CHAPTER 8

EXTRAORDINARY RISK MANAGEMENT IN INTERNATIONAL BUSINESS STRATEGY: WHY HISTORY MATTERS

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ABSTRACT

This chapter provides an illustration of how business history can help inform international business about crises, extraordinarily risky environments, and also about the risk management strategies followed by businesses that tried to remain in host markets which became adverse. Drawing on the historical research carried out by Geoffrey Jones on foreign direct investment, it proposes a refinement of the "firm-specific advantages (FSAs)/country-specific advantages" framework, one of the most extensively used frameworks in international business strategy. It argues that the traditional FSAs required for firms to internationalize are not sufficient for multinational enterprises to operate in VUCA environments, characterized by high volatility (V), uncertainty (U), complexity (C), and ambiguity (A). They required additional FSAs associated with management of extraordinary risks. The proposed framework also distinguishes between prevention and mitigation strategies, carried out before entry and after entry.

Keywords: International business history; firm-specific advantages in extraordinary risk management; VUCA environments; prevention strategies; mitigation strategies; Geoffrey Jones

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1. INTRODUCTION

The COVID-19 crisis and its consequences are raising fundamental questions about the future of the world economy and posing new challenges for businesses, academic researchers, and policy makers (Verbeke, 2020). Entrepreneurs are trying to find ways to be resilient and adapt to the new business environment with no clear indication of when these extraordinary risks will end (Finn, Mysore, & Usher, 2020). Extraordinary risks include both single external shocks such as the COVID-19 crises, and also sequences of smaller risks such as those that occurred in Thailand in 2004, when a tsunami followed an earthquake in the Indian Ocean, which led to a total disruption of global value chains and to infrastructure destruction. Extraordinary risks put a lot of strain on multinational enterprises (MNEs), many of which struggle to survive if they stick to their traditional ways of doing business, their planned strategies and structures, and lack the capabilities to react and manage extraordinary risks.

Risks are a multidimensional construct and create different types of problems (Casson & da Silva Lopes, 2013; Miller, 1992). MNEs face two broad types of risks when operating globally: "normal" risks and "extraordinary" risks. Normal risks in international business tend to be associated with competition and distance. Distance in international business relates to the fact that firms, when entering foreign markets, have to deal with different geographies, cultures, languages, and political and institutional environments (Johanson & Vahlne, 1977, 1992; Kogut & Singh, 1988; Shenkar, 2001; Verbeke, van Tulder, & Puck, 2017, chapter 1; Zaheer & Hernandez, 2011; Zaheer, Schoemaker, & Nachum, 2012). These normal risks tend to diminish once the MNE has entered and learned how to operate in the foreign environment. Extraordinary risks are risks that prevail however much experience the firm acquires in the host market. They result from factors that are impossible to control. Although the nature of the problems can often be predicted, their size, timing, and duration cannot. Experience can be gained in managing extraordinary risks, but no amount of experience will make them disappear. Extraordinary risks can refer to institutional risks or to natural hazards. Institutional risks stem from the actions of individuals or the organizations to which they belong. They include political risks, social risks, business risks, and financial risks. By contrast, natural hazards stem from physical factors such as floods, tsunamis, and earthquakes.

Extraordinary risks are associated with VUCA environments, characterized by high volatility (V), uncertainty (U), complexity (C), and ambiguity (A) (Bennett & Lemoine, 2014; van Tulder, Jankowska, & Verbeke, 2020). These environments inhibit the ability of MNEs to create value by limiting the scope and effectiveness of the activities they undertake in foreign markets (Wernerfelt & Karnani, 1987). The VUCA acronym, first used in 1987 by the US Army, has recently caught the attention of international business scholars to capture the environment which we live in (Petricevic & Teece, 2019; Schoemaker, Heaton, & Teece, 2018; van Tulder et al., 2020). Volatility relates to relative unstable change that can be frequent and unpredictable. Uncertainty can relate to situations where there is an unknowable future, or to situations where this future is knowable but not calculable

(Buckley, 2016; Knight, 1921; Kobrin, 1979). In highly uncertain environments MNEs need to be able to cope with financial burden for a long period of time. Cause and effect are understood but it is unknown if an event will create significant change. Complexity relates to situations where there are many interconnected parts forming an elaborate network of information and procedures, often multiform and convoluted but they do not necessarily involve change. Finally, ambiguity relates to situations where there is a lack of knowledge or the "basic rules of the game." In international business the more ambiguous policies leave room for interpretation, which can be used opportunistically by different parties.

Discussions around the concept of risk in international business gained momentum from the late 1970s with the work of Johanson and Vahlne (1977), who considered it to be a constraining factor in the process of internationalization of firms as it affected their modes of entry into foreign markets (Johanson & Vahlne, 1977, p. 27). Different levels of risk explain to a great extent the idea of sequential entry into markets driven by psychic distance costs and market scale (Johanson & Vahlne, 1977, 2009). History has shown that, when operating in VUCA environments MNEs often try to be resilient and continue operating in those markets (Bucheli, 2005, 2015; Jones, 1986, 1993, 2000, 2005a; Jones & Comunale, 2019; Jones & Lluch, 2015; Kobrak & Wilkins, 2011; da Silva Lopes, 2007; da Silva Lopes, Casson, & Jones, 2019; da Silva Lopes, Lubinski, & Tworek, 2020; Wilkins, 1970, 1974). Rather than avoiding markets, firms with international activity try to remain in those markets and even identify opportunities to flourish. This historical research can be useful both to researchers and policy makers in their search for lessons from the past (Jones & Khanna, 2006; Skidelsky, 2020).

For dealing with "normal" risks in foreign markets, international business strategy emphasizes the need for MNEs to have firm-specific advantages (FSAs) and country-specific advantages (CSAs) (Rugman & Verbeke, 1992). FSAs are associated with monopolistic advantages and represent the distinct bundles and capabilities held by MNEs that provide them with competitive advantages in the marketplace against rivals (Dunning, 1981, 2001; Hymer, 1968; Rugman & Verbeke, 1992). FSAs include unique assets (tangible and intangible), capabilities, privileged relationships with outside actors and competencies proprietary to the firm that determine its competitive advantage. They also relate to the ability of the firm to generate rent by using superior organizational forms which minimize transaction costs. CSAs are associated with Dunning's (1981, 1998, 2002) AQ2
location advantages. They derive from location characteristics such as natural resources, institutional strengths, and the purchasing power of consumers in particular countries. They refer to assets that are not specific to a particular firm but are potentially available to all actors in a particular location, and they reflect the socio-economic and political environment (Collinson, Narula, & Rugman, 2017, chapter 2; Narula, Verbeke, & Yuan, 2021).

In the presence of extraordinarily high risks created by VUCA environments, the traditional FSAs rarely prove adequate if MNEs wish to remain in those markets (Verbeke, 2013). MNEs need to develop additional FSAs associated with their ability to manage extraordinarily high risks. For that purpose, MNEs need new forms of entrepreneurship and leadership. This chapter aims to illustrate how history is full of cases of MNEs which did not withdraw from VUCA environments, but instead showed resilience and in the long-term were able to thrive in those markets. It proposes a refinement of the FSA/CSA framework (Rugman, 1981; Rugman & Verbeke, 1992), one of the most extensively used frameworks in international business strategy. As part of the volume on "Crises in International Business" dedicated to Geoffrey Jones, the case studies provided all rely on his research. Geoffrey Jones is also one of the most prolific business historians who has researched on the topics of crises and extraordinarily risky environments in international business. Following the Introduction, Section 2 draws on Jones's extensive research on this topic to illustrate how history can help refine theory, and how in the presence of adversity many MNEs found strategies and tactics which allowed them to remain in VUCA environments. Based on the historical evidence provided in the previous section, Section 3 proposes an extension of Rugman and Verbeke FSA/CSA framework to consider VUCA environments and the need for FSAs to also consider risk management strategies as an added capability of the MNE. Finally, Section 4 provides some conclusions.

2. GEOFFREY JONES'S HISTORICAL RESEARCH ON VUCA ENVIRONMENTS

While VUCA is a composite term relating to volatility, uncertainty, complexity, and ambiguity, it addresses separate and unique types of environments which create different types of risk management strategies by MNEs operating in foreign markets (Millar, Groth, & Mahon, 2018). This section relies on historical research to illustrate how, in the presence of different types of VUCA environments, MNEs traditional FSAs (such as superior brands or patents, or qualified management) were not enough to survive in those environments. Instead, these MNEs relied on additional FSAs associated with extraordinary risk management, and which allowed them to remain in those markets and in some case thrive in the long run.

2.1. Volatility

The extraordinary risks that IBM faced in Nazi Germany provide a good illustration of resilience strategies and FSAs in extraordinary risk management in the presence of a very high volatile foreign market (Jones, Ballor, & Brown, 2021). IBM was among the many US firms with direct investments in Germany on the eve of World War II. This MNE had introduced the punch card technology to Germany which could be used in a wide range of applications for the collection of information – including census data, payroll, inventory tracking, personnel, finance, and production scheduling. The main customer of IBM in the German market had always been the government. With the accession of Hitler to power, a very nationalistic rhetoric was adopted. Nonetheless, Hitler's government embraced American ownership of key industrial assets such as those of IBM.

In order to succeed in that market during this period, IBM like other American businesses with investments in Germany, opted to engage in dialogue with Hitler, detached the German business from the headquarters, as that allowed the MNE to cooperate more closely with the regime and improve its local performance. However, conditions imposed by the Nazi regime were constantly changing. One of the first challenges IBM and other foreign MNEs faced related to pressures to remove Jews from the management of the German affiliate. In order to comply with the Nazi regime regulations IBM transferred all the Jewish managers abroad. Because of that IBM was criticized for cooperation and compliance with the Nazi regime. However, business historians have found no evidence that IBM held anti-Semitic sentiments. Instead, their decision-making seems to have been guided by economic rationality, the principled logic of internationalism, as cooperation with the Nazi regime ensured survival (Heide, 2004; Kurosawa, Forbes, & Wubs, 2019).

A major systematic factor that underlined the high volatility of the environment during this period relates to the strict capital and currency controls created by the Third Reich which made it extremely difficult to repatriate profits. IBM employed several strategies to circumvent such risks. Some money was transmitted back to IBM headquarters in the form of royalties which appeared in the accounts as "necessary expenses." Another method involved shipping finished goods to be paid against debt by the German affiliate to IBM in New York. Excess capital was invested in Germany in assets that would retain their value until such time as they could be reclaimed by their American owners. At first, the German affiliate of IBM invested in additional plant capacity and other assets directly related to the business. Later, investments were made in rental properties in Berlin and other real estate.

2.2. Uncertainty

An illustration of a MNE that dealt with extraordinary uncertainty and was able to survive is Unilever in the 1960s and 1970s in emerging markets such as India. Unilever's survival in emerging markets during this period was in fact a singular achievement (Jones, 2005b). During this period, there was hostility in emerging markets toward MNEs, with governments trying to squeeze MNEs out of those markets. There was also hyperinflation and a world debt crisis, which led to the economic decline of various areas in the world. All these circumstances combined created highly uncertain environments.

In India, after its independence in 1947, the government pursued a strategy aiming to achieve self-sufficiency and to minimize reliance on foreign trade and foreign capital. The market became very uncertain to foreign MNEs. It was characterized by multiple controls (e.g. on prices and on raw materials permitted), multiple taxation, and constant changes in legislation. There was also labor unrest. The introduction of the FERA legislation in 1974 under which all companies not engaged in "core" or non-technology industries had to bring their shareholding down to 40 percent, led companies such as IBM and Coca Cola to divest from that market. Unilever, however, opted to remain in the market by negotiating and using its extensive contacts and goodwill to try to modify or delay restrictive regulations among other adversities. Unilever held extensive negotiations with governments to remove some of these controls. A strategy was followed seeking to retain 74 percent of control which was only permitted for firms in the high-technology or core sectors. After complex negotiations between Unilever and the Indian government, an agreement was reached under which Unilever was permitted to hold 51 percent of the equity, provided that 60 percent of its turnover was in the core of high-technology sectors, and that it exported at 10 percent of its production. This decision was contested several times by subsequent governments, but Unilever was able to keep the initial agreement. All these uncertainties impacted on the performance and governance of Unilever in India, where the MNE lived with financial difficulties for several years.

Unilever's survival in a highly uncertain emerging market such as India rested on multiple factors. It had been a first mover in the markets where it operated and in different product categories. It had built businesses through decades of heavy investment in branding, marketing, and localization, and owned brands highly recognized by consumers. It used low dividend policies to be able to reinvest in its local businesses. Its overall size, scope of operations, and financial capacity permitted strategies such as that one followed in India which led to financial losses for a significant period of time, as it was a market considered to be strategic in the long run. Unilever's knowledge of the market was cumulative and deep. Unilever's management was flexible enough to adjust to the local environment. All these factors provided a strong management cadre which, in addition to its business capabilities, provided Unilever the ability to negotiate concessions with the establishment. In the long term, this strategy proved successful and beneficial. Unilever was spared competition from its international rivals later on. Unilever had created a reputation of an honest business enterprise, which made and sold products which a lot of consumers wanted irrespective of the political regimes in power. Unilever's long history in many countries and willingness to localize senior management positions had given them the information and the capability to respond to risks and not to seek safer havens in the developed world. As a result Unilever was able to build and maintain businesses in countries which many of its international competitors declined to enter or withdrew because of perceived extraordinary risks and high uncertainty.

2.3. Complexity

Beiersdorf is a largely Jewish owned and managed German pharmaceutical company which during World War I and World War II faced a uniquely challenging combination of complexity with home and host country political risk (Jones & Lubinski, 2012). Its Jewish ownership and management meant that it faced considerable threats both abroad as a German company, and at home during the Nazi era, as a Jewish company. This meant that Beiersdorf knew early on that it could not expect government support either in Germany or in host markets. It therefore sought alternative strategies to protect itself against the very high complex global business environment, relying on incredibly innovative organizational structures, and on one-on-one relationships, based on personal trust, rather than on legally enforceable contracts.

Like many other German firms during the World Wars, the elaborate organizational structures devised by Beiersdorf aimed to circumvent real and potentially hostile government interventions. A structure often used was one of cloaking, defined as the art of concealing the true ownership of a company from authorities (Kobrak, Hansen, & Kopper, 2004). Beiersdorf created an organizational structure in the shape of a "ring" with different subsidiaries linked through a chain or relations to circumvent the need to report to the headquarters. Apart from reducing the firm's exposure to adverse government interventions both abroad and at home, this structure also enabled the MNE to overcome some of the problems caused by German exchange controls, and facilitated the flow of goods and capital between countries in the context of severe policy restrictions in Germany. Establishing the ring also turned out to encourage stronger cooperation among the foreign affiliates. This system of mutual financial support and cooperation worked out well in the short run, apart from providing an effective way for affiliates to disguise ownership, circumvent national regulations, and even adopt a different nationality. In the longer term, however, the ring structure failed to protect most of the firm's foreign assets from expropriation.

After World War II, factories and key trademarks were lost in most markets. The New Communist regimes took over affiliates in Central and Eastern European countries. Elsewhere, the Allies expropriated companies in the United States, Great Britain, Austria, and the Netherlands, along with the affiliates in Sweden and Finland. International trademarks that Beiersdorf owned, such as Nivea, for which Beiersdorf had created gentlemen's agreements, based on trust, mainly with employees and distributors in host markets, were also lost. The aim with these agreements had been to separate the parent from its international affiliates and dissociate the imagery of the brands with Germany. But once the War was over most of the parties – former employees and distributors of Beiersdorf – refused to give the physical and intellectual property back to Beiersdorf, arguing, not entirely unreasonably, that in doing so they would put themselves at risk. As a consequence, Beiersdorf faced a dangerously fragmented brand identity for its most important product lines even as it sought to refresh and grow the brands in Germany. Over time Beiersdorf pursued two strategies to rebuild its international business. First, it used new brands to reenter markets. Second, it slowly reacquired its expropriated brands of which Nivea was the most important (Reckendrees, 2018).

2.4. Ambiguity

The Imperial Bank of Iran (Persia until 1935) entered Iran in 1889, in a period of great ambiguity, as there was not modern banking system in place in this market, no banking regulations, a the country was then one of the most backward countries in the world (Jones, 1986, 1987). The Imperial Bank became one of the largest groups of British overseas banks which pioneered banking and established branches all over the world (Jones, 1993). The bank had a peculiar international trajectory as well as governance, which Mira Wilkins (1988) defines as "free standing company." Free standing companies did not grow out of the domestic operations of any existing bank headquartered in Britain and conducted no domestic banking, although sometimes they collected UK deposits at least until 1914. Instead, they were set up in the host country, relying on capital and management from the home country – Britain.

Between 1889 and 1928, the Imperial Bank of Iran was able to grow and thrive in the market, despite the high ambiguity, as there was no banking system and no regulations, the bank benefited from the local governments' support in its activities. It served as a state bank and held a virtual monopoly of the modern banking sector in the country: it issued bank notes; it imported silver for mintage into currency; it kept the government's accounts and acted as a recipient of its revenues; and made advances to the government. However, from 1928 until 1952, the level of ambiguity was aggravated as The Imperial Bank started being attacked by nationalist governments. A striking feature of this period was the violent reaction against British business as a whole in Iran (Bostock & Jones, 1989). The foundation of the new Pahlavi dynasty by Reza Shah in the mid-1920s was followed by a campaign to modernize Iran, and to challenge foreign business. A central bank – Bank Melli was founded in 1928. The Imperial Bank lost its role as state bank, and in 1933 had to relinquish its note-issuing powers. In the 1930s, exchange controls and barter agreements destroyed the bank's business in financing foreign trade. Foreign exchange business became increasingly centralized in Tehran, leaving the bank's extensive provincial branch network to waste away. In September 1951, the Bank was banned from dealing in foreign exchange during the dispute about the nationalization of the Anglo-Iranian Company, and left Iran in the following year.

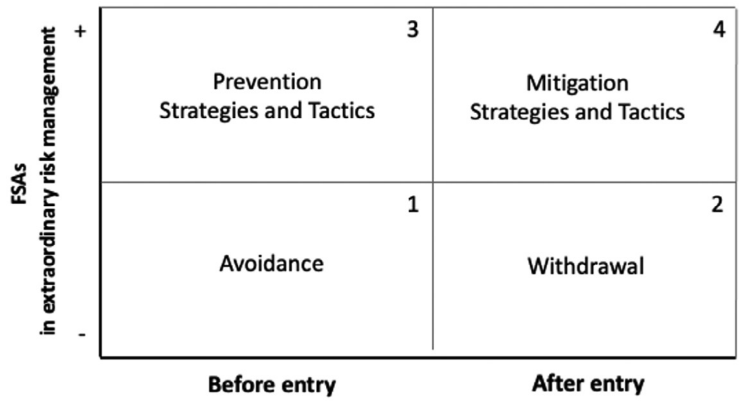
3. USING HISTORY TO HELP REFINE INTERNATIONAL BUSINESS THEORY

The MNEs discussed in Section 2, which remained operating in host markets are just a few illustrations of the multiple historical cases where the internationalization process has been impacted by volatility, uncertainty, complexity, and ambiguity. Instead of withdrawing from markets, MNEs relied on extraordinary entrepreneurship and leadership skills to survive in those markets and even detect opportunities that other firms could not see. In these circumstances, the traditional FSAs required, such as the capacity to internationalize, the ability to forecast consumers' wants and needs, the superior technologies and R&D, and the ability to control of production were not enough. In VUCA environments, additional FSAs are required such as the capacity to filter out noise, even in the most challenging locations, and to take on risks that see opportunities that other MNEs cannot see. Additional FSAs are required to protect against volatility which means filtering out random noise and focusing on systematic factors that underline volatility. To deal with uncertainty created by unprecedented situations or rare and exceptional events, the MNE also needs liquidity to finance the firm in hard times. This implies having equity and little debt (Knight, 1921). In circumstances of high complexity, the MNE should be able to filter out the unnecessary complications by simplifying and understanding the basic drivers of risk and ignoring the details. Dealing with complexity often requires organizational restructuring, as illustrated in the case of Beiersdorf. Finally with ambiguity and extraordinary risks, the MNE requires FSAs which provide as much as clarity of thinking and AQ3 decision-taking as possible, and also the possibility of creating options and some experimentation.

The FSA/CSA framework (Rugman, 1981; Rugman & Verbeke, 1992) is particularly useful in international business in explaining strategies such as growth and expansion of existing businesses, resource allocation and coordination, and choice of governance modes. The argument is that the international configuration of the MNE, in terms of its deployment of value-added activities across borders, fundamentally depends upon its stock of FSAs and use of CSA. The FSA/CSA framework takes into account the relative strengths and weaknesses of the MNE in relation to its competitors in host markets, and implicitly considers that international business strategies enable continuous learning and flexible responses as situations evolve.

In a VUCA environment, however, efforts to understand the future and to plan responses based on traditional firm-specific capabilities can become an inglorious exercise. When facing uncontrollable risks, firms will adjust their governance systems to mitigate the novel challenges and create a governance context conducive to sustained value creation. Fig. 8.1 extends the FSA/CSA framework by highlighting that the different degrees of FSAs in extraordinary risk management that lead to different types of strategies in the presence of VUCA environment. Extraordinary risks exacerbate uncertainties and volatility, increase governance-related investments in intelligence and safeguards to reduce bounded rationality and bounded reliability problems, and require new and flexible forms of foreign investments (Verbeke & Greidanus, 2009). Fig. 8.1 provides a framework for FSAs in risk management and the strategies managers should pursue in a VUCA environment. It considers two moments: the degree of FSAs in extraordinary risk management that the firm may have before entry into a foreign market, and the degree of FSAs in extraordinary risk management that the MNE may have once the extraordinary risky situation has occurred. For MNEs with lower levels of FSAs in extraordinary risk management, the MNE might be able to innovate, develop new technologies and globalize, but does not have the capacity to deal with VUCA environments. In contrast, for firms with high levels of FSAs in extraordinary risk management they have the ability to deal with VUCA environments and develop different types of strategies and tactics.

There are four quadrants in Fig. 8.1. Quadrants 1 and 2 are for firms with low FSAs in extraordinary risk management. This means that they do not have the capacity to survive in the VUCA environment, which prevents them from internationalizing into that market. They have the inability to analyze a challenging situation. If the MNE was planning to enter that market but has not done so yet, the best strategy is risk avoidance. Avoidance implies delaying a market entry indefinitely or until a more opportune moment. An illustration is the



AQ4 *Fig. 8.1.* Relation between MNEs FSAs in Extraordinary Risky Management and Strategies and Tactics for Operating in VUCA Environments.
Source: Author's original work.

Turkish business group Koç, which in the 1950s, given the high tariffs to imports into Turkey, tried to persuade Ford to set up an alliance with the group for the creation of a Ford Assembly plant in that market. Koç met Henry Ford II, the President of the Ford Motor Company in 1956, and carried with him a letter from the Prime Minister of Turkey introducing Koç and asking Ford to invest in Turkey jointly with his group. The government also offered to support the joint investment through incentives. The high volatility, uncertainty, complexity, and ambiguity that remained in the negotiations, despite the government reassurance, meant that Ford avoided entering the Turkish market by delaying it. In 1958, Ford finally reached an agreement with the government to set up a plant in that market, under strict conditions (Colpan & Jones, 2016).

In quadrant 2, the MNE entered the foreign market only having to consider normal risks, such as those associated with competition or distance. However, while operating in that market the environment became VUCA, characterized by high volatility, uncertainty, complexity, and ambiguity. As the MNE does not have the required FSAs to manage extraordinary risks, the best strategy is to withdraw. An illustration is the large Unilever business in China, which was devastated first by the Pacific War, and then by the Revolution in 1949. These events led to the withdrawal of Unilever from that market. Unilever only reentered China again in 1986 (Jones, 2000).

The MNE with FSAs in extraordinary risk management operates in quadrants 3 and 4 in Fig. 8.1, which means that it has the ability to survive in VUCA environments. In quadrant 3, before the MNE has to face extraordinary risks, it has the mechanisms to create prevention strategies and tactics. Prevention is associated with the capacity of managers to foresee crises and the ability to find effective ways to respond and prepare for such VUCA environments. Prevention strategies and tactics involve, for example, the creation of early warning systems. Rather than making periodic reviews of a static plan, managers need to work together to diagnose the ongoing situation, consider its practical implications, explore how it might evolve, and establish and execute appropriate prevention and action plans. These plans might entail tactics such as information gathering, proactive collaboration, networking, or strategies such as changes in the entry mode, location, and types of alliances, etc. In quadrant 4, the MNE has the FSAs in risk management and therefore can create mitigation strategies for managing extraordinary risks if a market where they are operating suddenly becomes a VUCAA environment. Mitigation strategies might include internalization of intermediate product markets (through vertical or horizontal integration), cooperation (e.g. through strategic alliances), diversification, or integration/disintegration of global value chains.

4. CONCLUSION

This chapter part of the volume dedicated to Geoffrey Jones draws on his work to provide an illustration of how history matters in international business. It shows that historically when markets became volatile, uncertain, complex and ambiguous, many MNEs opted to remain and survive, rather than to avoid or withdraw. The traditional FSA/CSA of MNEs are useful to explain MNEs internationalization process under “normal risks,” but they are not sufficient to explain why MNEs might remain in host markets when environments become VUCA. It is true that the VUCA environments of today are different from those experienced by MNEs historically, in particular with regard to the possible prevention and mitigation strategies adopted. Digital and data management are two examples of management tools used in such circumstances that did not exist in the past. Nonetheless, it is possible to find parallels between the VUCA environments of today and those of the past and the entrepreneurial capabilities of FSAs in extraordinary risk management that MNEs need to have to deal with AQ5 those environments.

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AQ1: The year of publication for [van Tulder, Jankowska, & Verbeke, 2020]; [Bucheli, 2005]; [da Silva Lopes, Lubinski, & Tworek, 2020]; and [Rugman & Verbeke, 1992] has been changed in the text as per the references list. Please check.

AQ2: [Dunning (2002)] is not provided in the references list. Please check.

AQ3: Please check the edited sentence 'Finally with ambiguity and extraordinary risks .....' for correctness.

AQ4: Please check whether 'Relation between MNEs FSAs' in the figure caption should read 'Relation between MNEs with FSAs'.

AQ5: Please check the phrase 'entrepreneurial capabilities of FSAs in extraordinary risk management' for correctness and amend if necessary.

AQ6: Refs. [Dunning 1988; Shackle 1969; Wilkins 2004; Williamson 1975; Zaheer 1995] are not cited in the text. Please check.

AQ7: Please provide the publisher location in ref. [Finn, P., Mysore, M., & Usher, O. (2020)].