

A Guide for Corporate Directors

# Geostrategy & Political Risk

## Management and the board can evaluate several type of political risks

1. **Geopolitical risk.** Businesses are impacted by acts of war and international competition between state and non-state actors. Geopolitics also shapes business issues such as market access, technological competition, and cyberattacks.
2. **Country risk.** Business environments and markets are affected by political and societal drivers, such as changes of government, gridlock, corruption, insolvency, rule of law, and the quality of infrastructure, and human capital.
3. **Policy risk.** Governments influence a company's future via regulation, tariff and tax levies, subsidies, and bans on products or activities.

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

1. **What are our sources of information about the political landscape?** Political insight within executive ranks and the boardroom is often spotty and biased. Are management and the board getting a comprehensive and objective picture of the business context?
2. **What is management's view of the future?** Politics are adding volatility and uncertainty to market forecasts. What are management's assumptions about the political context? How are political trends shaping costs, people strategy, the brand, and the firm's value?
3. **How does Market A differ from Market B?** Globalization has peaked. How is the firm adjusting to market fragmentation and regionalization?
4. **What are the political interests and risks among our business partners?** Supply chains are complex. What are our partners' political, economic, and social assets and exposures? Does the firm have a line of sight past the first tier?
5. **Are we able to change course?** Political and social contexts are changing quickly. Is the firm sufficiently aware, resilient, and agile? What are our contingency plans? Can we exit?

## Suggest ways to improve oversight and governance

1. **Conduct political risk assessments** as part of market and supply chain planning, cybersecurity strategy, and enterprise risk management.
2. **Bring in external expertise** to provide objective, third-party insights and 'ground truth' information coming up inside the enterprise.
3. **Make periodic board visits** to key markets to meet with staff, business partners, policymakers, and stakeholders. Peer beyond the plant and office walls.
4. **Diversify board membership** to include a broader range of experience and views.