35.
47. Yusuf, J.-E. (2012). A tale of two exits: Nascent entrepreneur learning activities and disengagement from start-up. *Small Business Economics, 39*(3), 783-799.
48. Quinter, P. (2019, October 30). Winning the war for your changing international supply chain [Webinar]. *SeafoodSource.*