

# Strategic Management and Global supply Chain Resilience: Navigating the 2026 Israel – Iran Conflict

**Dr. Dinkar Morvadia**

Associate Professor & HOD, N R Vekaria Institute of Business Management Studies, Junagadh (Gujarat)

## **Abstract:**

The escalation of the Israel-Iran conflict in early 2026 has transitioned from a regional security issue to a systemic "Black Swan" event for global management. With the closure of the Strait of Hormuz on March 4, 2026, and the subsequent 40% surge in Brent Crude prices, traditional supply chain models built on "Just-in-Time" (JIT) efficiency have collapsed. This paper explores the transition toward Geopolitically-Aware Strategic Management (GASM). By reviewing contemporary literature and analyzing the 2026 economic shocks, this study proposes a framework for resilient operations through AI-driven risk sensing and regionalized manufacturing.

**Keywords:** Black Swan, JIT, GASM

## **1. Introduction**

Geopolitics has historically been treated as an "external variable" in management—a background noise that occasionally disrupted trade. However, as of March 2026, the direct war between Israel and Iran, involving drone swarms and naval blockades, has made geopolitics the primary driver of corporate strategy.

The "Strait of Hormuz Crisis" has stranded 20 million barrels of oil per day, triggering the most severe energy shock since the 1970s. For managers, the challenge is twofold: immediate crisis response (logistics, safety, and liquidity) and long-term structural adaptation (de-risking from volatile regions). This paper provides a management roadmap for navigating this era of "Permanent Volatility."

## **2. Review of Literature**

### **I. Caldara and Iacoviello (2022) - Measuring Geopolitical Risk**

Focus: The Geopolitical Risk (GPR) Index.

Contribution: This foundational work established that spikes in GPR lead to a significant decline in real economic activity and a retreat in foreign direct investment (FDI). In the context of 2026, their model explains why global markets saw a 14% drop in investment within one week of the February 28th strikes.

### **II. Li et al. (2024) - Non-Market Strategies and Resilience**

Focus: Corporate Political Activity (CPA).

Contribution: Li argues that in a multipolar world, firms must move beyond market competition and engage in "non-market strategies"—building relationships with governments to secure "green lanes" for goods. This is currently being applied by firms in the GCC to secure airlift food supplies.

### III. Yadav, Singh, and P. (2025) - The Strategic Resilience Model

Focus: Adaptive Supply Chain Reconfiguration.

Contribution: Published just before the 2026 escalation, this paper proposes a "multidimensional resilience framework." It advocates for "re-coupling capacity"—the ability to quickly switch from one global node (e.g., the Middle East) to another (e.g., Latin America) using AI-enhanced visibility.

### IV. World Bank Report (2025) - Geopolitical Risks and Trade

Focus: Sectoral Vulnerability.

Contribution: This report quantified that services and agriculture are more vulnerable to GPR than manufacturing. It predicted the "grocery supply emergency" currently seen in Southeast Asia, where 80% of oil imports pass through the now-closed Strait.

### V. Baker Donelson (2026) - War and Construction Supply Chains

Focus: Legal and Operational Force Majeure.

Contribution: This very recent analysis highlights the "weaponization of trade." It provides a blueprint for managers to rewrite contracts, focusing on cost-escalation clauses for fuel and raw materials like aluminum and steel, which have seen 300% price hikes since the conflict began.

## 4. Problem Statement: The 2026 Supply Chain Collapse

The management problem is defined by three overlapping crises:

**The Energy Gap:** Brent Crude exceeding \$120/barrel has rendered many manufacturing processes unprofitable.

**The Logistics Choke:** The effective shutdown of the Persian Gulf has forced a shift to expensive air freight and long-distance rail through Central Asia.

**The Cyber Frontier:** State-sponsored cyberattacks on logistical software (ERP systems) have created "digital blockades" more damaging than physical ones.

## 5. Methodology

This paper utilizes a Qualitative Case Study approach, analyzing the real-time responses of three sectors: Global Logistics (e.g., Maersk), Energy (e.g., QatarEnergy), and Consumer Retail (e.g., Lulu Group).

## 6. Findings and Discussion

### 6.1. The Death of JIT and the Birth of JIC

The "Just-in-Time" model, which minimizes inventory to save costs, has proven fatal in 2026. Management must transition to "Just-in-Case" (JIC), which involves:

**Strategic Stockpiling:** Maintaining 90 days of critical components instead of 14.

**Buffer Capacity:** Building redundant production lines in stable "friend-shoring" regions like Mexico or Vietnam.

### 6.2. AI as a Strategic Shield

Modern management now relies on AI-orchestrated risk sensing. By processing satellite imagery, social media sentiment, and naval transponder data, AI systems can predict a port closure 48 hours before it happens, allowing managers to reroute cargo before insurance premiums skyrocket.

### 6.3. Financial Impact Modeling

Managers are currently using the Resilience Coefficient (R) to justify higher operational costs to shareholders:

Total Risk (TR) = Exposure X Probability (P) / Resilience (R)

As P (probability of war) increases, R must be increased through diversification to prevent TR from bankrupting the firm.

### 7. Recommendations for Global Managers

Implement Geopolitical Due Diligence: Hire "Geopolitical Officers" to sit on executive boards.

Regionalize the Footprint: Move from "Global Value Chains" to "Regional Value Nets."

Dynamic Contractual Flexibility: Use "Inflation-Linked Pricing" to protect margins against energy spikes.

### 8. Conclusion

The 2026 Israel-Iran conflict is not a temporary disruption; it is the final signal that the era of "easy globalization" is over. Success in this new landscape requires a management philosophy that prioritizes Resilience over Efficiency. Those who integrate geopolitical intelligence into their core operations will not only survive this war but will lead the next era of global trade.

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