

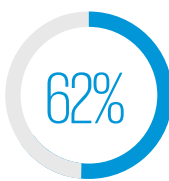
Boardroom questions

Geopolitics

Board Leadership Center



Geopolitics: dinner table conversation or a Boardroom issue?



of CEOs feel less confident about the growth prospects of the global economy

KPMG CEO Survey 2019

“With geopolitical uncertainty such as Brexit, the US / China trade tensions and now growing concerns over Iran dominating news headlines around the world, geopolitical risk is clearly top of mind in the boardroom.”

Willis Towers Watson, June 2019¹

Geopolitics is a bit like climate change: everyone has an opinion on the topic; it is easy to have a **relatively informed view** but hard to be a **specialist**; and it features at many dinner conversations, but increasingly also in Boardrooms.

The reason it is on Board agendas is that geopolitical tension is genuinely higher now, than before – and the **impacts on business are potentially more direct and swift than they have ever been.**

What should companies look out for?



Economic logic is seemingly no longer a constraint on politics and companies can take nothing for granted. Whether it impacts your operations directly, or through your suppliers or customers, geopolitical risks could manifest in a number of ways such as:



Operations

- Increased compliance costs with the shift from regulatory convergence to divergence
- (Publicly) keeping slack in the supply chain to give comfort to investors in your ability to exit a market quickly



Labour

- Overnight bans on the movement of talent and right to work (based on nationality)
- Perceptions of the 'isms' (nationalism, populism, globalism) impacting the attractiveness of a (developed world) location



Capital

- Currency volatility requiring stronger hedging strategies
- Greater uncertainty over the short, medium and long-term investment environment by governments

With politicians increasingly driving nationalist agendas, **how do you monitor, analyse and interpret risk** and run your **global business across borders**?

'Wait and see' might seem the easiest route, but the **signals can be predicted** if you look in the right places, **risks can be managed** if you know how, and **opportunities exploited** if you can turn foresight into action.

So what actions can you take?



Here are three things that leading corporate leadership teams are doing:

Stay abreast and informed

Staying abreast means reading 1-3 sources of news and popular opinion/analysis

Staying informed means consuming at least one specialist geopolitical analysis

Focus the Board on long-cycle and management on short-cycle

The Board should consider long-cycle trends e.g. populism, nationalism, globalism, megatrends, etc. and the resulting impacts

Management should be focused on short-cycle impacts (keystone events/proactive engagements)

Analyse and plan with flexibility

Contingency planning: the key is to separate the **knowns from the unknowns** in order to have a manageable set of **possible business responses**

Boardroom questions



Chief Executive Officer / Chief Strategy Officer

From where do I get comfort that we are not exposed to an unexpected geopolitical event?

Who in the business is responsible for monitoring, analysing and interpreting geopolitical events?

Which new or alternative markets should be explored in light of possible political trajectories?

Chief Financial Officer

What does increased geopolitical uncertainty mean for availability and cost of capital and resources?

Will you update your forecasts in light of new economic scenarios?

Chief Operating Officer/Chief Procurement Officer

What business planning assumptions could be derailed by geopolitics?

Will your corporate structure need to change to take advantage of opportunities?

Do you have enough visibility over your supply chain to identify threats?

How quickly can you reduce your supply chain dependency on a market?

Chief Information Officer/Chief Tax Officer

Can your systems be responsive to changes to the cross-border flow of information/data?

Is your cyber security strategy adequate in the face of increasing threats?

Chief Risk Officer

How has geopolitics been factored into your risk framework?

What do you assume is 'unknowable' but can actually be planned for and understood?

How have your plans been stress tested?

How can you improve monitoring to identify shocks early?

Chief HR Officer

How do you manage your global workforce and the restrictions that may come on them at short notice?

Do you have robust policies in place to be able to deal globally and locally with discriminatory public sentiment (racism, xenophobia, etc.)?

Chief Marketing Officer

Will you need to review your 'go to market' approach in light of a geopolitical event?

What does positive/negative sentiment towards national brands mean for your business?

Corporate Affairs

How can you ensure that all of your stakeholders' varying concerns are addressed – and communicated?

How can your company's interest/voice be heard without risking a backlash from government or the public?



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