



# Addressing geopolitical risks with strategic foresight

Board Leadership Center (India)

KPMG. Make the Difference.



Today, the global economy is more interconnected than ever, businesses are simultaneously facing a landscape marked by significant geopolitical fragmentation. From trade wars and regulatory shifts to regional conflicts and cyber threats, the geopolitical terrain is ever evolving, posing significant challenges to organisations.

According to a survey, CEOs have placed geopolitical risks among their top concerns for 2024<sup>1</sup>, highlighting the urgent need for companies to address these challenges head-on. The intricate interplay of global politics and economics necessitates a proactive approach to ensure corporate resilience and sustained growth. It is rather perplexing that many companies, specifically with global exposures, still don't consider and factor geopolitics within their risk management postures.

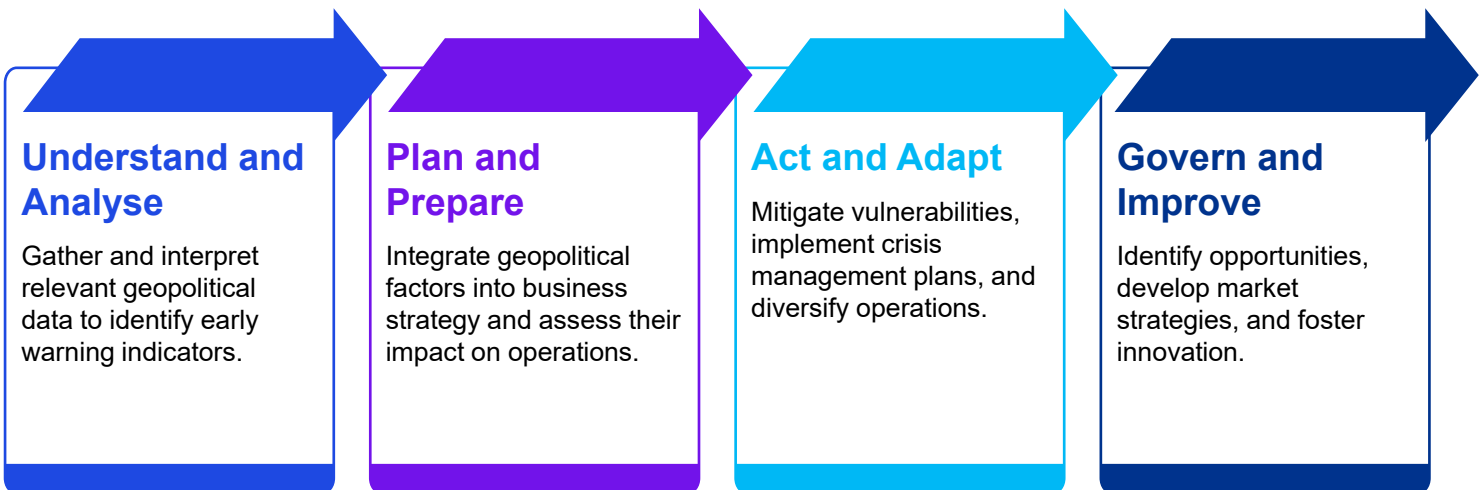
To effectively navigate today's complex global landscape, companies must recognise that geopolitical risks are no longer peripheral concerns but central to business continuity and strategy. The unpredictability of political decisions, trade relations, regulatory changes, and

regional conflicts can have far-reaching implications, from supply chain disruptions to market volatility. Therefore, integrating geopolitical considerations into risk management frameworks is not just about mitigating potential threats—it's about seizing opportunities for resilience and competitive advantage. The following geopolitical risk response framework provides a structured approach for companies to anticipate, assess, and adapt to these evolving global dynamics.

In **2022**,  
**91 countries** were  
involved in some form  
of conflict, compared  
to **58 in 2008**<sup>1</sup>



## Geopolitical risk response framework



1. Top risks forecast, KPMG International, May 2024

# Building resilient boards

A diverse board, equipped with relevant skills and experience, can enhance strategic direction and contribute effectively to problem-solving. Members having expertise in geopolitics can play a valuable role in business diplomacy and stakeholder engagement, supporting management's strategic objectives while ensuring thoughtful risk oversight.

The board can thoughtfully shape key committees to address geopolitical risks across various dimensions. For instance, board could prioritise public policy and regulatory affairs as essential agenda items for risk management committee. Additionally, a dedicated sub-committee with specialised members might focus specifically on geopolitical issues. Furthermore, nomination and remuneration committee could consider tying a portion of CEO and leadership compensation to effective management of geopolitical risk, allowing leaders to earn a resilience premium. This structured incentive system can help enhance capabilities and ensure the right talent is

positioned throughout the organisation.

Regular briefings from a dedicated geopolitical risk unit, along with insights from advisory councils or external experts, can help ensure that boards feel well-equipped to make informed decisions. Monthly reviews of key developments and ad-hoc meetings between boards and management can ensure responsiveness in high-risk, geopolitically sensitive markets, keeping organisation agile and prepared for emerging risks.



## Question for boards to consider

### Regular geopolitical risk assessments



- Has the organisation established a framework to identify, evaluate, and prioritise geopolitical risks?
- Does the framework use scenario planning, predictive analytics, and stress testing to anticipate shocks?
- Does the board promote regular assessments of geopolitical risks?
- Are these assessments broad enough, covering a wide range of threats?
- How can we use geopolitical data and analytics to inform strategic decisions and spot investment opportunities?
- Do we engage external experts to get the best insights on mitigating geopolitical risks?

### Geopolitical risk integration and strategy



- How does the board integrate geopolitical risks into the overall enterprise risk management framework?
- Are geopolitical risks included in decisions on investments, market expansions, and supply chain management?
- What role can the board play in advocating for international policies that align with our values?
- How can we work with industry peers and government agencies to address geopolitical challenges?

### Operational resilience and risk mitigation



- How vulnerable are our supply chains to geopolitical risks?
- What steps do we take to manage disruptions from political instability, trade tensions, or regulatory changes?
- What contingency plans exist for sudden geopolitical changes impacting partnerships?
- What are the geopolitical risks of mergers, acquisitions, and joint ventures, and how can we mitigate them?

## Performance measurement and technology utilisation



- What key performance indicators (KPIs) should we track to measure resilience to geopolitical shocks?
- How can we use AI and blockchain to improve geopolitical risk management?

## Communication and collaboration



- Are there regular meetings and information-sharing mechanisms between committees for unified risk management?
- How effective is cross-committee communication on geopolitical risks?
- How well does the board engage with stakeholders to understand their concerns about geopolitical risks?
- Is there open, transparent communication with stakeholders for better decision-making?

## Crisis management



- Does the organisation have a crisis playbook for shifting from risk to crisis management during geopolitical threats?
- Are local teams empowered to respond effectively during crises?
- How does the board ensure resilience to protect customer experience during geopolitical disruptions?
- After a crisis, does the board conduct a post-mortem to identify lessons learned?

## Director expertise and training



- Do board members have the expertise to address geopolitical risks effectively?
- Is there a process for ongoing education and training on geopolitical risks and emerging trends?

# KPMG in India contacts:

**Ritesh Tiwari**

Partner

Board Leadership Center

E: [ritesh@kpmg.com](mailto:ritesh@kpmg.com)

Follow us on:

[kpmg.com/in/socialmedia](https://kpmg.com/in/socialmedia)



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.

© 2024 KPMG Assurance and Consulting Services LLP, an Indian Limited Liability Partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

[kpmg.com/in](https://kpmg.com/in)

This document is for e-communication only. (035\_BRO1024\_KP)