

A GUIDE FOR FAMILY OFFICES

Political Risk & Strategy

The dramatic expansion in the range of issues and actors linked to political and societal risks over the last few years has escalated economic volatility, uncertainty, complexity, and anxiety. The stakes have never been higher for business leaders and investors.

To keep pace with developments and provide effective oversight, ask informed questions:

1. **What sources do we rely on for information about the political and economic landscape?** Political thinking in business is often colored by biases, and economic analyses rarely include assessments of non-market drivers. So, are we getting a comprehensive and objective view of our business environment?
2. **What is management's view of the future?** Politics can add volatility and uncertainty to market forecasts. What are management's assumptions about the political context? How are politics shaping the long-term value of our business or portfolio?
3. **How does the situation in Market A differ from that in Market B?** Countries and submarkets are very diverse and should not be approached as a uniform group. And a preference for globalization can no longer be taken for granted. How is our enterprise adjusting to market fragmentation and regionalization?
4. **What are the interests of our business partners?** Supply chains have become complex. In many markets, it is essential to partner with local entities. What are their legal, political, economic, and social assets and encumbrances?
5. **Do we have a public affairs strategy for today's world?** Business leaders are increasingly viewed as standard-bearers in society, while stakeholder scrutiny of companies is intensifying. Philanthropy is important but often insufficient, particularly for ESG. Are we striking the right balance between shareholder returns and stakeholder expectations?
6. **Are we ready and able to change course?** Political and social contexts can change quickly. Are we sufficiently aware and agile? What are our contingency plans?

Family offices can take a number of steps to mitigate risks:

1. **Conduct political risk assessments** of our portfolio and enterprise strategy.
2. **Bring in external expertise** to provide objective, third-party insights and "ground truth" information coming up inside the enterprise.
3. **Build a public affairs capacity** to help leadership stay ahead of political developments and proactively engage on issues.
4. **Make periodic visits to key markets** to meet with staff, business partners, policymakers, and stakeholders. Be sure to peer beyond the office walls.
5. **Diversify the leadership team** to include policy experience and a broader range of views.