



## Resilience in international business

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Increasing globalisation opens up a wide range of opportunities for companies but also brings with it a broad spectrum of risks. Companies operating internationally must be able to identify uncertainties at an early stage, cope with setbacks and respond flexibly to them. Resilience, the ability to deal with disruptions, learn from them and emerge stronger, thus becomes a crucial factor for success. This article provides a systematic overview of key types of risk in international business and describes typical risks, possible consequences and proven countermeasures for each category.

### **Political and geopolitical risks**

*Risks.* Political risks arise from changes in the governmental or geopolitical environment. These include unstable governments, sudden changes in legislation, nationalist economic policies, trade conflicts, or export and import restrictions. Geopolitical tensions between states, for example, in the form of sanctions, embargoes or military conflicts, can also significantly disrupt international business activities. Companies must be prepared for the fact that conditions which appear reliable today may change drastically tomorrow.

*Consequences.* The potential consequences are manifold: sales markets may disappear entirely, existing

contracts may become invalid, or investments may become worthless. Production sites abroad may be restricted by government intervention. Furthermore, political risk can reduce planning certainty and lead to higher financing costs, as lenders factor political uncertainties into their assessments.

*Measures.* To manage political risks, continuous geopolitical monitoring is recommended to identify developments at an early stage. Companies should diversify their sales and procurement markets to avoid excessive dependence on individual regions. Political risks can also be covered by insurance, which reduces financial losses in the event of a claim. Establishing local partnerships and working closely with political institutions can also help to anticipate changes in good time and respond appropriately.

### **Currency and financial risks**

*Risks.* International business is inevitably associated with currency risks. Fluctuations in exchange rates between different countries can significantly affect revenue and expenditure. Furthermore, inflation trends in emerging markets, economic instability or payment transaction risks can complicate international business operations. Capital controls or liquidity bottlenecks abroad can prevent the repatriation of profits.



*Consequences.* Currency volatility can erode profits, even if turnover or sales volumes remain stable. Investments can become unprofitable due to unexpected financial developments. If inflation rises sharply abroad, prices and cost calculations lose their reliability. Companies may consequently face liquidity difficulties or be forced to adjust prices at short notice, which in turn can impair competitiveness.

*Measures.* Companies mitigate these risks through financial hedging instruments that cushion exchange rate fluctuations. A further strategy is so-called *natural hedging*, whereby companies conduct revenue and expenditure in the same currency. Pricing and contract models can be designed to take exchange rate changes into account or pass them on. Establishing local financing options, for example through regional banks, further enhances stability.

### Supply chain risks

*Risks.* Global supply chains are vulnerable to disruptions of all kinds: natural disasters, pandemics, logistical bottlenecks, strikes, political intervention or the failure of key suppliers can bring entire production processes to a standstill. The more companies rely on individual suppliers or complex transport routes, the greater the risk.

*Consequences.* The effects range from production downtime and extended delivery times to rising costs and the complete shutdown of business units. A lack of components or raw materials can result in customer expectations not being met, which in turn can lead to contractual penalties, loss of market share and reputational damage. It is not uncommon for companies to face significant financial difficulties as a result of supply chain disruptions.

*Measures.* The resilience of global supply chains can be significantly increased through multi-sourcing strategies, whereby critical parts are not sourced from a single supplier. In addition, an increasing number of companies are turning to *nearshoring* or *friendshoring*, i.e. the relocation of key production and procurement processes to geographically or politically more

stable regions. Strategic stock levels, digital transparency regarding material flows, and contingency and recovery plans support a rapid response to disruptions.

### Cultural and organisational risks

*Risks.* Business models, management styles and working cultures vary considerably worldwide. Misinterpretations of cultural norms, a lack of market knowledge or inadequate communication structures can jeopardise international projects. Mergers, joint ventures or collaborations in which different corporate cultures come together are particularly challenging.

*Consequences.* Cultural misunderstandings can lead to poor decision-making, internal conflicts or inefficient processes. Products or services that are not adapted to local needs often fail to gain acceptance in the market. High staff turnover among local employees or the loss of key partners are further possible consequences. The integration of corporate structures can also fail if cultural differences are not sufficiently taken into account.

*Measures.* Careful preparation is crucial. Intercultural training, the establishment of local management teams and in-depth market analysis improve understanding of the target market. Companies should adapt their products and processes flexibly and incorporate local expertise. Clear governance structures and transparent communication channels help to overcome cultural barriers.

### Reputational risks

*Risks.* In the digital age, information spreads worldwide in a matter of moments. Reputational risks arise from quality defects, ethically questionable business practices, breaches of social or environmental standards, or misconduct by individual employees. Incidents abroad, which may arise from cultural differences or a lack of oversight, are particularly critical.

*Consequences.* Damage to a company's reputation can have immediate economic repercussions, such as a



decline in customer demand or the loss of business partners. In the long term, trust in the brand suffers, and with it the company's value. In some cases, reputational crises lead to additional legal action or regulatory requirements.

*Measures.* Key countermeasures include comprehensive compliance and quality management, as well as regular audits across the entire supply chain. Transparent, professional crisis communication helps to control negative developments and maintain trust. Furthermore, companies should invest proactively in sustainability and social responsibility to reduce ethical risks.

### **Sustainability and environmental risks**

*Risks.* Companies are under increasing pressure to take on environmental responsibility. Climate change, resource scarcity and stricter environmental regulations are influencing international business models. Heightened societal expectations and political measures are reinforcing this trend.

*Consequences.* Failures in the area of sustainability can lead to cost increases, regulatory sanctions and reputational damage. Entire business models can be called into question if they are not compatible with new environmental standards. Climate-related production losses or shortages of raw materials also lead to economic risks.

*Measures.* Companies should develop a long-term sustainability strategy that takes environmental and social criteria into account. Reducing emissions in the supply chain, using resources efficiently and investing in circular economy technologies improve environmental performance whilst reducing long-term costs. Transparent reporting builds trust among stakeholders and facilitates compliance with legal requirements.

### **Legal and regulatory risks**

*Risks.* Companies face varying legal frameworks worldwide. These include data protection regulations, labour law, environmental regulations, competition

rules and sector-specific regulations. New laws can ban products, restrict business models or force costly adjustments.

*Consequences.* Regulatory changes can delay or complicate market entry. Breaches of the law often lead to fines, sales bans or claims for damages. Furthermore, legal uncertainties result in high planning and administrative costs.

*Measures.* A global compliance system and the integration of local legal expertise are key means of ensuring regulatory compliance. Proactive monitoring of legislative procedures helps to identify impending changes in good time. Companies can design their products and processes in such a way that they can be flexibly adapted to new regulations.

### **Force majeure, change in the basis of the contract**

The risks described typically lead to disruptions in the supply chain. If the contractual service cannot objectively be performed and the obstacle is due to force majeure, the agreed deadline is suspended. If the suspension lasts too long, the customer can usually withdraw from the contract. However, if it is possible to perform the service, but only at a significantly higher cost than anticipated – for example, in terms of material costs, transport, exchange rates or other factors – the contracting parties must adjust the terms and conditions accordingly. As a last resort, the affected party may withdraw from the contract. Whether the obstacle actually constitutes a case of force majeure, or to what extent a party must bear certain risks, is a matter to be regulated as carefully as possible in the contract. This applies in particular to international contracts and the differences in the weighting of risk allocation under the respective legal systems.

### **Concluding Remarks**

Resilience in international business is not a static state, but an ongoing process. Companies must be able not only to manage risks, but also to view them as an opportunity for continuous improvement. A combination of forward-looking analysis, diversification,



technological transparency and organisational learning capacity forms the basis for successfully overcoming challenges. In a world characterised by uncertainty and change, resilience is becoming a crucial capability for globally operating companies.

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