

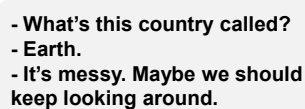
A Geopolitical Risk Assessment for One Company? A Thought Experiment

Insight paper by Harmattan Risk

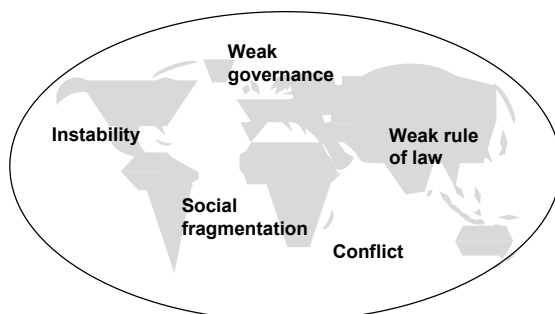
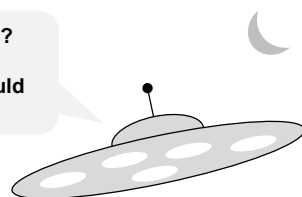
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Introduction

I, like others in this field, have watched with interest as geopolitics, the global game involving states and transnational actors, has changed. It is no longer about the evolution of patterns, with a degree of caution and diplomacy keeping things relatively staid. Geopolitics has become much more volatile. A full explanation for this would be longwinded, but we can point to a few topline reasons. One is globalisation, which has increased the causal proximity of geographically distant places. Turbulence in one place reverberates far and wide, including at the level of ideas. Another is multipolarity, whereby there are more sides contending for their global interests and visions of a world order. Finally, partly as a reaction to globalisation there has been an increase in hardline nationalism, one consequence of which is that governments concerned about their legitimacy or simply winning elections are much more willing to play hardball in the international arena to beef up their nationalist credentials. Compared to 15 or 20 years ago, international behaviour is hard knocks, passionate and eccentric. If extraterrestrial entrepreneurs were scoping planets for a business venture, from their spacecraft parked above the earth they would be the equivalent of an international company considering if and how to undertake operations in a conflict-prone, fractious and weakly governed country.



- What's this country called?
- Earth.
- It's messy. Maybe we should keep looking around.



I have been involved with holistic political risk intelligence and planning projects for country operations in challenging places. That is probably the broadest type of question I have encountered, and it is sufficiently complex that when I decided to write about a book about it, the result could have been stuck on the end a barbell to good effect. But at least the focus has clear boundaries, geographic and otherwise, and most things in those boundaries matter to some degree. This is because a company's operation is often closely linked to the socio-political environment and milieu, and because politics is quite intimate – even antagonistic political figures often know each other to some extent and the political game is as much between personalities and cliques as it is between abstractions like parties, ethnic groups and movements. If a company asks for an assessment of political risk to its operation in a country, getting answers is a big, complex task, but if well resourced and done well the results are actionable.

Given my observations about the state of geopolitics, particularly its increasing resemblance to the politics of a complex emerging market country, I wondered if it would be feasible and useful to undertake a similarly holistic exercise for one company at the geopolitical level. I have not been involved with that kind of project before, and I am not aware of any examples. Geopolitics is such a broad and abstract tableau that exercises on it tend to come in two forms. One is a hard look at particular uncertainties that a company knows could affect some aspect of its performance and wellbeing, for example the question of a Chinese invasion of Taiwan or how global trade relations might change under different political tendencies in the US. The other is a broad global status report and scenario exercise aimed less at specific decisions and guidance, and more at providing leaders and planners with a contextual backdrop for strategic rumination. These are valuable, but neither is a full blown geopolitical risk assessment in the spirit of the country-level version. We get back to the question, then, is such an assessment doable and would its results be meaningful?

I am sceptical. First, it is very hard to separate geopolitics from other drivers of global change, such as climate change, migration, and AI. These actually act on geopolitics as much as the other way around, so parsing out geopolitics for special treatment seems somewhat arbitrary. Second, assuming we decided that geopolitics could form a meaningful focus, even then it is a very broad phenomenon and the results of a holistic assessment could be too abstract to make sense of. A better option might be to identify a few critical uncertainties and then just focus on them, alongside the drill-down country assessments that companies usually undertake for high-stakes operations, and a concise global sitrep and scenario analysis for strategic planning context. In other words, it might be better to take in the geopolitical scene in bite-sized pieces rather than through one big process with one set of results. Finally, unlike the politics of developing and transitional countries, geopolitics is hardly opaque. It is all over the news and covered in freely accessible think tank

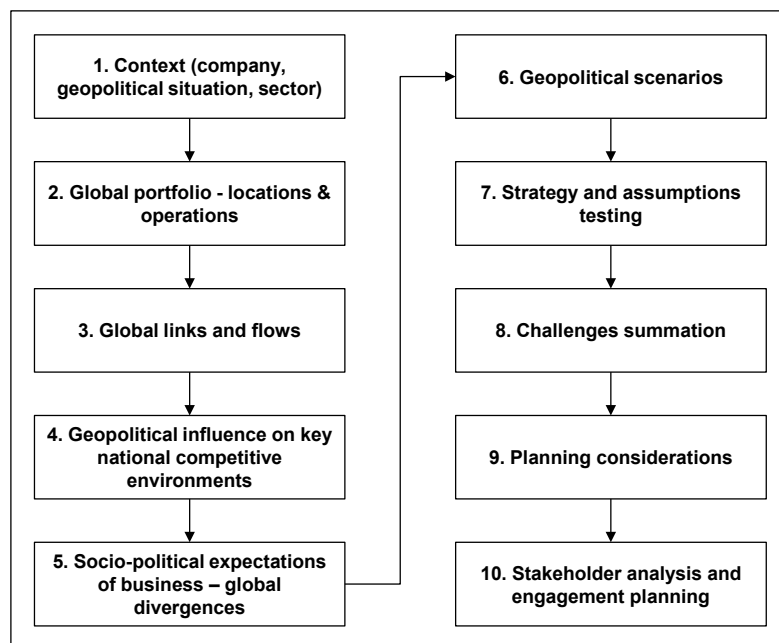
reports. If managers spend some each week perusing trends that matter to them, then they will at least tacitly take them into consideration in plans and decisions, just as they consider the effects of other major change drivers. It could be unnecessary and distracting to present managers with a detailed exposition of the firm's geopolitical risk.

Despite my scepticism, I am still going to run this thought experiment. The results might be specious in themselves, but it is still worth trying. The results will at least be a methodological reference point even if the idea of a single process might not seem to work. Some steps in the process might indicate useful projects in their own right. And finally, all the hype about geopolitical risk these days has not led to much clarity on what it means or how it can be understood and addressed. Intelligence process aside, this will hopefully support further conceptual clarification even if indirectly.

More could be said to frame what follows, but we will add just a couple of caveats before proceeding. One is that there is no intention that this "gets it right". With time I could probably come up with a number of possible variants and no single one would be entirely appropriate for any specific case. This is only an illustrative reference point. The other is that this is necessarily top level. Overall, I have had about two weeks for this paper, which started with playing with ideas during a recent holiday. My last book on political risk intelligence for country operations took two plus years. We will skim the surface and avoid rabbit holes, and that is probably appropriate for sketching what is in effect a hypothesis.

Without further ado, then, the first substantive section is an overview of the (experimental) geopolitical risk assessment process, after which each step in the process is considered. After completing the process, we will wrap up with a few concluding observations.

Process Overview



We will explain each step as we get to it. There are a couple of points worth noting about the broader process. One is that most of the steps herein focus on aspects of the company in relation to geopolitics. We are not just laying out the big picture and scenarios and then trying to extrapolate their significance. A finer methodological point is that unlike in country assessment, stakeholder analysis and engagement indications come after broad planning as opposed to being a planning input. This is because unlike at the country level, most geopolitical challenges that a company faces come from behaviours undertaken with no particular intention towards the company. Thus, it makes sense to decide whom to talk to and why after we have an idea of the challenges and what we need to do.

Step 1, Setting Context

This step seeks to provide background so that the intelligence team has some reference points or markers on their mental map as they proceed to more nuanced steps. There are three elements herein.

About the company

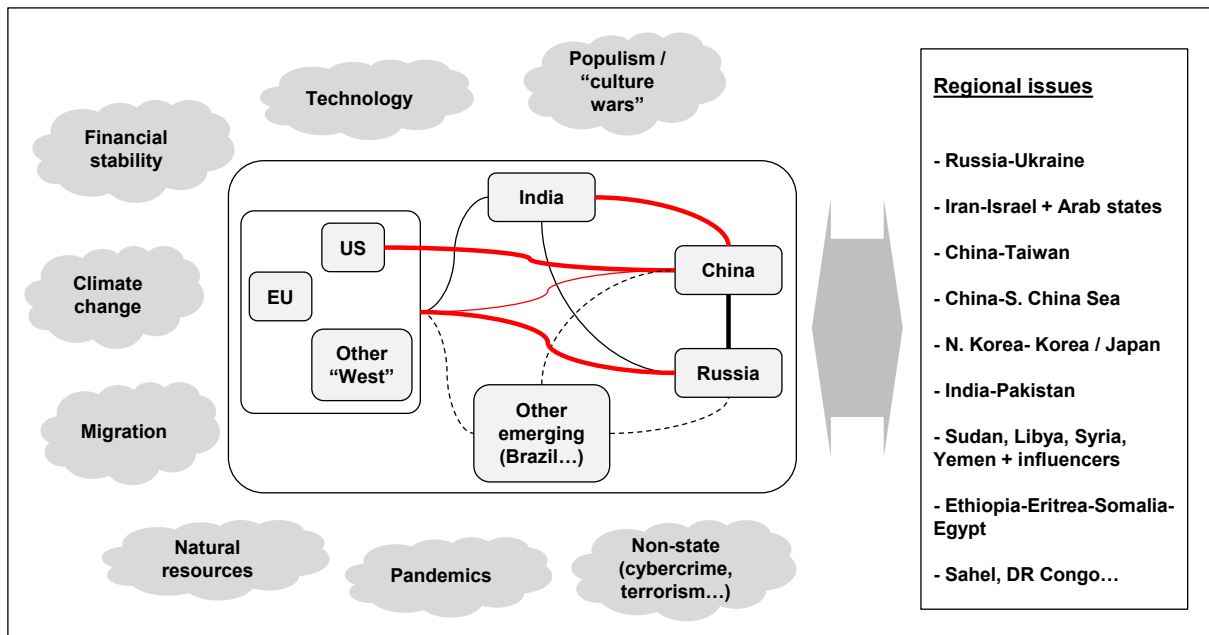
First, we need a clearly defined object at stake, or what follows could end up being too academic to be actionable. This calls for a basic profile of the company, as a commercial player and an organisation. The figure below includes kinds of information that might be useful, but it is likely that this would somewhat vary by sector. In this paper we are mainly aiming at sectors that undertake operations directly on the ground as opposed to investing at arm's length, but even then there would

be differences in what kinds of exposures or attributes are relevant. Thus, below is just a baseline, and note that an intelligence team would draw on additional company information as required throughout the assessment process.

Position in sector and industry	- Characterisation as a player in its domain – size, strengths and weaknesses
Strategy, competitive advantages	- Ambitions and the strategy to achieve them; what makes the company capable of retaining / gaining share
Core market segments	- Main product, customer, and geographic segments; core market geographies (regions / countries)
Global spread	- Where on the spectrum from international to multinational, key corporate hubs
Socio-political symbolism	- Home country / bloc affiliation, values within brand identity, cultural identity, key foreign government links

Geopolitical sitrep

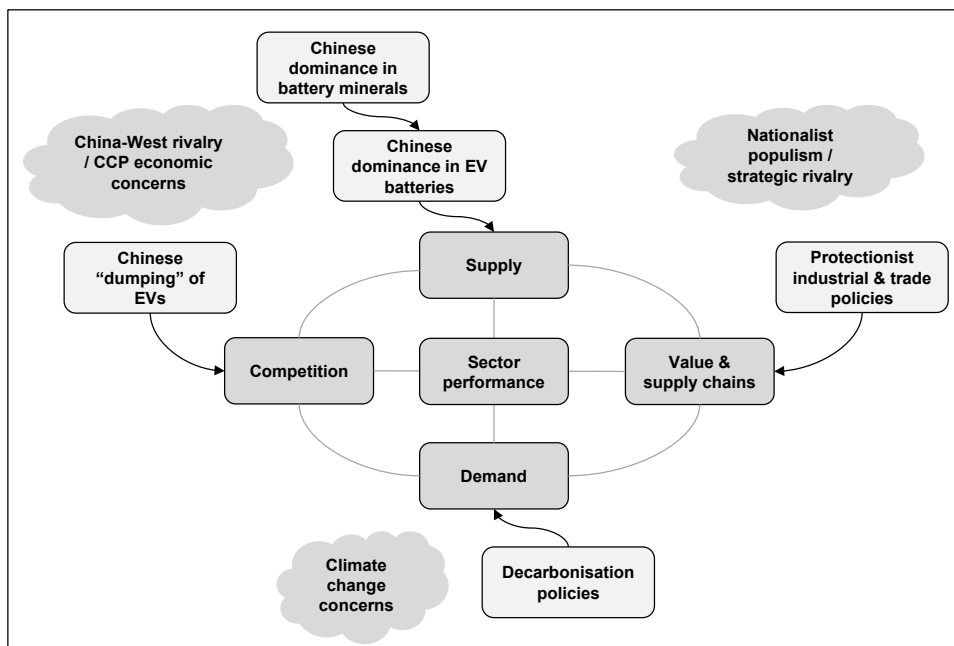
Next, we need an idea of the big picture. The assessment is in effect testing the health and performance of the organisation against geopolitics (and how it could change), so before we dive into specifics we need a sense of what the current geopolitical situation is. The figure below is just a placeholder. It is very top level, and it is not based on concerted research and analysis. Substantive content aside, though, note that there are three main elements. One is the core geopolitical system of the main players and their relationships. Around that are other drivers of global societal change, like climate change and migration. A geopolitical sitrep would not go into detail on these, but it would at least account the main interactions between them and the core system. Finally, there are significant hotspots, flashpoints and issues, mainly at the regional level. The main players might not be directly involved in all of these, but depending on the direction an issue takes, some heavyweights could perceive a stake and act on it, thereby incurring counter-moves by others. Together the three elements provide a reasonably comprehensive picture of the global political environment and factors involved in its evolution. There are other ways of doing this, but this framework broadly indicates the scope of the exercise.



A basic diagram like the one above would need to be backed up with some explanatory narration, but this step need not be onerous. As noted earlier, there is considerable current information on geopolitics and related trends and it is readily available. An intelligence team can draw on the better sources to build their own picture, rather than doing all the legwork anew. Intelligence users, for their part, are certainly not looking for a book on geopolitics. This step really is context, although later on when looking at scenarios we would come back to this with a more analytical perspective.

Sector and geopolitics

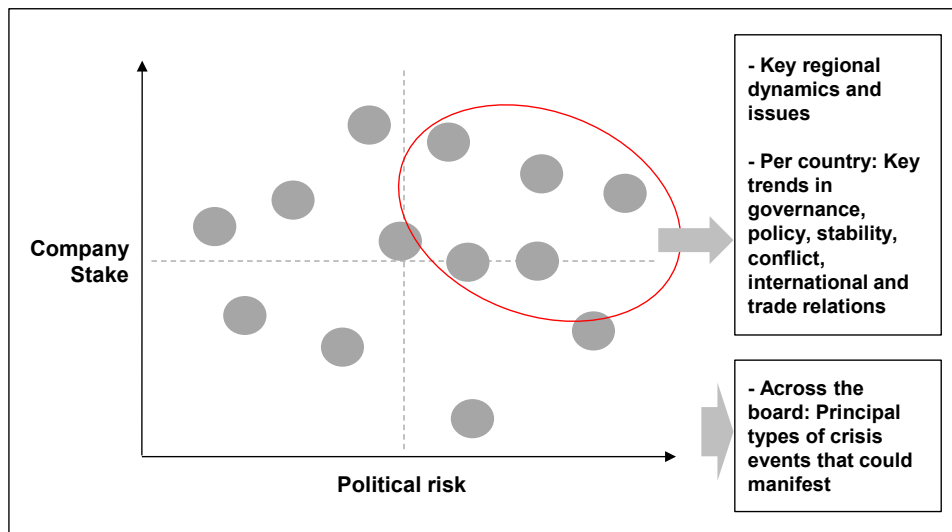
Different business sectors tend to face specific geopolitical pressures, and this forms another useful layer of context before heading into the assessment. A well known and current example is the often intense politics around social media and Internet service and communication providers. States in all regions are wary of their potential for manipulation by strategic adversaries, and use for covert communications by dissidents, spies, terrorists and organised crime groups. The figure below (loosely adapted from Porter's Five Forces model) is for the automotive sector, and specifically the electric vehicle (EV) segment, and we can assume that the company seeking intelligence is from Europe, Japan or the USA. The link between competition, supplies and the China-West rivalry, as well as the effects of climate politics and nationalist economic policy, are germane. This figure is very basic, and again in practice it would be more nuanced with some narrative exposition. The important point is that this step helps us to get a sense of what is going on, geopolitically speaking, in the company's immediate business peer group. The company will have unique exposures and attributes, but it is also susceptible to wider sector dynamics.



Step 2, Global Portfolio of Operations and Presences

At this point we start to examine the company in relation to the global environment, and a reasonable first step is to map its locations in relation to political risk. This does not have to be called a "portfolio" but the word makes sense here because one output is a picture of how geographically

diversified the company's overall exposure is. The figure below captures the idea, with the grey blobs on the matrix being countries where the company has a presence.



Although we are undertaking a geopolitical risk assessment, political risk in specific countries still matters, and one can see the overall degree of country-level risk as a form of geopolitical risk in itself. In addition to mapping global exposure, this step is an opportunity to get to know the places where the company has a long-term presence or important operations. When I have used this framework before, even a few bullet points on each country, under relevant headings like governance, stability, law & order, were instructive for users. More insight could be derived for countries in the high-stakes / high-risk brackets, and if certain regions are particularly important, their top-level dynamics can also be captured. This more detailed insight might not be useful for the broad mapping exercise, but it adds some nuance to a location's position. More specifically, knowing the prevalent political risk factors in a country can help to broadly estimate types of potential crisis events. For example, pervasive corruption could increase the chance of facing a corruption scandal, or violent unrest or terrorism indicates a higher potential for a personnel security crisis.

It is easy enough to use company information for the stake axis. When it comes to the political risk axis, there is a variety of commercially available "risk maps" that have different emphases, and indices like *World Governance Index*, *Corruption Perceptions Index*, and *Fragile States Index* can also be used as raw material to model one's own political risk scale and positions. For additional country and region nuance, at this high level of analysis news and think tank reports would suffice (it is likely that the company also has some reasonably current political risk reports on the more problematic countries where it operates).

There are different possibilities with this tool. Exposure or stake could be an aggregate of strategic relevance, financial exposure and personnel. But one could also break these out, and then select

political risk indicators most relevant to a given type of exposure for a few different perspectives. For example, personnel exposure could be used with violence / law & order for a rendition that is especially useful to the security function. It can be interesting to conduct this exercise for one or two key competitors too. It might be that they are considerably more or less adventurous than the company, and for strategic planning in particular this would be useful competitor intelligence.

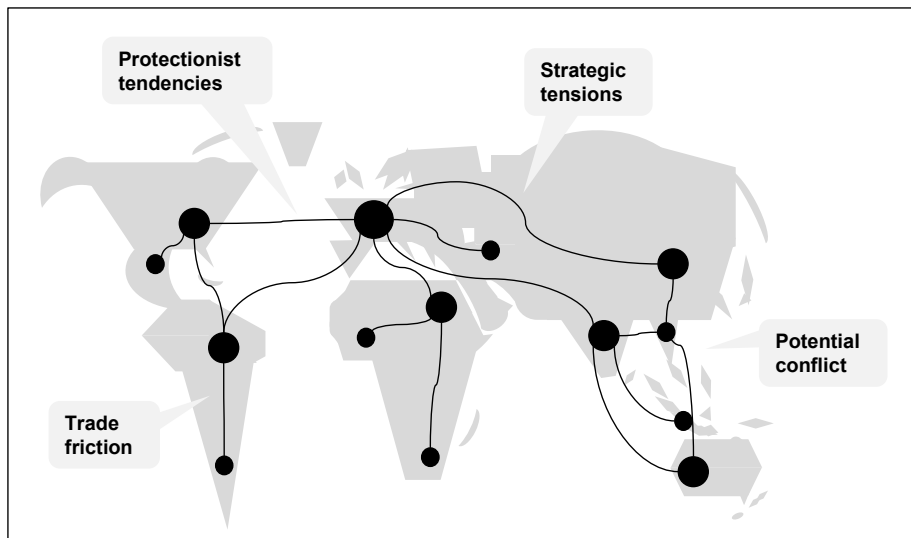
The main insights from this step would be:

- A clear sense of the company's overall exposure to political risk across its global portfolio - this helps to inform diversification planning;
- Potentially, the above but broken down to highlight political risk exposure by broad asset type (using "asset" loosely as something we need to preserve or keep healthy);
- The main political risk factors across the higher-stakes / higher-risk locations, and the types of crisis or emergency events associated with them – this can inform corporate crisis preparedness and HQ's ability to guide and assist country offices;
- A general sense of what is going on in the more problematic countries and regions, for contextual awareness;
- If the company has not already done political risk intelligence and planning exercises for higher stakes locations, the map can indicate where these are most urgent.

Step 3, Global Links and Flows

We have places from the last step, and now we look at the glue that binds them into a coherent organisation and commercial operation. This is links and flows. Supply chains are obvious, but financial and data flows are important too, and for a truly multinational company, value chains also matter, since they are often geographically distributed. Geopolitical dynamics, such as trade friction, strategic rivalries and territorial contests, create the potential for links to be stressed or indeed broken. So too do relevant dynamics in key hubs, for example nationalist economic policy can challenge the foreign ownership of, and control over, subsidiaries within the global value chain. We will need some new information on what goes on between countries in this step, but for dynamics in key hubs and nodes we can build on the information obtained in the last step on global locations.

The figure below is very basic but it helps to conceptualise the idea.



As with the portfolio map above, one could apply this framework to specific types of links and flows, for example parsing out financial, data or supply chains for nuanced pictures of how robust each is.

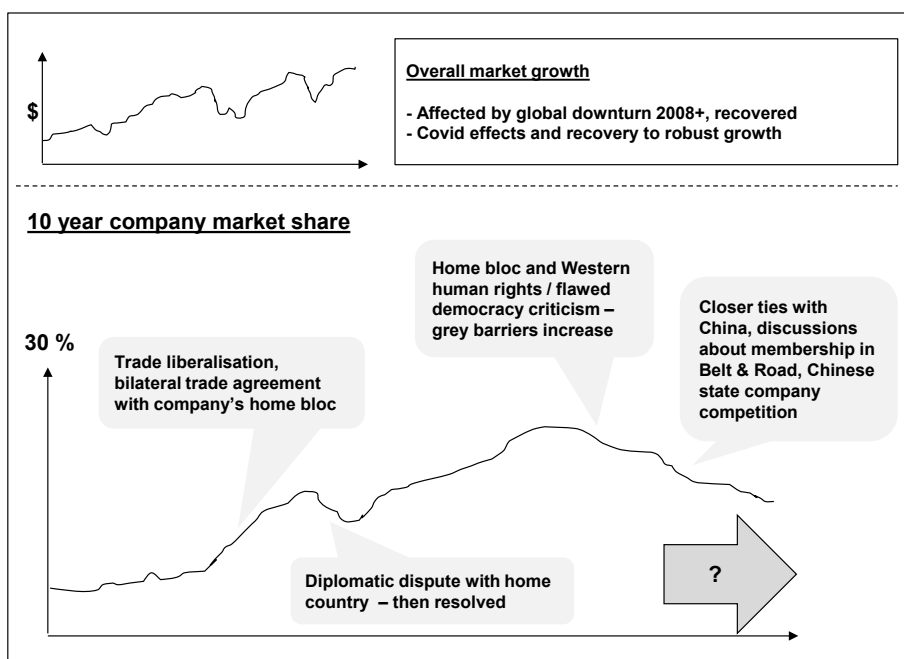
The main outputs from this step are:

- Weak links in the global network and therefore where a company should consider redundancies, backups and future alternatives;
- A forewarning of country-level political dynamics that could affect the company's presence and freedom of action in key hubs and nodes;
- A sense of what to expect in terms of geopolitical dynamics that could stress the global network, as contextual insight.

Before moving on, it is worth stressing that in this step, and indeed through most of the geopolitical risk assessment, there is a strong forward-looking aspect. We are looking at geopolitics in the first place because it is volatile and changeable. Having a picture of the current situation is better than nothing, but planning is not done for today. It is about adjusting a company's position to make it stronger tomorrow. Thus, when we identify and explain relevant trends and dynamics, we can extend beyond the near-term situation towards the visible horizon. This is not scenario analysis, which is a decidedly future-gazing exercise. Rather, it is informed projection. Geopolitics, for all of its dynamism in recent years, is still relatively staid compared to politics in specific challenging countries. A reasoned projection of six to 12 months is probably going to stand, and when we lack confidence we can highlight key uncertainties that bear more regular monitoring.

Step 4, Geopolitical Influences on Key Markets

A geopolitical risk assessment is not a market study, and by themselves geopolitical dynamics are only one factor among many in market growth and a company's competitive performance. However, geopolitical risk is partly about commercial performance, and we would be remiss if we did not examine how geopolitics could affect commercial prospects in key market geographies. We could even do that at a global level, but that is probably best left as a separate exercise led by the marketing function, which could draw on geopolitical expertise as one input. For purposes here, it makes sense to just focus on a company's most important markets. We might have five to 10 depending on the company.



Domestic and geo politics certainly affect overall country market growth trends, and depending on the scope of the exercise, we could extend this step to include market growth, perhaps by doing sensitivity analysis on projected growth using geopolitical variables. Again, though, market growth analysis might better led by the marketing function. A more relevant geopolitical focus is a company's own position in a market. Technical and commercial proficiency matter, but in recent years geopolitics has been having an increasing effect on specific companies' access and performance in market countries. Challenges can arise when a company spans strategic rivals. As well, when a specific government starts to appreciate the strategic advantages of aligning with an important global player, it can start to favour that player's firms to the detriment of others. Additionally, disputes or friction between a company's home and host country can lead to repercussions. A country could also face international sanctions that make it difficult for specific companies or sectors

to do business there. Those are just a few examples of how geopolitics could affect a company's performance in a particular foreign market.

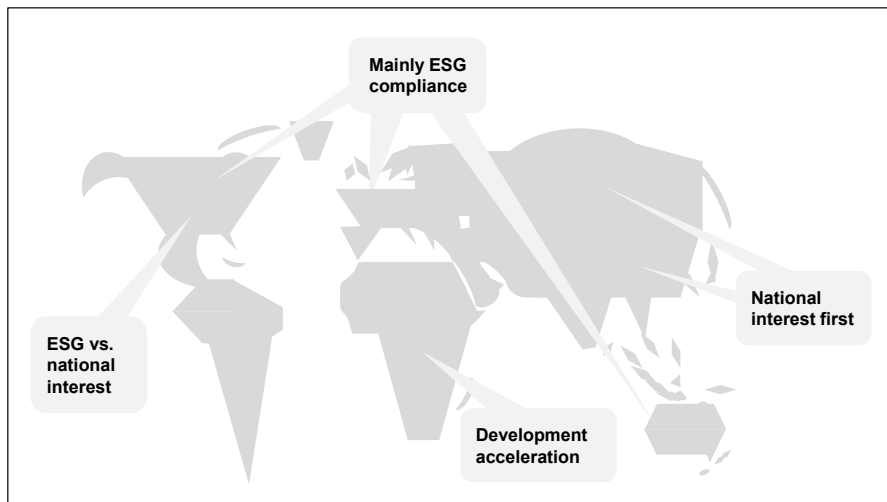
Information-wise, this step can build on learning from the previous two with additional nuance on market countries' international relations and positions on regional or global issues. Again, there would be a forward-looking aspect to this assessment, projecting ahead to inform planners about how things might look in the medium-term if current positions were not shored up.

The principal insights from this step include:

- Current and medium-term pressures on the company's presence and performance in important country markets – this would inform the development of options, for example partnering and localisation, lobbying, or indeed eventual alternatives within the same region or further afield;
- In general, this step builds on contextual awareness from the previous two steps by providing more flavour on a company's main country markets and on relevant international relations.

Step 5, Socio-Political Expectations of Business

While a company should have long-standing values and principles, there is usually room to adjust its positioning and communications to reduce friction with socio-political expectations and attitudes. When a company operates in one bloc, or is indeed mainly domestic, gauging the socio-political mood towards business in general and towards specific sectors is relatively straightforward. When it operates globally, a company will contend with a greater array of expectations. If a company is not aware of the differences between them, it has no chance to adapt to them (to the extent that it can without sacrificing its principles), and will be unprepared for pressures or friction that it could incur because of its principles and perceived character. Thus, this step seeks to discern the main types of socio-political expectations across the company's portfolio.



This step might reveal that within a company’s portfolio, there are contradictory sets of expectations. For example, imagine a European branded clothing company with a presence in China, including supply chains. In its home bloc, ESG (environment, social, governance) standards are important to many investors and customers. In China, national prestige and security tend to take precedence. When the company takes a public stand on forced labour in Chinese cotton supplies, it gains merit at home, but it risks serious repercussions in China, which could well be its second largest market after the EU. Another example might be the renewables division of a European energy company. The company has a comprehensive set of ESG standards that would appeal to mainstream European sensibilities, and insists that they be applied with minimal adaptation to a major project in an African country. People and the government there wonder why there is so much paperwork and dithering on these abstractions when it is abundantly clear that a lack of rural electricity is a serious hindrance to development. The mainstream perspective there is equitable development first, then worry about “first world problems” later.

Having a clear sense of divergent expectations can help to manage a company’s positioning to avoid or reduce mistrust, misperceptions or repercussions, or, when this is not feasible, then to prepare to deal with the likely fallout, for example with a targeted communications response or reducing the company’s profile for a while. In serious instances even exit from a country might be a consideration, for example if the company is expected to overlook labour or human rights abuses in its country supply chains in the interests of sustaining broad acceptance.

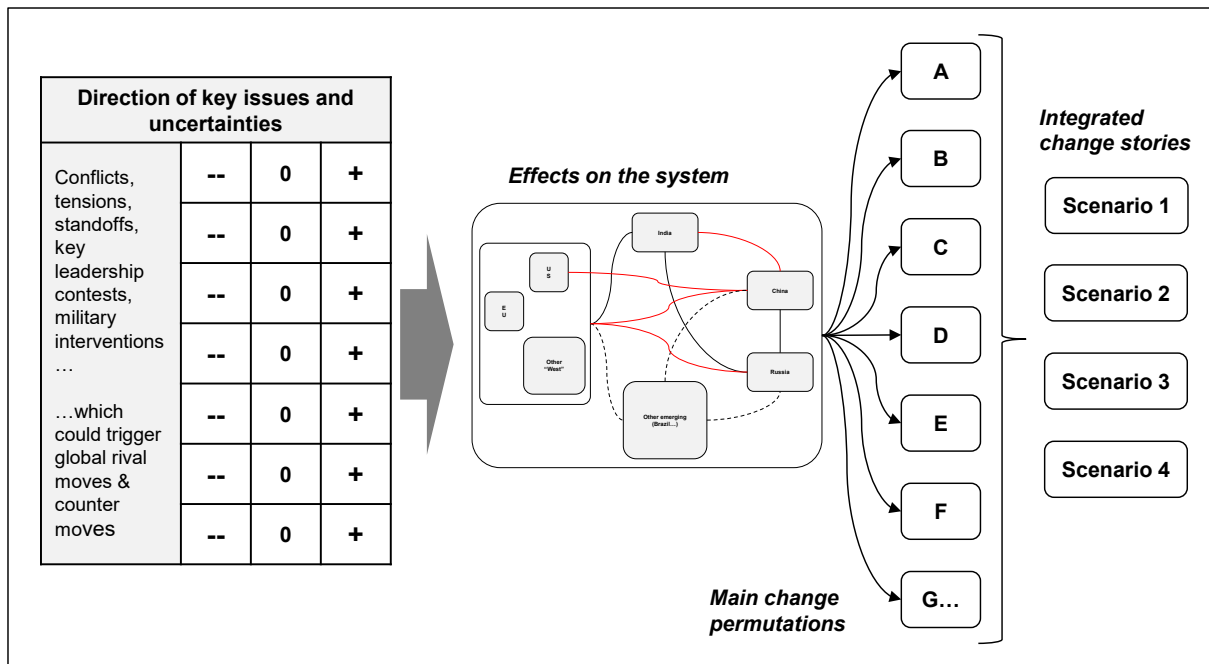
The outputs of this step could include specific potential challenges, such as those faced by European clothing companies in China. However, perhaps more importantly, this step also provides insights to guide informed rumination about a company’s values, and how far one could flex to accommodate other expectations without breaking core principles. This thinking is obviously required at the global level since a company is dealing with different societies, but we can also note that it is becoming

increasingly germane to the domestic level too. Socio-political polarisation in all regions, not least Europe and North America, is making it harder for companies to identify a mainstream set of expectations, and companies are feeling some heat from all sides of the divide.

Step 6, Geopolitical Scenarios

At this point, we have mainly worked within the observable horizon, but just based on geopolitical dynamics over the last decade or so, it is safe bet that things will considerably change. Thus, we need to cast our minds beyond the horizon and attempt to foresee how the geopolitical situation might look three to five years down the road. If we see scenarios which are markedly different from the current situation, we can then extrapolate their effects on behaviours and dynamics that matter to the company, and therefore derive at least broad implications that might need to be managed.

There are different ways of doing scenario analysis at this level. We noted at the beginning that this paper would skim the surface and avoid rabbit holes, and we need to reiterate that now or risk becoming bogged down in methodology. In basic terms, scenario analysis ranges from intuitive to systematic. A piece of paper might suffice, or gigabytes could be required, depending on one's philosophy and inclination. In my experience, some schematic thinking is beneficial, but complex models are only as good as the insights and assumptions fed into them and hence are not necessarily better. Complex modelling lends itself well to forecasting, but scenario analysis is different. We are not assuming that we can predict or foresee the future. We are just trying to catch a range of possible directions of change so that we have an idea of what we might need to deal with, and the signposts to keep an eye on for some prior warning about which way things could be moving. The figure below is a basic rendition of one possible approach.



This approach starts with identifying potential wild cards, triggers and swing variables among the more uncertain and volatile dynamics in play. These can relate to major players, for example how US trade and foreign policy might change if Trump wins the US election, or the potential for a more serious clash at the border of India and China. However, as important are regional issues that risk sucking in major players and then escalating as their rivals get involved. Some of these could be obscure and we should feel free to play with ideas. For example, despite the gravity of the situation, the war in Sudan is seldom in the mainstream news and there seems to be an assumption that it hardly matters to the big picture. Now let's assume that the RSF (Rapid Support Forces, one side in the war) won. The indications are that this would be severely destabilising, with repercussions felt from the Gulf to the Mediterranean and the Sahel. Keep tracing the potential effects and eventually the EU, US, Russia and China would have some decisions to make.

We can trace cause and effect from outcomes of specific issues, we can play with plausible combinations of outcomes of related issues, and we can see what happens if several unrelated twists or turns happened around the same point in time. From this we get an array of possible states of the geopolitical situation, some of which would be quite specious or iterations of roughly the same general outcomes. We can trim and integrate, and try to develop a few sensible stories of how geopolitics might evolve. We should not be too sensible, though, since that can leave us vulnerable to surprise, but at least causal links should be reasonably robust.

There is no point in redoing the geopolitical risk assessment to this point within an imaginary world where a given scenario plays out. That would be a waste of effort because we will not be able to predict the future, and scenarios are just broad potential future states. But we will be able explore

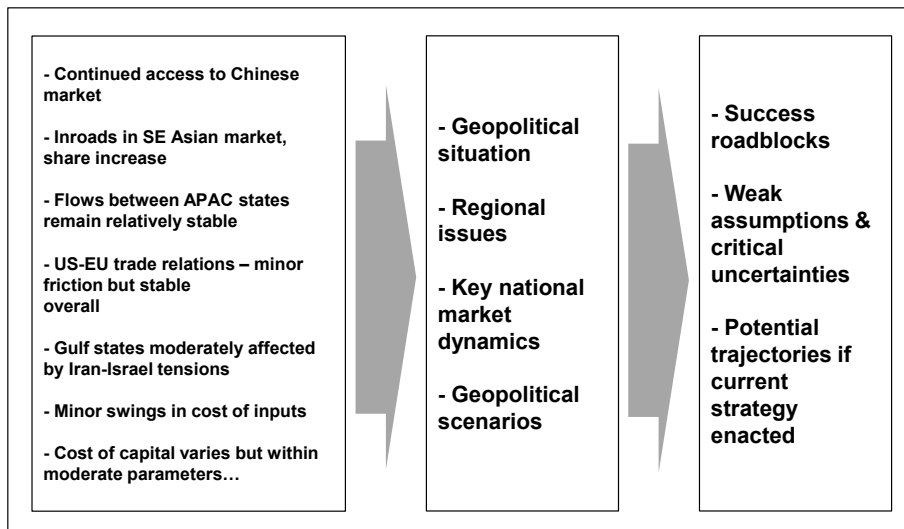
scenarios' top-level implications for the company's operating environment, and from there extrapolate the main ways in which the company's health and performance would be affected. This provides a sense of what the company would have to do in order to future-proof itself in a given scenario, both in terms of adaptation, and crisis and contingency preparedness. With defined scenario signposts and indicators, the company will have a sense of when it needs to start beefing up preparations for a given direction of change, such that its actions are aligned with indications of emergence. Continued monitoring will clarify uncertainty over time, and preparations can shift towards what actually seems to be unfolding, while still remaining poised for potential near-term crises. Periodic, "wargaming" and simulations can help the company to test and improve its readiness for change, not just of the whole systemic picture, but also with respect to regional issues that are particularly relevant to the company.

The above outlined some of the tangible outputs of scenario analysis and how we can apply it. However, an important reason for doing scenario analysis is simply to ensure that managers have a sense of the inevitability of change and do not become the proverbial frog in a pot. As a Lebanese client once said, to paraphrase, "We need scenario analysis, because everyone gets so used to big, bad surprises that they just see them as more of the same and never try to plan ahead." Collectively we are in sad state if the world is like Lebanon, but in some ways it is getting there, and like the team he was concerned about, international managers risk becoming so habituated to global change that it can seem normal and not worth explicitly planning for. Scenario analysis helps to counteract this human tendency.

Step 7, Strategic Assumptions Testing

At this point we have a range of insights on relevant aspects of the global environment and this step further hones our understanding of which geopolitical factors are especially germane to the company. It also takes a look at how the company's current strategy would hold up under the pressures and uncertainties identified thus far, and this is another indirect prod for ideas on what to do about geopolitical risk.

Behind every plan to meet targets and achieve objectives are assumptions (even what we aim for is partly based on assumptions). These are often premised on prior research and analysis, but sometimes we forget that, and what was once information becomes a belief that has not been tested for a while. We need to identify the most critical assumptions, and then see how they hold up against the insights we garnered in the previous steps.



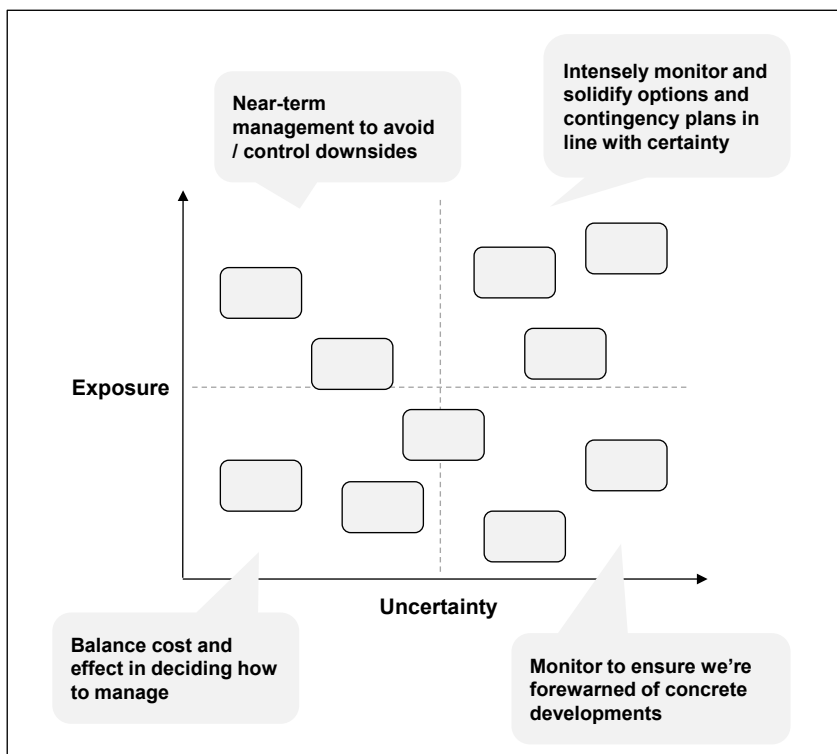
The above figure is quite basic, in that it starts at a point after a strategy has already been defined, and here we do not actually see what that strategy is. For our purposes, we can assume that there is a strategy, and from that came objectives, and meeting those partly depends on the conditions in the box on the left. That box would inevitably contain some points that are outdated or specious in relation to what we now know. It could well be that, for now, few of them are outright false or wrong. But some will be very tenuous, hanging by a thread which geopolitical forces are sawing away at with a thin knife. We are also likely to find obstacles to success which we have not previously noticed.

A useful exercise at this point is to project the company into the medium-term future and ask “What situation would it be in if kept going on the basis of those old assumptions?” The divergence between the “hoped for / planned” and “probable” situations might range from a few degrees to a 90 degree turn. Either way, we can then look back and ask why the divergence happened, and ask what we would need to do to reduce it. This will give us a fresh angle on geopolitical pressures that matter, and give us initial planning ideas for sustaining performance into the future. Indications of the more serious pressures will help in the immediately subsequent step of summarising what matters, while ideas on what to do feed into planning after that.

There are precise and formulaic ways of undertaking assumptions-testing. Here we have erred on thought exercise side, which allows for some creativity and experimentation. In practice this would ideally have a significant workshop element to fluidly draw on a range of relevant perspectives among those who do company planning and those who brought the geopolitical intelligence to the table.

Step 8, Factor Summation

We are at a point where a summary and a form of top-level assessment would be useful both as way to help mentally organise insights derived to this point, and as an aid for planning. Unlike in conventional risk assessment, we would not focus on risks, or specific event-impact sets. Geopolitics is abstract and complex, and at this level a risk assessment would be quite hypothetical, and yield an unwieldy number of disparate risks. We would have a strong sense of how relevant dynamics could affect the company from previous steps, and for now that suffices. Later on, specific parts of the company can take the results of the geopolitical exercise and try a conventional risk assessment within their own functional and geographic remits. Here, our focus will be one step back from risks, i.e. risk factors, which are simply the relevant dynamics that we have identified thus far, but articulated as reasonably discrete forces or phenomena. The figure below is one way of organising the summation, with the grey boxes on the matrix being relevant factors.



There are different ways to map and summarise, and the above is just indicative. The axes are uncertainty and the company's exposure, and a subtext of exposure is the degree to which a factor could affect the company's performance and health. Let's say that an articulated factor is the Ukraine war. We are a German company with a significant presence in Eastern Europe, and up until the war Ukraine was actually a major hub. How the war goes and the shape of its aftermath have major implications for the company. There is no clear indication of when and how the war will end, or what an end state might look like. Thus, the war is a highly uncertain variable in the company's future. The

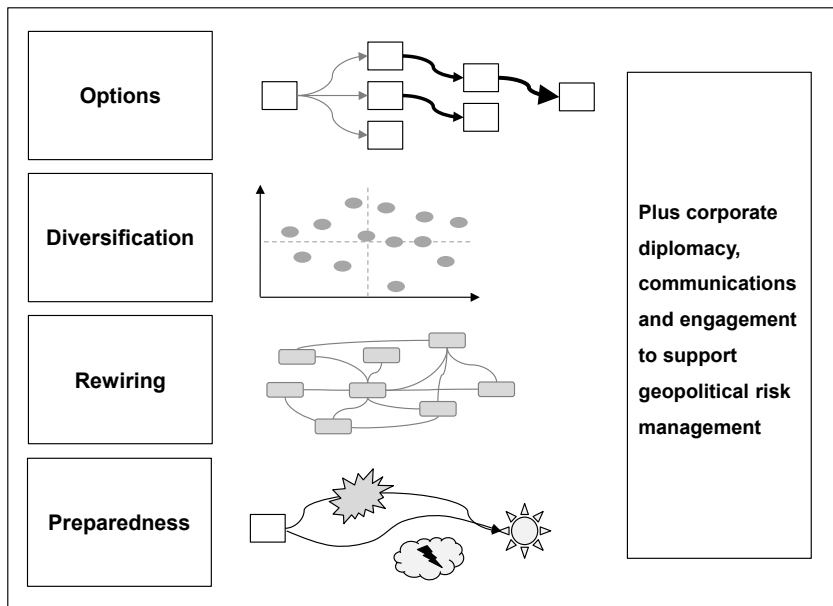
Ukraine war would therefore sit somewhere in the upper right quadrant. Similarly, for companies with a heavy reliance on high-end microchips, the relationship between China and Taiwan would be a “high uncertainty / high exposure” factor, particularly given the possibility of an invasion. As indicated in the figure, for this kind of factor, a company cannot really make a decisive move yet because of the uncertainty, but it can intensively monitor the situation and shore up options and contingency plans as things clarify over time.

Conversely, a factor, like Indian-Pakistani friction, might still be playing out according to reasonably predictable patterns and hold low potential for significant discontinuities in the assessment timeframe. Imagine that a company has only limited exposure to this factor, and if the factor somehow blew up, it would not be very worrisome. In this case, the company can afford to somewhat rely on luck and to be cost-conscious in how it manages its exposure to the factor.

Any matrix or mind map is just a visual aid for top-level rumination, and should not be taken too seriously, especially when different quadrants come pre-armed with generic recommendations. But the above or something similar does help as a quick and digestible summary of key points from previous steps, and as a prod for ideas. One can imagine it being quite useful in a planning brainstorming session. Planning needs to start somewhere, and diving into the nuts and bolts without high-level thought experiments and discussion is seldom effective.

Step 9, Planning Considerations

One would not really come up with a standalone geopolitical risk management plan, for the simple reason that a company’s mission is not geopolitical risk management. The mission is to make legitimate profit, and however big its political risk intelligence unit might be, it will be a small fraction of the total people and jobs in a company. Most of them are working in core operations or major support functions. Geopolitical insight will feed them, and they will account for it in their planning. Nonetheless, having just done the research and analysis, the intelligence team in conjunction with corporate “customers” will be well positioned to develop some recommendations to manage geopolitical risk. This can help others in the company to get a jump on planning in their own context, and the results can also provide a high-level reference point for coordination.



There are different possible approaches to this step. One is to develop ideas to address the main pressure points that previous steps have indicated. For example, Chinese state company competition in Africa might be eroding our share of the infrastructure construction market in the region. Our options might be more local partnering with well connected regional firms, making local content and skills transfer a higher element of the proposition, and lobbying Western governments to forge stronger trade and investment relations in the region.

Another possibility is to project forward in time, as we did in the strategic assumptions test, and posit underperformance and a degree of disarray. We look back at the substantive findings and see which factors and potential challenges would be the most likely culprits, and then we rewrite the story, this time including how we deal with key pressures and keep things on track. That indicates a skeletal plan in itself.

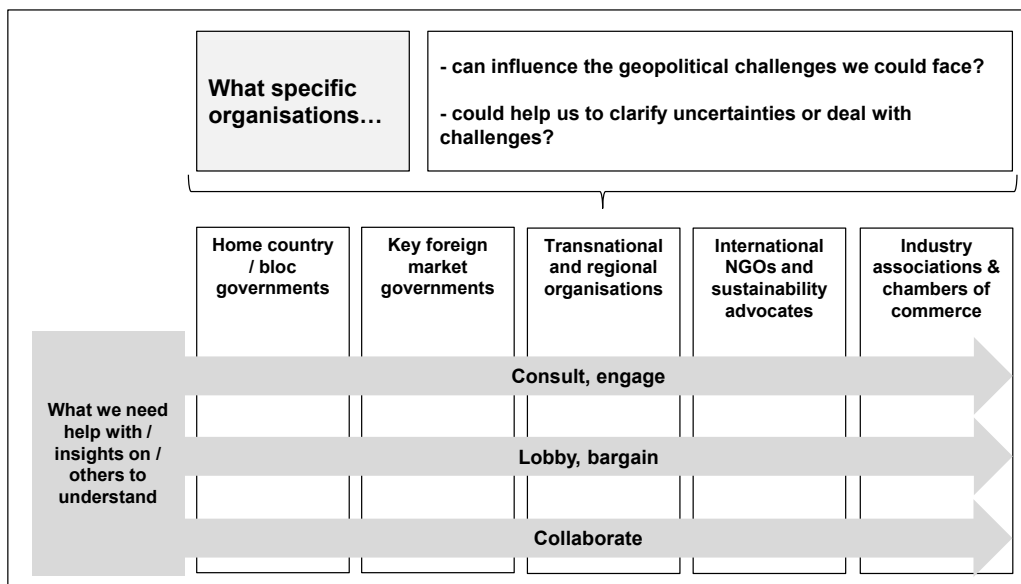
Finally, we can put forth generic approaches to geopolitical risk management, such as those indicated in the above figure, and ask ourselves what each should look like after taking the intelligence into account. A planning workshop could try all three approaches, and there are no doubt other angles one could try.

Note in the above figure that in addition to some generic approaches, there is reference to corporate diplomacy and stakeholder engagement. We look at stakeholders next, but in practice a first-cut stakeholder brainstorming session would be included in planning discussions for ideas on who could matter and what engagement should aim for. This would provide a launch pad for the next step, after which planners could reconvene to discuss and solidify engagement planning.

Step 10, Stakeholder Analysis and Engagement Planning

We know the relevant factors and potential problems, and we have at least top-level plans. Now we can ask whom we need to engage with to deal with potential issues and for help in enacting the plans. This is mainly when stakeholder analysis comes into play in a geopolitical exercise. If this were for a company's operation in a complex emerging market country, stakeholder analysis would have happened earlier. Stakeholders' direct responses to a company, based on their reading of how the operation would affect their values and interests, are highly significant in country operations, and plans would need to take stakeholder attitudes and potential responses into account. At the global level, actors are doing their thing in relation to each other, and a company would have to be very big and of high strategic significance before it actually became the direct target of a geopolitical player's machinations (perhaps the likes of Boeing, Google, Shell and Huawei fit this mould but not many would). China, India or the US, to name some usual suspects, are probably not going to care much about one particular company unless it has significant operations in the country, in which case a country-level political risk assessment would probably be long overdue.

The above being the case, we organise stakeholder analysis to identify organisations and entities involved in dynamics that could affect us and which could act as intermediaries between us and their geopolitical endeavours, and those which could help us to clarify uncertainties and manage potential issues. The general idea is depicted in the figure below.



The categories of actors are only indicative and there could be others or more depending on the context. For relevant actors in each set, we would define what we are hoping to achieve with them, and then the appropriate way to approach them. Approaches can range from periodic discussions for insights and ideas, through to bargaining and direct collaboration. For the most part, at the

geopolitical level, most engagement would be a form of diplomacy. At the country level, engagement can extend to hiring or contracting, CSR and social investment, and even security (deterrence is a form of engagement too). At the global level, there is not a specific socio-political community in direct proximity to the company and hence fewer opportunities, and reasons, for direct and routine interaction. That does not mean that the company should not seek enduring relationships to help manage geopolitical risk, but those relationships are more likely to be between high-level contacts in periodic discussions and meetings as opposed ongoing, close interaction.

What is not in the above diagram but which would be an important, if indirect, aspect of engagement is corporate communications. Public messaging has a range of political risk functions, including countering hostile politically motivated spin, but in this context an important function would be conveying corporate values to regions and societies which might have different expectations of businesses. This can help to increase understanding, and even if there is no way that a company's core values would be broadly appealing in some places, transparency in itself can reduce wariness.

Conclusions

Some obvious questions about the above 10-step process would include the cycle on which this kind of exercise ran, how to undertake the exercise at a practical level, exactly whom it is for in a company, how they would use it, and what monitoring programme would be a suitable follow up. While these are important questions, they are general to any intelligence exercise, and for parsimony we will leave it to readers to think about how this might work in their own organisations.

The bigger question is, have I convinced myself, let alone readers, that a comprehensive geopolitical risk assessment for one company is feasible and useful? I have fewer reservations after trying this. However, the problems that I had in deciding what angles to take and how to connect them point not just to the fact that I had limited time to think this through, but also to the abstract character of the subject matter in relation to the brief for a holistic, actionable exercise. It almost seemed like I was actually designing a number of small projects around the brief, rather than one project whose different threads flowed to a single point. Maybe this is the nature of the geopolitical beast. In country-level work we are dealing with a relatively closed system by comparison, and it is easier to grasp and parse. In this thought experiment, the steps seemed somewhat disparate, like several essays about a topic instead one book with a single argument.

Would a company be better off for having done the above process? I certainly think so, but users would be left with a somewhat impressionistic set of results that would likely require some discrete

follow-on exercises, likely at functional and geographic levels, before they could really start to act on geopolitical risk. So would it be better in the first place, as we mentioned in the introduction, to actually do a number of bite-sized geopolitical pieces instead? With smaller, more focused exercises, there would be more opportunity to shape and scope them for maximal relevance to a given aspect of company health and performance, and being simpler each would have more logical coherence. However, maybe that is just resigning ourselves to a number of essays instead of attempting a book.

Perhaps a good balance is as follows. We undertake a holistic exercise, but at a relatively high level and without overinvesting time and resources. This can form a handy global reference point and provides grist for strategic planning, but it also provides specific parts of the company with reasonably firm hypotheses on what matters in their more discrete contexts, thereby giving them direction for more nuanced and targeted follow-on exercises. Maybe that means the holistic exercise sits with strategic planning, and then follow-up ones are undertaken by geographic offices and specialist support functions.

And of course there is the very strong possibility that a holistic exercise is entirely doable and would have nuanced, actionable results, and I just did not nail it because I did not test and ruminate enough. Readers can bear that in mind before reaching conclusions about the merits of such an exercise in general.

In any case, it was useful to try, and I hope that it will spark or boost additional thinking on how a specific company can understand and plan for geopolitical risk. We are in an era where geopolitics is no longer just background noise compared to country-level dynamics, and questions of methodology are far from just being academic. Readers are welcome to get in touch with feedback and ideas, and I would be interested to hear about others' own experiences in trying to tackle geopolitical risk assessment.