Energy Shocks, Volume Flexibility, and Firm Resilience: The Moderating Role of Policy Support

Dr Anup Chowdhury and Dr Peter Djabang

Leeds Business School, Leeds Beckett University, UK

https://doi.org/10.35609/gcbssproceeding.2026.1(94)

ABSTRACT

We are navigating through a period of significant disruption, reminding us that organizations do not operate in isolation; the unpredictable nature of their surroundings profoundly influences their operations. A prime example is the current global energy crisis, which serves as a stark shock to our systems, testing companies' adaptability and revealing vulnerabilities within global production networks. Although there has been considerable discussion regarding the economic impacts of energy shocks – such as inflationary pressures and contractions in industrial output (Hamilton, 1983; Kilian, 2008) – much remains to be learned at the firm level. One critical area that tends to remain overlooked is how this energy crisis impacts a company's capacity to adjust its production volume. This concept, referred to as volume flexibility, pertains to a firm's ability to efficiently modify output in response to changing market demands or input conditions (Upton, 1995; Koste & Malhotra, 1999; Aghion et al., 2016; Bekaert et al., 2022; Pankratz et al., 2023). As companies strive to establish stability in today's volatile energy landscape, the ability to adapt and respond swiftly can be pivotal in maintaining performance amid uncertainty. Therefore, it is essential to understand how fluctuations in energy affect a firm's operational flexibility – not only from a theoretical perspective but also for practical business success.

JEL Codes:

Keywords: Energy Shocks, Volume Flexibility, operational flexibility, Policy Support