

Boardroom Questions

Geopolitics



Geopolitics: dinner table conversation or Boardroom issue?



52% of CEOs believe that geopolitical uncertainty has a greater impact than before
KPMG CEO Survey 2017

“We are switching our thinking on risk maps to a geopolitical lens. We used to think of geopolitics as a separate risk – now it’s overshadowing the entire business”

Global consumer markets company, March 2017

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 on 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 on 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 (Brexit and NAFTA anyone?)

With politicians increasingly driving nationalist agendas, **how do you monitor, analyze 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 engagement).

Analyze 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, analyzing 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 we ensure that all of our stakeholders’ varying concerns are addressed – and communicated?
- How can your company’s interest/voice be heard – without risking backlash from government or the public?

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