Geopolitical tensions: risks and challenges for internationally scaling businesses

Multinational
Business Review

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Received 11 July 2025
Revised 26 August 2025
Accepted 26 August 2025

Abstract

Purpose – This article aims to explore the implications of geopolitical tensions for internationally scaling businesses. It is suggested that internationally scaling firms may have a disproportionate exposure to the risks arising from geopolitical tensions and phenomena like techno-nationalism and trade protectionism due to their lack of resources and resilience compared to matured multinational enterprises. This article also examines the conditions under which scaling businesses may emerge as relevant political actors, either as agents or as instruments of the state.

Design/methodology/approach – This article draws on international relations theory, especially the logics of cooperation and conflict, which provide complementary insights into how geopolitical disruptions may influence cross-border scaling. It highlights how geopolitical tensions impact critical aspects of international scaling, including the ability to replicate business models, manage the speed and scope of their rapid growth, secure critical inputs, and leverage digitalization.

Findings – Both cooperation and conflict logics in international relations underscore the adverse effects of geopolitical disruptions on international scaling. Geopolitical tensions introduce significant risks and uncertainties that affect the unique dynamics of international scaling, leading to heightened vulnerabilities. The authors identify key mechanisms through which these tensions impact cross-border scaling. They also examine how scaling businesses engage with geopolitics in two distinct roles, acting as agents shaping the geopolitical environment and as instruments advancing state-driven objectives.

Originality/value – International business scholarship pays increasing attention to how firms can navigate rising geopolitical tensions and manage associate risks. This paper offers a context-sensitive view by examining internationally scaling firms and suggests areas for future research.

Keywords Scaling, Scale up, Geopolitics, Political risk, International relations

Paper type Viewpoint

1. Introduction

In an era of global instability marked by rising geopolitical tensions, movements, such as anti-globalization populism, techno-nationalism and trade protectionism, coupled with shifting global power dynamics, firms operating across borders face significant challenges (Beugelsdijk and Luo, 2024; Luo, 2024). According to a poll conducted by PwC (McDonagh, 2024), C-suite executives view geopolitical risks as the most significant threat to their businesses. Additionally, a study by the World Economic Forum (Evenett and Ruge, 2024) indicates that geopolitical rivalry is increasingly influencing the business decisions of internationally active firms.

Multinational Business Review
Emerald Publishing Limited
1525-383X
DOI 10.1108/MBR-07-2025-0244

In this perspective article, we argue that the exposure and impact of the uncertainties and risks caused by geopolitical tensions varies considerably across organizations and they can have a devastating effect on internationally scaling businesses. Internationally scaling businesses are firms that achieve persistent rapid or exponential growth in outputs by replicating a validated business model across borders, expanding users, customers or revenues without a proportional rise in inputs (Reuber *et al.*, 2021; Tippmann *et al.*, 2023a; Bohan *et al.*, 2024; Coviello *et al.*, 2024). A notable example of an internationally scaling firm that was affected by escalating geopolitical tensions is ByteDance, the Chinese company behind the popular app TikTok. Based on national security claims, ByteDance had faced significant restrictions in key markets, such as India and the USA, limiting its ability to expand internationally. These restrictions posed a serious threat to the company's scaling ambitions (Basu, 2021; Maheshwari and Holpuch, 2024). Similarly, rising tensions between the USA and China adversely affect scaling businesses in the electric vehicle (EV) sector. For instance, the Chinese EV company Nio has encountered obstacles in its efforts to expand overseas due to these geopolitical dynamics (Cheng, 2024). The former US President Joe Biden had announced an increase in tariffs on Chinese imports, including EV batteries, justified by claims that China had been stealing US intellectual property (Hunnicutt and Holland, 2024; Reuters, 2024). Under the current Trump administration, there have been significant updates regarding tariffs on Chinese imports to the USA. These efforts continue the previous administration's initiative to create a domestic supply chain in the USA for EVs, meaning preferential conditions for domestic scalers (Ewing, 2025).

For businesses generally, the importance of a stable international political environment that fosters globalization is widely recognized by international business (IB) and entrepreneurship scholars (Bjørnskov and Foss, 2016; Buckley and Casson, 1976; Casson, 2021; Witt, 2019). Moreover, the impact of geopolitical disruptions on IB strategies is well documented (Grosse *et al.*, 2021; Teece, 2022). With respect to mature multinational enterprises (MNEs), the effects of geopolitical forces and causes of disruption are also well researched (e.g., Hartwell and Ursprung, 2024; Luo and Van Assche, 2023; Meyer and Li, 2022; Witt, 2019). It has been shown that mature MNEs, with their extensive and well-established resources, legitimacy and organizational resilience, are usually positioned to absorb external shocks and adapt to the complexities triggered by geopolitical tensions.

However, internationally scaling businesses can be disproportionately affected by these tensions compared to mature MNEs (Tippmann *et al.*, 2023a). The risks and uncertainties present in the external environment are particularly critical for scaling businesses, as they may reduce incentives and limit conditions necessary for international scaling – for a few reasons. First, scaling firms are concerned with developing the business to a competitive size by capturing market space quickly through exponential growth (Bohan *et al.*, 2024). This often happens across borders to capitalize on market- or resource-seeking opportunities, noting that rapid international expansion serves to quickly expand their customer or user base across multiple countries (Tippmann *et al.*, 2023b; Stallkamp and Schotter, 2021). Indeed, their global scaling is a logic multinationalization that involves developing a footprint of resources that are owned or controlled in foreign markets (Reuber *et al.*, 2021). If exposed to increasing costs of IB activities, internationally scaling businesses face heightened risks due to their limited resources and investments becoming unviable in volatile external conditions due to geopolitical tensions. Second, international scaling often occurs in global niche markets and in frontier technologies of techno-nationalist relevance for governments; this niche focus, rather than product diversification, increases risk if exposed to adverse geopolitical shifts. In contrast, mature MNEs are better resourced to hedge their bets and absorb shocks through various forms of diversification. Third, a stable environment

serves as a key antecedent to entrepreneurship, as uncertainty concerning the future stability undermines confidence among entrepreneurs (Bennett *et al.*, 2023; Bjørnskov and Foss, 2016). In addition, because of their rapid market expansion, advanced digital capabilities and innovative business models, internationally scaling businesses can also emerge as relevant political actors, either as agents or as instruments strategically leveraged within broader geopolitical agendas.

As the implications of geopolitical tensions for internationally scaling businesses can be further examined, we ask How do geopolitical tensions impact internationally scaling businesses, and how can these businesses, in turn, influence the geopolitical environment? We draw on international relations literature, especially the complementary logics of cooperation and conflict, to discuss how diverging geopolitical worldviews and increasing tensions affect these businesses. Specifically, we examine the different ways in which geopolitical tensions may impact the ability of scaling firms to replicate their business models across different markets, manage the speed and geographic scope of growth, secure core inputs for internal transformation and leverage digital products and processes that facilitate scaling. Moreover, as internationally scaling businesses gain power, we examine their agency within the broader geopolitical environment, emphasizing the two-way dynamic in which these firms and the geopolitical landscape mutually impact one another. This illuminates the use of these companies as instruments in the states' political agenda. We conclude with suggestions for future research.

2. International relations: the liberalism and realism perspectives

In recent years, we have observed a series of global disruptions and intensifying geopolitical tensions that are challenging the dominant world order and its operating logic. A unipolar configuration has dominated the global stage in the past decades, with the USA emerging as a superpower in the realms of economy, security and technology (Grosse *et al.*, 2021). This unipolar order has been characterized by open markets, globalization, multilateral cooperation and democratic ideals (Ikenberry, 2005). Increasing geopolitical rivalry and movements, such as anti-globalization populism, trade protectionism and techno-nationalism, have reintroduced tensions between different worldviews and are driving significant transformations in the global system. These shifts are causing the unipolar order to give way to a new order, where multiple actors vie for influence (Evenett, 2021), or a new era of global disorder (Luo, 2024). The rise of China is a threat to US hegemonic leadership, with uncertain outcomes to the current "liberal international order" (Grosse *et al.*, 2021; Luo and Van Assche, 2023).

Theoretical explanations in international relations help us to understand these shifts in the global environment by examining interstate relations involving a combination of cooperation and conflict across different areas. The literature on international relations serves as an appropriate lens to examine disruptions that are either triggered or intensified by political processes and the responses of firms to these changes. The cooperation and conflict logics of international relations offer complementary insights into how current geopolitical disruptions may affect cross-border scaling. Rooted in the two main competing perspectives of liberalism and realism, these logics help explain why states either "fight" or "cooperate", and shed light on the geopolitical movements driving recent global disruptions (Han *et al.*, 2024). We will introduce both next.

2.1 Liberalism: a cooperative logic

Liberalism, as an international relations theory, focuses on interstate cooperation, emphasizing how actors engage in mutual adjustment of behaviours through coordination

processes (Keohane, 1984; Moravcsik, 1997). It considers a wide range of actors relevant in the international arena, including firms and international institutions. These actors pursue their self-interests using different types and levels of power, with economic interdependence serving as an important stabilizing force. The increasing interdependence and the role of international institutions in promoting cooperation – by providing coordinating mechanisms and imposing costs on states that violate international agreements – allow states to reduce conflict and enhance cooperation. Consistent with this school of thought, a pro-openness or pro-internationalism ideology is important in pursuing international economic interdependence (Casson, 2021; Han *et al.*, 2024).

Under the cooperation perspective, diverging interests on globalization and failing international institutions led to changes in the perceptions of cooperation benefits. The adverse effects and distributional consequences of globalization have contributed to widespread discontent with the economic status quo and the rise of anti-globalization populism, exemplified by the Brexit vote in the UK and the election of Donald Trump as President of the USA in 2016 (Casson, 2021) and re-election in 2024. Economic protectionist measures signal a departure from the principles of global economic openness and cooperation. Such policies, including tariffs, trade barriers and restrictions on foreign investments, reflect a shift towards prioritizing domestic industries over international trade and "de-risking" from economic interdependence (Beugelsdijk and Luo, 2024). Examples of protectionist measures include the USA withdrawing from the Trans-Pacific Partnership (TPP) in 2017, marking a shift away from multilateral trade agreements. Another notable measure is the Inflation Reduction Act (IRA) of 2022, enacted by the US government to promote domestic renewable energy production through subsidies and tax incentives, effectively prioritizing local industries. By mid-2025, US President Donald Trump had implemented broad tariffs on several countries, including key trading partners. International institutions are facing growing pressure and dissatisfaction as global divisions intensify. Some criticize the United Nations for its lack of decisive action in addressing crises in Ukraine, Israel, Sudan, among others, as well as its failure to constrain Russia's actions. Others, especially developing countries, express growing frustration with multilateral diplomacy's failure to effectively fulfil the United Nations' Sustainable Development Goals (SDGs) (Dempsey, 2023).

2.2 Realism: a conflict logic

In contrast, realism focuses on interstate conflict, characterized by mutually inconsistent preferences between actors in a bargaining situation (Waltz, 1979). It considers sovereign states as the only relevant actors, focused on pursuing their own national interests and prioritizing security, reputation and gains, often at the expense of other states. Realism considers that the system of nations is defined by anarchy, characterized by power dynamics and uncertainty about the behaviour of other nations. Nations aim to maximize their power relative to others, primarily through military, political and economic strength. This theory views the world as inherently competitive and conflictual. Consequently, globalization advances according to the interests of a global hegemonic power, which creates and maintains international institutions governing trade and investments for its own benefit (Witt, 2019). An underlying nationalist ideology aligns with this view, recognizing the state as the natural form of political organization and fostering distrust towards other nation-states (Casson, 2021). Realism provides the theoretical foundation for movements, such as techno-nationalism, linking technological capabilities to national security and positing that nations can advance their interests only at the expense of others. This perspective is

potentially disruptive to IB, as it hinders global open innovation and cross-border knowledge flows, thereby intensifying deglobalization (Luo, 2022c).

From a conflict perspective, rising distrust and intensifying geopolitical rivalry between the USA and China, coupled with a zero-sum political mindset, have heightened the threat to US hegemony as a global power. A resurgence of techno-nationalism, where technological capabilities are closely tied to national security, along with increased state interventionism, has been observed. It has been noted that major economic powers, including the USA, the European Union (EU) and China, have shifted their industrial policies to prioritize the protection of national security, reflecting a broader trend towards isolationism and transactional globalization (Beugelsdijk and Luo, 2024; Foulis, 2023). Examples of techno-nationalism and protectionist policies include the US restrictions on China's access to artificial intelligence (AI) memory chips and equipment capable of making semiconductors. Another significant example is China's "Made in China 2025" industrial policy, which aims to ensure the country's leadership in key high-technology sectors like AI, robotics and semiconductors by promoting domestic innovation and reducing reliance on foreign technology. The EU's Economic Security Strategy further illustrates this trend, focusing on reducing vulnerabilities amid growing geopolitical tensions and technological shifts, particularly in cybersecurity and technology security.

Despite their different interpretation of the world order, liberalism and realism share similarities in their views on the disruptions to the current global system. Both perspectives acknowledge current threats to greater global integration. However, they diverge on the root causes of these disruptions. Liberalism attributes the deglobalization trend, marked by increased trade and foreign direct investment (FDI) restrictions, as well as the rise of anti-globalization populism, to a combination of failing international institutions and shifting interests away from economic openness. It suggests that adverse distributional consequences of globalization have changed perceptions of cooperation payoffs, creating challenges for coordination and greater interdependence and reducing incentives for broad-based economic integration. In contrast, realism views the decline of US hegemony as the main driver behind these disruptions. Realists argue that the intensifying geopolitical rivalry between the USA and China, coupled with uncertainty over outcomes, is at the core of the current fragmentation in the global system (Witt, 2019). Consequently, the scenarios predicted by these perspectives differ significantly. Liberalism assumes that changes in interests are not uniform across countries, leading to varying levels of interdependence. Witt (2019) refers to this phenomenon as a "globalization patchwork." In contrast, realism envisions a scenario of conflict in the absence of a global hegemon, with the rise of China and the emergence of economic blocs around each regional hegemon.

3. An international relations perspective on the impact of geopolitical tensions on scaling businesses

There is an emerging understanding of what scaling businesses are and how scaling is different from other types of firm processes, especially rapid growth. Scaling can be defined as a process whereby a business achieves persistent, rapid or exponential growth in outputs, such as users or customers served or revenue (Bohan *et al.*, 2024), ideally without a corresponding increase in inputs to achieve returns to scale (Coviello *et al.*, 2024). As international scaling requires a validated business model (Reuber *et al.*, 2021; Tippmann *et al.*, 2023a), it is different from international new ventures or born globals (Oviatt and McDougall, 1994; Zahra, 2005; Cavusgil and Knight, 2015), which relate to the early start-up phase of organizations. While internationally scaling businesses may start to become MNEs that control or own resources in foreign market, the emphasis in scaling is on the early

stages of this transition rather than management of established resources, footprints and structures stretching across countries, as in mature MNEs (Piaskowska *et al.*, 2021; Bretas *et al.*, 2025). In fact, the scaling process involves significant internal transformation, affecting multiple dimensions of the organization (Bohan *et al.*, 2024), including a redesign of the organization's structure and management team (DeSantola and Gulati, 2017), and new resource orchestration (Jansen *et al.*, 2023). In an IB context, these internal transformations must keep pace with the demands of rapid international expansion and address the complexities of managing across borders (Tippmann *et al.*, 2023a).

The IB scholarship has increasingly recognized scaling as an important phenomenon because it frequently involves a dimension of cross-border management and organization. To illustrate, the persistent rapid growth associated with scaling often happens in international markets to capitalize on the diverse markets they offer (Tippmann *et al.*, 2023a). Scaling businesses may also pursue resource-seeking internationalization, for example, to access external supports across locations, like finance or specialized services (Bretas *et al.*, 2025).

With an increasing body of research on international scaling has come more clarity on some key features of this process. These key features include business model replication, rapid internationalization, human capital acquisition to support international scaling, and leveraging digitalization as a key enabler. These features represent specific components of international scaling as a cross-border organizational process (Reuber *et al.*, 2021; Tippmann *et al.*, 2023a; Coviello *et al.*, 2024), and they are often interconnected and occur simultaneously. Next, we elaborate on how the cooperation and conflict mechanisms of international relations offer insights into how geopolitical disruptions may affect cross-border scaling along these key features. These arguments are summarized in Figure 1.

3.1 Geopolitical tensions and business model replication across international markets

A key aspect of international scaling relates to replicating business models across diverse markets because leveraging a tried-and-tested business model enables the pace of growth and scale economies (Reuber *et al.*, 2021; Tippmann *et al.*, 2023a). However, unlike mature MNEs, where balancing standardization and local adaptation is critical to IB, it has been found that globally scaling digital firms must navigate a tension between replication through standardization to enable fast international growth and entrepreneurship to remain competitive in dynamic markets; local adaptations were minimized (Tippmann *et al.*, 2023b). In case of greater institutional differences across countries, local adaptation remains, however, relevant during scaling. Factors such as government regulation and divergence of national institutions often increase the need for more local adaptation, reducing the suitability of globally integrated processes (Meyer and Li, 2022) and constraining the ability to scale through replication (Tippmann *et al.*, 2023a, 2025).

Geopolitical tensions can create additional challenges for business model replication during scaling. Under a cooperation logic, the influence of anti-globalization populism has been increasing, leading to a rise in economic protectionism measures, such as tariffs, regulatory barriers and export controls. For businesses, this leads to a reduction in standardization of organizational practices (Meyer and Li, 2022). The resulting greater need for local adaptations may undermine the financial viability of international replication of a business model due to substantive additional costs as well as risks of ill-suited local adaptations (Szulanski and Jensen, 2006). Compared to resource-endowed mature MNEs, we suggest that internationally scaling businesses, due to their fewer resources, are less likely to be able to pursue such local adaptations. It has also been noted that a populist discourse undermines confidence among entrepreneurs to engage in entrepreneurial initiatives and innovation to stay competitive (Bennett *et al.*, 2023; Bjørnskov and Foss, 2016). This may

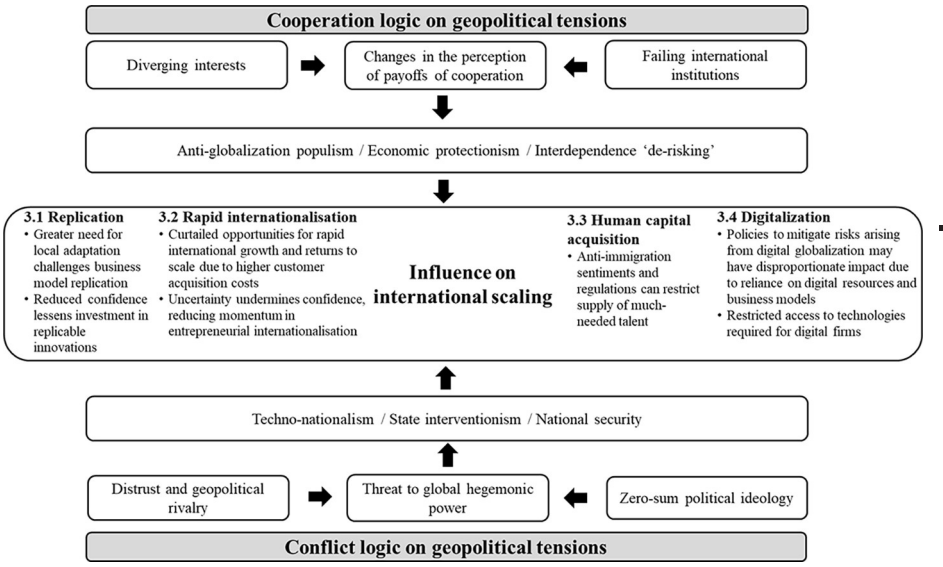

Figure 1. Impact of geopolitical tensions on cross-border scaling: cooperation vs conflict logics
Source: Authors' own work

impede globally scaling businesses to pursue a "replicable innovation" approach, whereby new products or processes are created that are not only suited for replication across country markets but also evolve the global business model to remain competitive in international markets (Tippmann *et al.*, 2023b).

Under a conflict logic, the same impact on scaling behaviour can be expected. The intensifying distrust and geopolitical rivalry between the USA and China create push and pull forces that move firms towards different directions (Evenett, 2021). Institutional pressures and state interventions, often rooted in a realism-based policy approach, are likely to limit the fit of global business models in local contexts, thereby constraining the ability of internationally scaling businesses to replicate their business model across locations. Such policy interventions, fuelled by techno-nationalism and national security claims, intensify the need for local adaptation. Furthermore, the uncertainty on the potential outcomes of the conflict exacerbates unpredictability, influencing entrepreneurial behaviour, such as for replicable innovations.

As an example, under the growing influence of these movements, TikTok had faced increasing demands for local adaptation, particularly in terms of data storage, framed as national security concerns by both the EU and the USA. In response to these pressures, the company launched its "Project Clover" and "Project Texas" initiatives to comply with local data sovereignty requirements. As part of these efforts, TikTok made substantial investments in data centres in Ireland and Norway to store almost all data from UK and European Economic Area users on servers in the EU and to relocate all US user data to servers managed by Oracle, a US-based company (EDS TikTok, 2025; USDS TikTok, 2025). The company also announced a €1bn investment in a new data centre in Finland (Mukherjee and Kauranen, 2025). These initiatives illustrate how techno-nationalism and protectionist policies may generate significant additional costs and operational complexities for businesses seeking to scale internationally.

3.2 Geopolitical tensions and rapid internationalization

International scaling is associated with rapid internationalization due to the fast increase in international sales or employees. While internationally scaling firms may be accidentally pulled into international markets due to their digital business model and cross-border network effects (e.g. Chen *et al.*, 2019; Stallkamp *et al.*, 2022; Hennart, 2014), normally international scaling involves deliberate choices to prioritize markets (Monaghan and Tippmann, 2018). It is particularly important during global scaling to select the most promising international market opportunities for future entrepreneurial growth (Reuber *et al.*, 2021); whereas mature MNEs tend to optimize and evolve their established international footprint to limit downside risks (Hakanson and Kappen, 2017; Santangelo and Meyer, 2017). In prioritized markets, a fast pace of internationalization can enable a swift capture of market space and secure first-mover advantages (Stallkamp *et al.*, 2022; Tippmann *et al.*, 2023a). As internationalization for scaling businesses is a strategic decision that requires substantial upfront investment to enable market entry and build international operations, it is high stakes.

Under a cooperation logic, protectionist policies resulting from shifting interests on economic interdependence restrict investment, limit market opportunities and hinder international network effects where the value of products or services increases with more users (Bohan *et al.*, 2024; Stallkamp and Schotter, 2021). These restrictions may curtail the potential for rapid input growth and the associated exponential increase in outputs as well as the efficiencies in customer acquisition costs to attain returns to scale. This slows the momentum of international scaling.

For example, in 2021, US President Donald Trump signed an executive order banning transactions with several Chinese software applications, including Alipay and WeChat, aiming to curb the threat these scaling firms posed to Americans due to their large and growing user bases and access to sensitive data. The restrictions included barring US app stores from offering these apps for download to new users (Alper and Shepardson, 2021). President Biden later signed an executive order revoking this ban on these Chinese apps, replacing them with a new directive that does not single out specific companies but continues to address national security concerns. The Biden administration directed the Commerce Department to establish criteria for evaluating potential national security risks associated with apps linked to foreign adversaries, including China (Fung, 2021).

Another example of an internationally scaling firm affected by geopolitical sanctions is SenseTime, China's largest facial recognition company. In 2021, the USA declared China's actions against the Uyghurs, a Turkic minority group in northwest China, as genocide and subsequently imposed sanctions on SenseTime for its alleged involvement in the surveillance of Uyghurs. The USA has imposed sanctions first by adding it to the government's entity list, which restricts US exports, and then by banning US investment in the firm. As a result, SenseTime experienced an initial delay in its IPO, relying instead on non-US investors, including funds backed by the Chinese government (Bhuiyan, 2022).

3.3 Geopolitical tensions and human capital acquisition

Given their persistent rapid growth, scaling businesses tend to create a substantial number of new jobs to acquire the human capital necessary to sustain growth by building their capabilities and organization (DeSantola *et al.*, 2023; Bohan *et al.*, 2024). This includes human capital for operational roles as well as talent to staff leadership positions (Tippmann and Monaghan, 2025; Tidhar *et al.*, 2025). However, rising anti-immigration sentiments and restrictive regulations can significantly constrain the availability of skilled talent for internationally scaling businesses, limiting their ability.

Under a cooperation logic, the recent resurgence of a populist rhetoric has fuelled anti-immigration movements. The global economic crisis of 2008 heightened these anti-immigration sentiments, with migrants increasingly perceived as competitors for scarce resources, particularly jobs (Gusciute *et al.*, 2022). Anti-immigration sentiments were a driving force behind the Brexit vote (Hobolt, 2016). Under a conflict logic, intense geopolitical rivalry and refugee crises have further fuelled anti-immigration protests.

Even in places that heavily depend on immigration to address skill shortages, such as Europe, immigration has become a contentious issue. This directly impacts businesses, particularly those scaling internationally as they tend to create new roles that require hiring of talent. For instance, FDTech, a German scale-up company specializing in autonomous driving software, faced challenges when xenophobic incidents led to the loss of key workers (Steitz and Marsh, 2024). In this context, internationally scaling businesses may struggle to acquire the human capital or specialized talent necessary to sustain their rapid growth. Rising anti-immigration sentiments, driven by scepticism towards cooperation and heightened global conflicts, intensify this challenge, further limiting the availability of these critical inputs.

3.4 Geopolitical tensions and digitalization

Policies aimed at mitigating risks arising from digital globalization and interdependence may have a disproportionate impact on scaling businesses due to their reliance on digital resources and business models. Restrictions on access to critical technologies, often driven by techno-nationalist and national security concerns, present significant challenges for businesses seeking to scale internationally.

Digitalization is an enabler of scaling (Giustiziero *et al.*, 2023; Bohan *et al.*, 2024; Coviello *et al.*, 2024), because leveraging digital resources and capabilities increases output generation capacity to enable rapid growth. Moreover, as a scale-free resource, digital assets enable such fast increases in outputs at very low marginal costs (Levinthal and Wu, 2010), thereby creating the returns to scale associated with scaling (Coviello *et al.*, 2024). With respect to international scaling, digitalization reduces the transaction costs associated with cross-border business activities (Autio *et al.*, 2021; Reuber *et al.*, 2021; Tippmann *et al.*, 2023a), and it facilitates the replication of business models in international locations because it reduces the need for a physical presence and lowers market entry barriers (Monaghan *et al.*, 2020; Tippmann *et al.*, 2023b). Digitalization also enables access to relevant supports for scaling businesses that may be available internationally (Bretas *et al.*, 2025). However, national context still matters in the digital age, as digital or digitally-enabled businesses must navigate national institutions and regulations that may at times hinder the implementation of a global business model across countries (Meyer *et al.*, 2023).

Under a cooperation logic, growing digital interdependence drives policies aimed at mitigating vulnerability to digital risks, such as unexpected breakdowns, digital regulatory complexity and cybersecurity risks (Verbeke and Hutzschenreuter, 2021; Luo, 2022a). Digital globalization has intensified interdependence, amplifying the potential impact of external shocks. This was clearly demonstrated by the 2008 financial crisis, which revealed how swiftly the interconnectedness of global capital markets allowed the crisis to spread (Luo, 2022a). In response, policies aimed at reducing such risks have emerged, including regulations on customer protection, digital taxes and information security.

Under a conflict logic, the recent resurgence of techno-nationalist movements, which directly link technological capabilities to national security, presents significant challenges for businesses aiming to scale internationally. Policies on technological innovation and diffusion around the globe are fuelled by differences in ideological values and a rising sentiment of

technological rivalry (Luo, 2022b). Regulations based on techno-nationalism become obstacles to international expansion, "locking out" both digital and non-digital businesses (Meyer *et al.*, 2023). Moreover, the rivalry between the USA and China extends into the technological domain, challenging the notion that technology is inherently neutral in terms of accessibility (Yan *et al.*, 2024). Examples include restrictions in access to technology which hinder the development and diffusion of digital products and processes that facilitate scaling. The US CHIPS and Science Act, signed into law in 2022, and measures beyond the Act to control outbound exports and investments, seek to strengthen the US semiconductor industry while countering China's rise in global competition. The restrictions apply to any company worldwide that uses US semiconductor technology in its production processes (Luo and Van Assche, 2023). In the lead-up, Chinese companies had already begun stockpiling AI chips before the US export restrictions took effect. They placed orders worth $5bn with US technology company Nvidia for chips to be delivered in 2023 (Ghosh and Nellis, 2023; Liao, 2023). The Chinese scaling business 01.AI, specializing in AI-driven solutions, managed to secure an 18-month supply of Nvidia chips prior to the ban (Rai and Lee, 2023). Nvidia responded by modifying one of its leading AI chips to keep its capabilities below US government thresholds and maintain sales to China. However, the Trump administration has further strengthened rules introduced by the Biden administration, blocking the sale of certain Nvidia chips to China without a license and requiring licenses for future sales (Mickle, 2025). Without international access to critical supplies like chips, the scaling of many technology companies is at risk.

In summary, while digitalization facilitates international scaling by lowering marginal costs and streamlining replication and cross-border expansion, the rise of protectionist and nationalistic policies creates obstacles to the development and diffusion of digital infrastructure, products and processes, ultimately obstructing international scaling efforts.

4. Scaling businesses as political actors: agents and instruments of geopolitics

So far, we have discussed how geopolitics impacts international scaling. However, internationally scaling businesses can be influential political actors due to their rapid market expansion, advanced digital capabilities and innovative business models. From a Liberalism perspective, this aligns with the idea that a wide range of actors, including firms, can pursue their own interests using diverse forms of power, thereby acting as autonomous agents in the geopolitical arena. At the same time, Realism emphasizes the primacy of sovereign states, implying that scaling businesses may also serve as instruments within state strategies, advancing their geopolitical agenda. Next, we discuss ways in which internationally scaling businesses engage with geopolitics in two distinct roles: as agents, actively influencing the geopolitical environment, and as instruments, serving state-driven geopolitical objectives. Table 1 summarizes these roles, underlying assumptions and approaches.

4.1 Scaling businesses as agents

As agents, internationally scaling businesses may be able to influence geopolitics for a few reasons. Their increasing economic contributions to employment, innovation, wealth creation and productivity give some political power. If disrupting markets and becoming large global players with market dominance (Reuber *et al.*, 2021; Coviello *et al.*, 2024), this also increases their political power. Moreover, government reliance on their capabilities and limited understanding of their business models and technologies gives scaling businesses power. Unlike mature MNEs that may have already gained significant power through economies of scale, allowing them to exert a substantial influence on the broader environment through corporate political activities (e.g., Bessen, 2022; Casson, 2021;

Table 1. Scaling businesses as political actors: agents vs instruments

Dimension	Scaling businesses as agents	Scaling businesses as instruments
Role of scaling businesses	Agents capable of shaping geopolitics independently, leveraging market power, innovation, and disruptive business models	Primarily instruments of state power, advancing state-driven geopolitical objectives
Assumptions	Multiple actors, including businesses, can independently pursue interests and wield power	Sovereign states are the Central actors
Approaches	• Corporate political activity • Paternalistic power • Aggressive political interventions	• Economic statecraft • Soft power

Source(s): Authors' own work

Saittakari *et al.*, 2023), the influence of scaling businesses can be nascent yet quickly become significant. In what follows, we examine how scaling businesses engage in corporate political activities, exercise paternalistic power and undertake "aggressive" political interventions as expressions of their agentic behaviour to influence geopolitics.

4.1.1 Corporate political activity. Scaling businesses may engage in corporate political activity, leveraging their resources and technological dominance to influence state behaviour and act as geopolitical actors as well as economic ones. The rise of the big technology companies, which have scaled globally, like Google, Amazon, Alibaba, Facebook (Meta) and ByteDance, exemplifies this trend (Lindman *et al.*, 2023). States increasingly rely on scaling businesses and entrepreneurs for expertise on digital transformation, cybersecurity, AI and the regulation of emerging technologies (Yan *et al.*, 2024). The control of data and dominance in cutting-edge technological innovations, compared to government-driven initiatives, allows scaling businesses to actively participate in shaping policies. As geopolitical agents, they can influence the actions of states at both national and international levels (Cronin, 2023; Yan *et al.*, 2024).

Similar to traditional MNEs, internationally scaling businesses use corporate political activities, such as lobbying, to convince governments that certain issues of interest should be managed by the companies themselves through self-regulation. By leveraging these activities, scaling businesses strategically influence public policy to advance their economic interests (Lindman *et al.*, 2023). For example, arguing that their technological innovations are vital to national security, technology companies have significantly increased their lobbying expenditures on EU digital policy, reaching €113m annually (Cronin, 2023; Jones, 2023). The online fashion retailer Shein, a start-up founded in China in 2008 and scaled to the world's largest online fashion retailer by 2023, had hired a former EU official to strengthen its lobbying efforts in the region as it geared up for an initial public offering. In 2023, the company invested US$2.5mn in lobbying activities across the USA and the EU (Sun, 2024).

4.1.2 Paternalistic power. Internationally scaling businesses may assume roles traditionally occupied by the state, using their resources to provide public goods and exert influence. The vast resources orchestrated by internationally scaling businesses enable them to take on responsibilities traditionally held by public authorities, such as infrastructure, communications networks and educational systems, and exert significant influence over society (Cronin, 2023; Lindman *et al.*, 2023; Lindman *et al.*, 2023) describe the actions of private companies in providing public goods and addressing citizens' basic needs, such as

schools, hospitals and housing, as a form of "paternalistic power." An example of this is the "Progress Ireland" program, launched by the founders of Stripe, a financial services and software business that has scaled to become one of the largest firms in its sector and has dual headquarters in the USA and Ireland. This initiative aimed to address critical issues in Ireland, particularly in the areas of public policy, housing and infrastructure (Planning Permission Ireland, 2024).

4.1.3. "Aggressive" political interventions. Scaling businesses may engage in "aggressive" political interventions that transcend traditional corporate political activities like lobbying, fuelled by their growing market power and the reliance of governments on their capabilities and critical resources. This is especially evident in sensitive areas, such as data privacy, online misinformation and cybersecurity. For instance, Uber, a company offering a technology platform for transportation services from the USA, was faced with legitimacy challenges when starting to scale internationally (Marano *et al.*, 2020). A leak of Uber's confidential documents revealed that the company encouraged its drivers in Paris to stage a counter-protest involving mass civil disobedience. This approach, described by a former executive as "weaponizing" drivers, highlighted the company's aggressive actions to influence public opinion and regulatory debates that could pose a threat to its scaling ambitions (Davies *et al.*, 2022).

Internationally scaling businesses can leverage their market power to exert political influence. Their rapid growth, control over critical digital resources and disruptive business models allow them to play a key role in shaping both market dynamics and international relations, challenging realistic notions of state power.

4.2 Scaling businesses as instruments

Conversely to scaling businesses developing power to be active in the geopolitical arena, scaling businesses may also be used as instruments by states in achieving their geopolitical objectives. By supporting domestic scaling businesses in strategic sectors, states can advance their national security objectives, mitigate vulnerabilities and reduce dependency, as a tool of economic statecraft (Aggarwal and Reddie, 2021). At the same time, successful internationally scaling businesses can reinforce a country's soft power (Nye, 1990) by shaping global perceptions through the diffusion of innovation and brand prestige.

4.2.1 Instruments of economic statecraft. Economic statecraft can be defined as the use of economic instruments by states to achieve foreign policy objectives (Baldwin, 1985), often through direct state actions, such as sanctions, embargoes and loans, or via state-owned enterprises. Recent research on globalization and growing economic interdependence has broadened the scope of economic statecraft to include industrial policy, trade measures and investment regulation (Aggarwal and Reddie, 2021). Building on this expanded understanding, we argue that scaling businesses may also function as a tool of economic statecraft.

As an example, states use industrial policy not only to address market failures but also to advance national security objectives by supporting the scaling of domestic businesses. Some governments, such as in the USA, provide venture capital to help overcome scaling challenges faced by cybersecurity firms. In-Q-Tel, a US government-backed investor focused on military and intelligence technologies, works as a substitute for venture capital firms to support the scaling of domestic cybersecurity businesses (Aggarwal and Reddie, 2018).

4.2.2 Instruments of soft power. Soft power can be defined as a country's ability to influence what other countries want, often associated with intangible power resources, such as culture, ideology and institutions (Nye, 1990). Similar to developments in the literature on

economic statecraft, globalization has further stimulated discussions about how global interdependence and the information revolution shape the dynamics of soft power. In this context, a key factor enabling states to accumulate soft power is the credibility derived from their domestic and international performance, often exemplified by the international success of their corporations (Nye, 2002). In line with this reasoning, scaling businesses can serve as important instruments of soft power, functioning as prominent examples of cutting-edge technology and innovation prowess. This dynamic is exemplified by a significant source of US soft power, Silicon Valley, with its high number of scaling businesses. Many businesses originating from Silicon Valley scaled globally, contributing to the international diffusion of American liberal capitalist values. The expansion of Chinese technology firms can be seen as a strategic effort to counterbalance this influence (Baykurt, 2022).

5. Future research avenues

In this section, we outline future research avenues that warrant the attention of IB and international entrepreneurship scholars, focusing on specific research questions framed within the logics of geopolitical cooperation and conflict. Table 2 summarizes the research questions organized according to these logics and aligned with key dimensions we have explored in the article: business model replication, rapid internationalization, human capital acquisition, digitalization and political influence.

Building on these logics, avenues for future research emerge. One important direction is to investigate the unique challenges faced by internationally scaling businesses navigating geopolitical tensions, particularly in comparison with mature MNEs. Comparative studies contrasting mature MNEs with internationally scaling firms could provide additional insights into the distinct behaviours and strategies of these rapidly growing businesses.

Another interesting area for exploration is how the geopolitical context of a firm's home country influences its international scaling efforts. Understanding the interplay between a firm's home-country geopolitical environment and the international strategy of scaling businesses could shed light on how these firms navigate opportunities and constraints shaped by their origins.

Additionally, future research could explore the role of scaling businesses as instruments of state power. Studies could investigate how different governments strategically support domestic scaling firms across various sectors to advance national security objectives, and the mechanisms they use, such as state-backed venture capital and investment policies, in facilitating business scaling aligned with a national political agenda. Additionally, research could analyse how internationally scaling businesses contribute to their countries' soft power and how this plays out amid competing geopolitical narratives.

Beyond cooperation and conflict logics, there is also scope to engage with alternative international relations perspectives, such as Constructivism (Cox, 1996) and Critical Theory (Katzenstein *et al.*, 1998). Constructivism emphasizes the co-development of agency and structure in international relations, while Critical Theory incorporates elements like ideology and alienation to explain nationalism and authoritarianism. Emerging as a response to the shifting global order post the Cold War era, Critical Theory seeks to address pressing global challenges, such as poverty, nuclear threats and environmental issues. Both perspectives could provide valuable insights into the current context and offer a deeper understanding of the consequences for internationally scaling firms.

6. Conclusion

To explore how geopolitical tensions affect internationally scaling businesses, we suggest that these firms face heightened vulnerabilities and risks when compared to mature MNEs

Table 2. Research questions under cooperation and conflict geopolitical logics

Dimension	Cooperation logic	Conflict logic
Business model replication	– How do shifts in global cooperation toward protectionism affect the balance between standardization, local adaptation and replicable innovation in scaling businesses?	How do political interventions affect scaling firms' ability to replicate their business models internationally?
Rapid internationalization	– How can internationally scaling businesses leverage regional economic integration in their expansion efforts? – How do "de-risking" from economic interdependence influence the speed and scope of scaling firms' international expansion?	How do international sanctions impact the strategic decisions of internationally scaling firms regarding market entry and expansion?
Human capital acquisition	– What strategies do internationally scaling businesses employ to mitigate skill shortages under restrictive labour mobility policies?	– How can internationally scaling businesses identify and develop new skills and competencies to deal with the negative impact of international sanctions? – How can different types of security alliances (e.g. military, economic, cyber) impact the cross-border flow of talent and knowledge for internationally scaling firms?
Digitalization	– How do policies and regulations aimed at mitigating digital risks (e.g. cybersecurity, data protection) influence the ability of scaling businesses to leverage digital resources for international scaling?	– How do technological decoupling, techno-nationalism and restrictions on critical technologies impact internationally scaling firms?
Political influence	– What role do internationally scaling businesses play in shaping international perceptions of their home country, and how can this influence diplomatic relations? – How do internationally scaling businesses leverage their global market presence to influence policy decisions in host and home countries?	– How do scaling businesses function as tools in supporting national security objectives? – How do states leverage internationally scaling firms to compete with rival powers in technological or digital domains?

Source(s): Authors' own work

due to their limited resources and lower resilience. Geopolitical disruptions challenge their ability to replicate business models, manage rapid internationalization, secure critical inputs and leverage digitalization. We believe that this article will stimulate future research at the intersection of international relations and business scaling, particularly by examining how different logics of international relations shape the challenges and opportunities for scaling firms, both as subjects influenced by geopolitics and as agents actively participating in it.

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