



# **Political risk and management of**

conceptual and practical introduction

2023

# A private organisation exists and operates within political (or socio-political) systems

*Politics – global, regional, national, local*

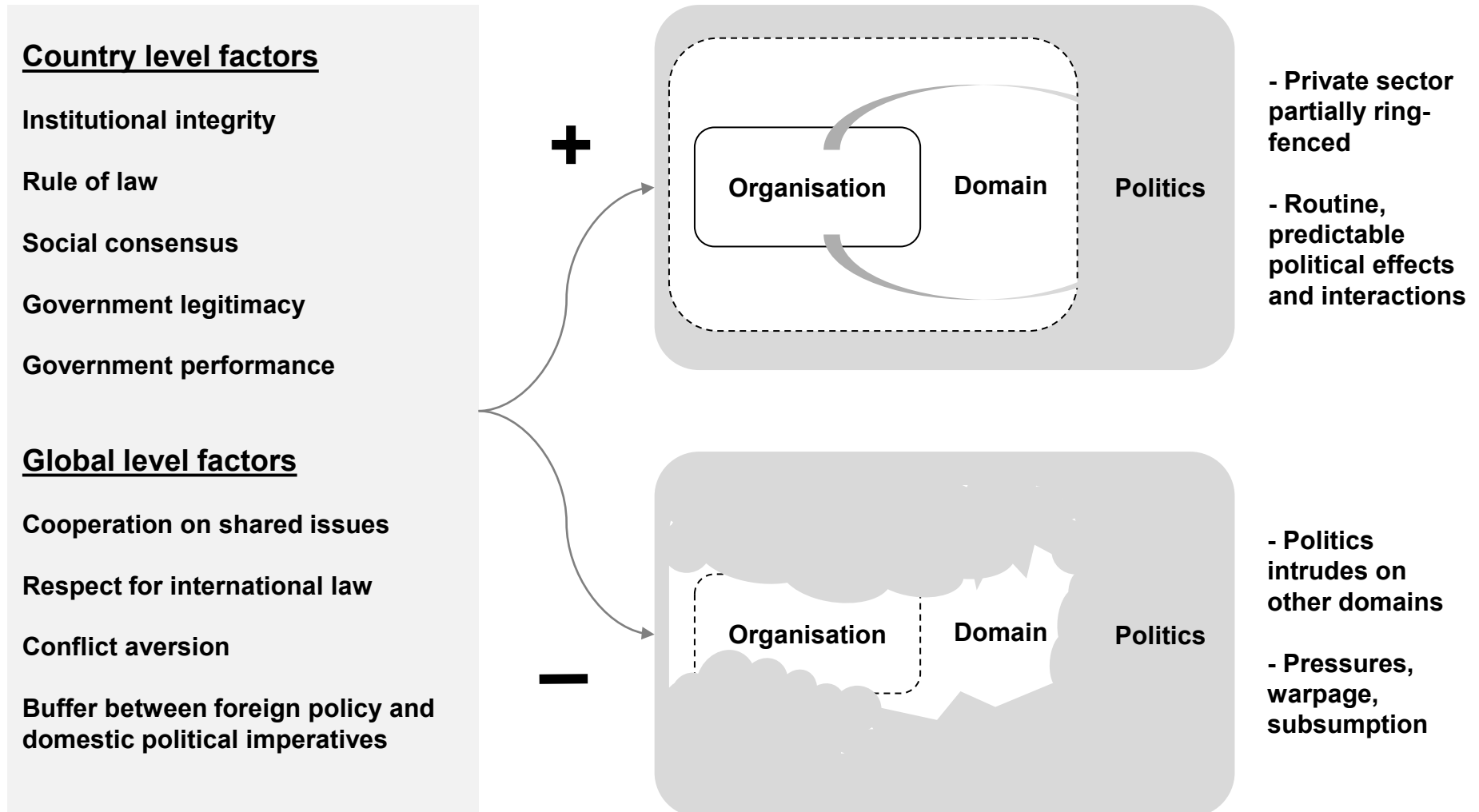
## **Organisation**

- Not “doing” politics even if it sometimes needs to influence political actors

Social or commercial domain of interaction

- Power
- Authority
- Government / governance
- Ideology, “isms”, values
- Nations / subnations
- Contestation for power / resistance against power-holders

# Politics, or socio-politics, can range from background noise to a significant variable in the organisation's health and performance



## Some manifestations of political risk – country level



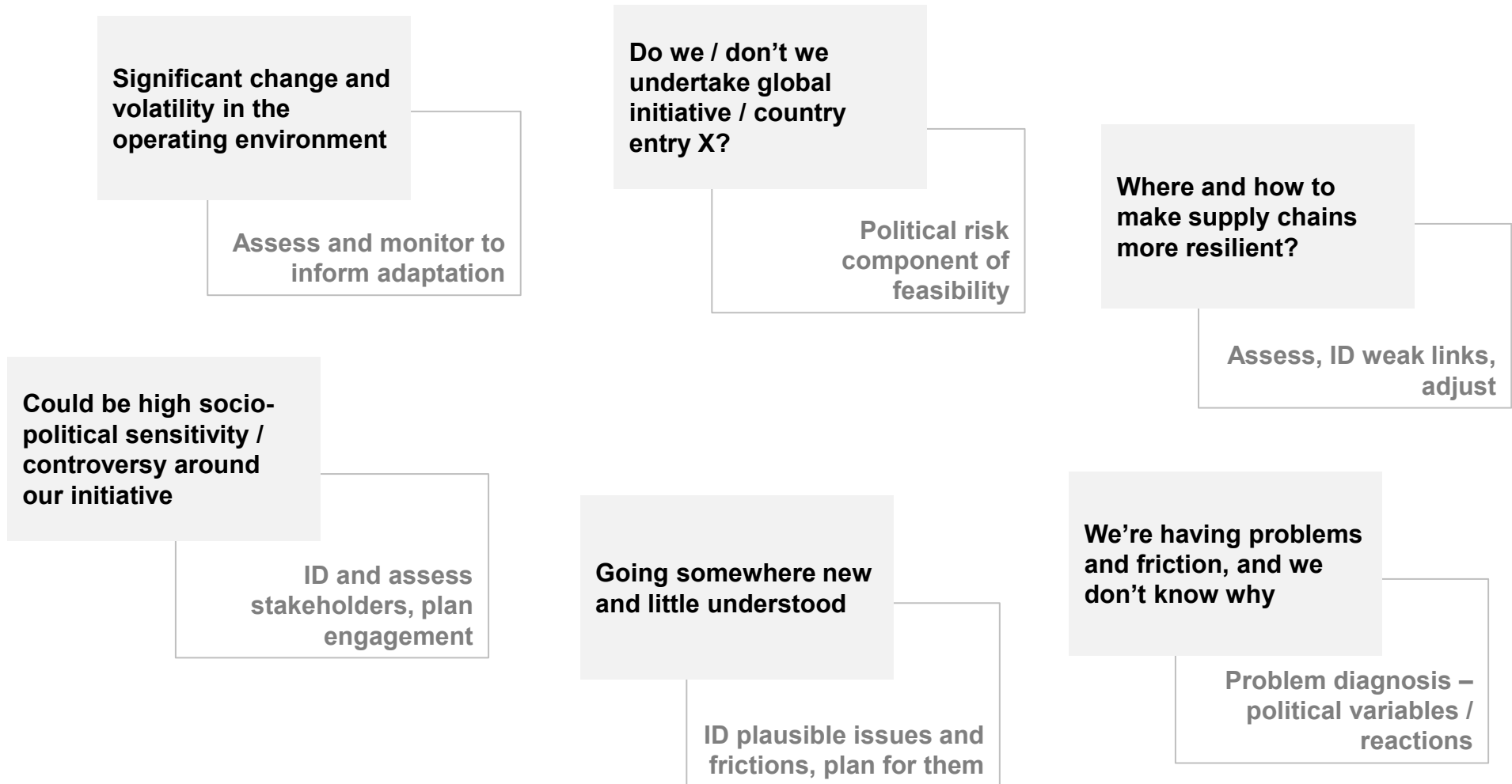
## Some manifestations of political risk – global level



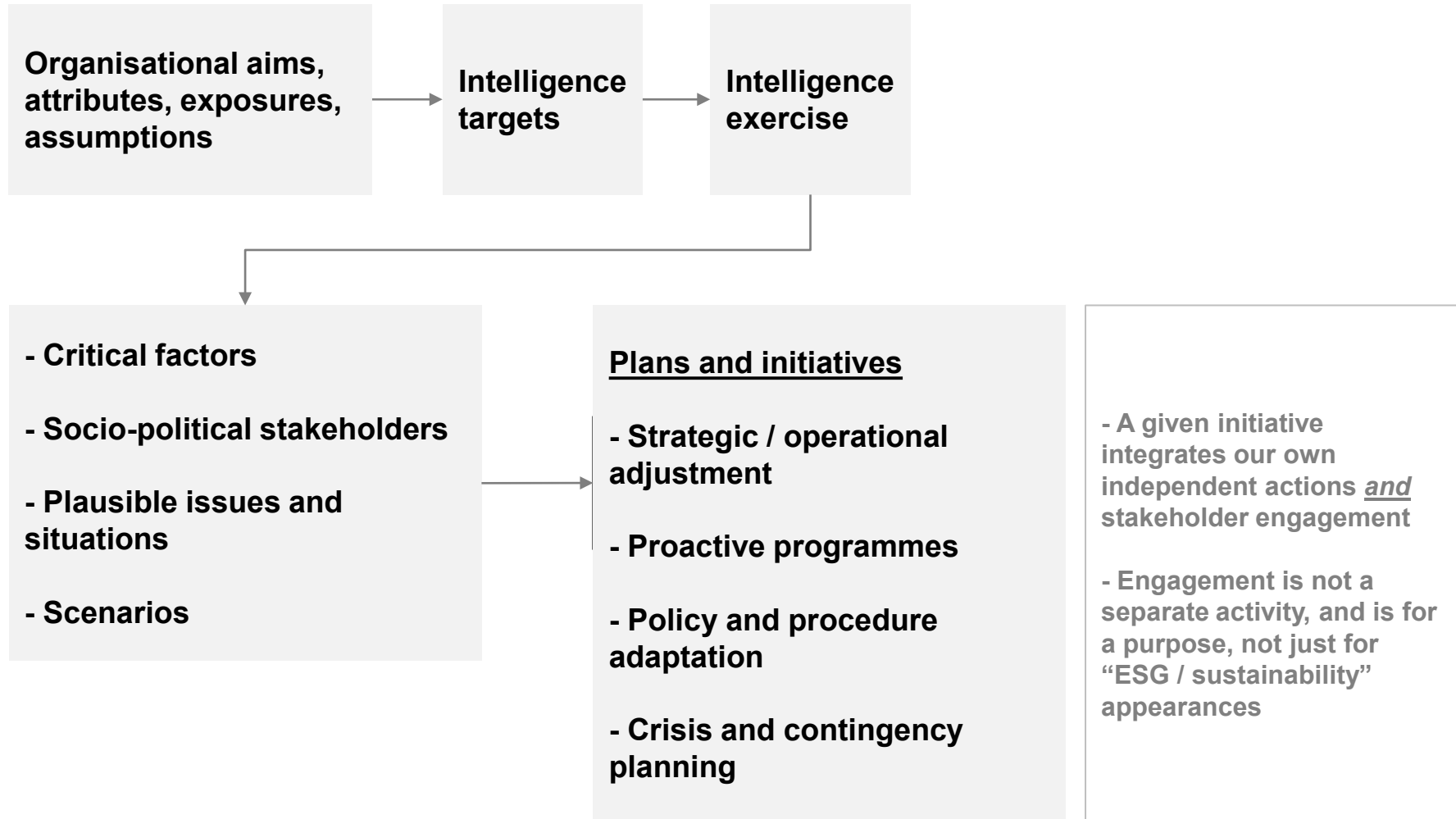
# Despite political risk being a known “thing”, organisations are still often blindsided by political pressures and change, for several reasons

<b>Intercultural inexperience</b>	<b>Apply home region reference points when these are alien in another context</b>	<b>Ignore the political variable or address it in a piecemeal fashion</b>  <b>Fail to see the differences, and how we actually relate to socio-political interests</b>
<b>Assumption of universal rationality</b>	<b>“Win-win \$\$”, or “universal” human values, can differ from political rationality and imperatives</b>	
<b>Political risk not directly examined</b>	<b>Departments and functions paint around political risk, rather than the organisation-political environment relationship, and perspectives remain stovepiped</b>	
<b>Over-optimism / hyped urgency</b>	<b>Organisational drive and pace valued over caution – “can do” beats “what to look out for”</b>	
<b>Organisational tribalism</b>	<b>Organisation is a close-knit group, righteous and smart – failure to empathise and to adapt to others’ needs</b>	

# Learning about and planning for the political variable are particularly critical in several contexts, some of which are...

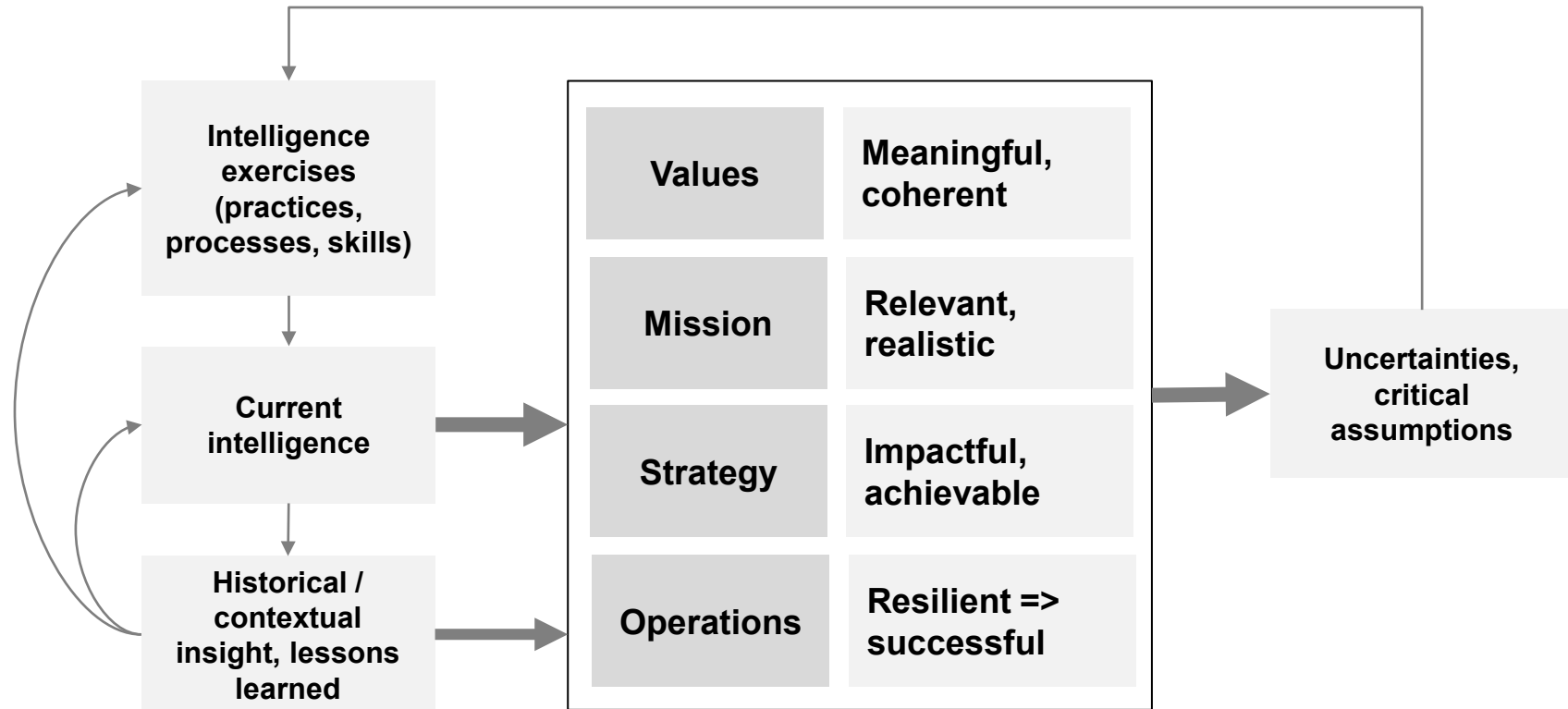


# At a very general level, for a given decision, initiative, or context, managing political risk means...



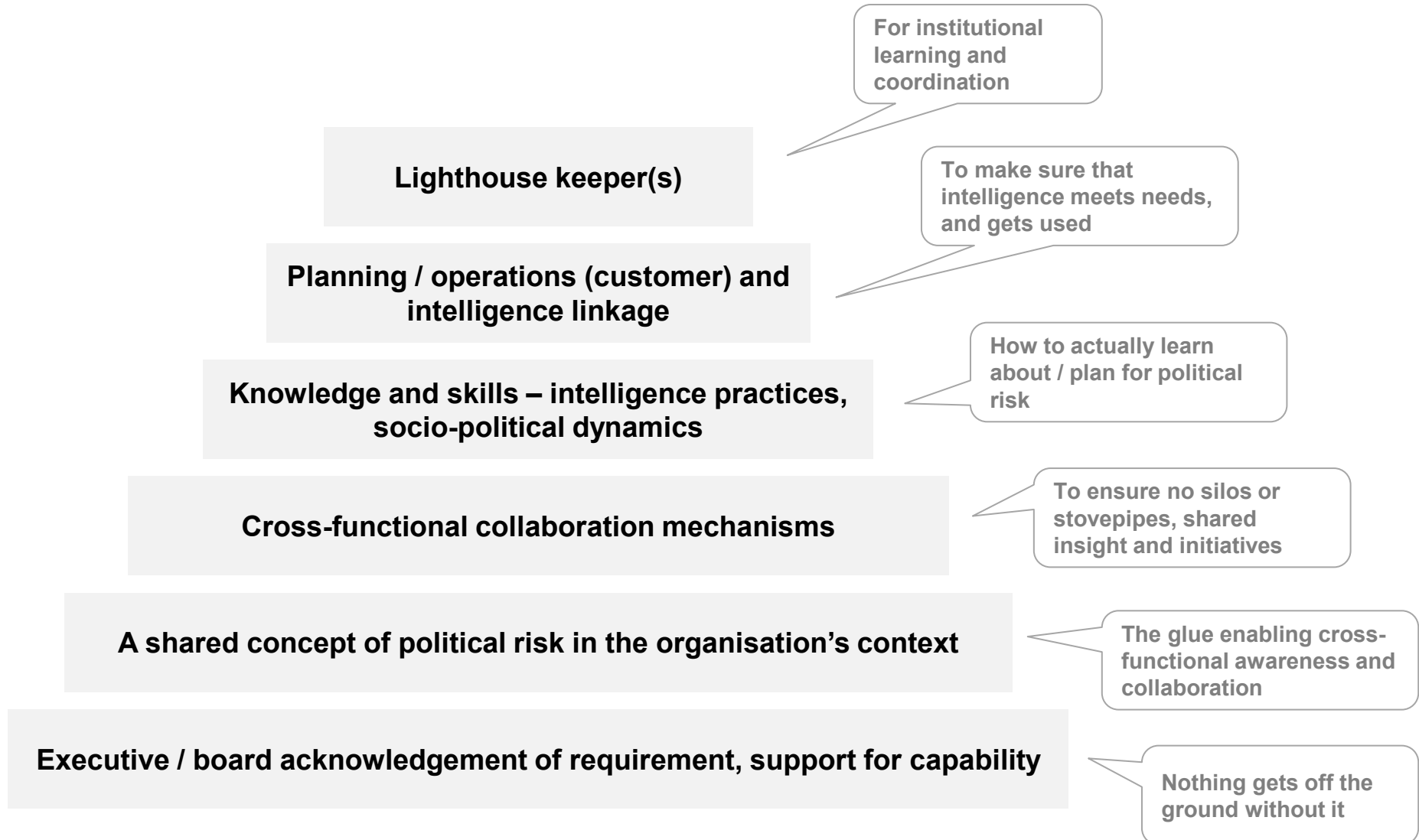


## There is an opportunity to increase overall “organisational intelligence” by managing the knowledge accrued in specific intelligence exercises



Organisational intelligence is about ongoing learning and adaptation, the feedback loop between them, and shared awareness and participation in this process. If managed, political risk intelligence and how it is done can provide not just current planning factors, but effective organisational heuristics as well as the continual development of relevant intelligence and planning processes. This is only one aspect of OI, but a significant one for an international organisation.

# A capability to learn about and manage political risk has several layers



## How these elements translate to organisational structures varies with needs and contexts – the basic spectrum runs from tacit to explicit, for example...

### Illustrative tacit model

- Board / executive support / periodic oversight
- A knowledge hub and network – interested / experienced people across the organisation
- Knowledge and practice portal, internal education
- Knowing what political risk is and when it matters, people know when to investigate and plan for it – knowledge hub helps to coordinate
- Experience from a given exercise is captured for institutional learning

### Illustrative explicit model

- Board / executive support / periodic oversight
- A political risk team or unit, to develop practices, advise and support, undertake intelligence exercises for internal clients, and keep an eye on relevant factors and issues
- Unit draws on / is linked to relevant functions (risk and relationship specialisms, international operations, planning)

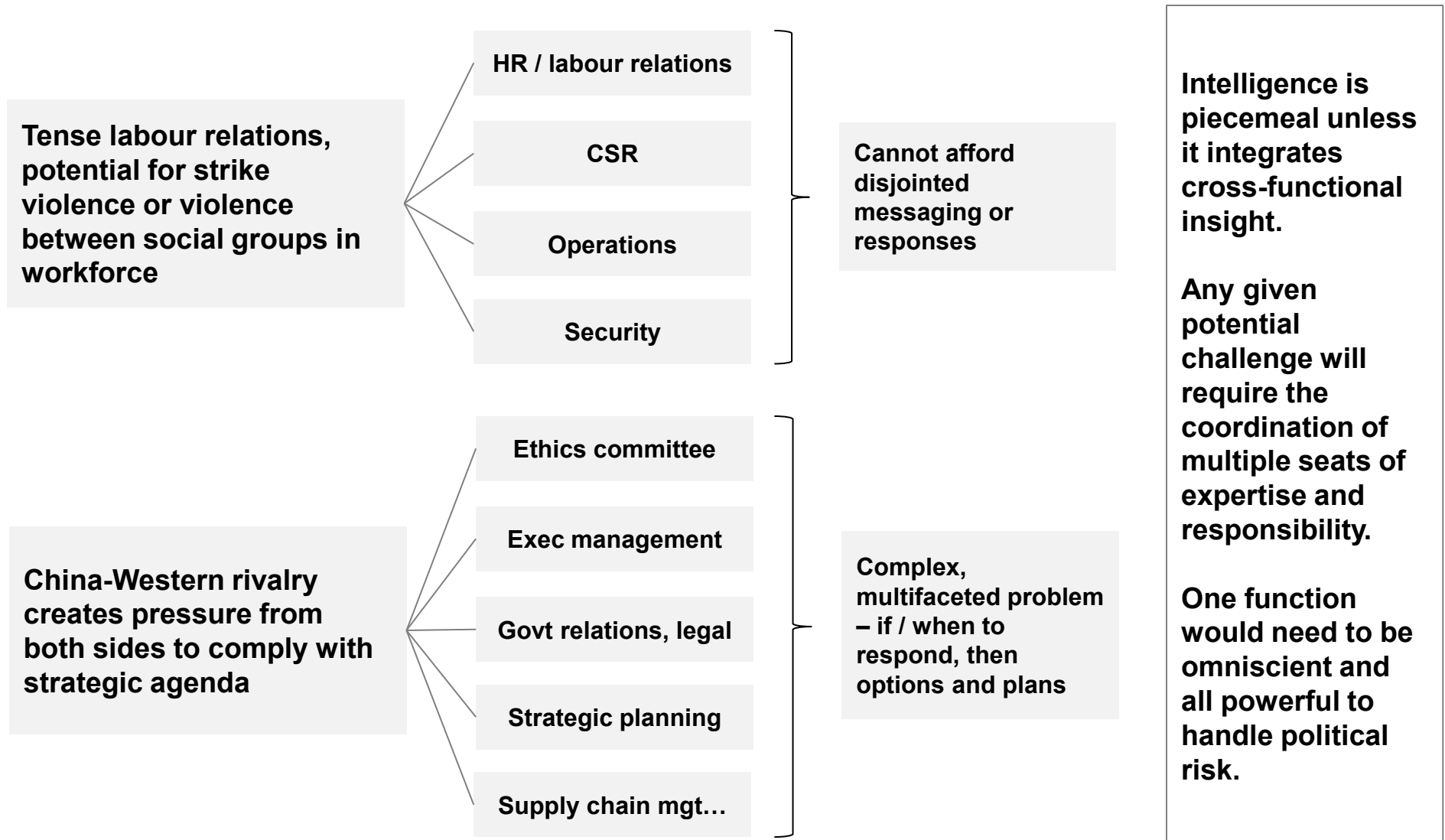
**Pros:** Resource-light, inherently collaborative, avoids being “siloesd” as arcane specialisation

**Cons:** If too light, then ultimately takes a back seat to people’s “day jobs” – negligible impact

**Pros:** Gives political risk a clear seat, more capacity to assist across organisation, accrued experience and learning within the core unit

**Cons:** Higher costs, risk of becoming specialist stovepipe, risk of political risk being “their problem”

# Three salient points about political risk management – 1) it is not a single function, and to be effective it has to be a cross-functional capability, for example...



## 2) Political risk management is distinct from “risk management” or “enterprise risk management (ERM)”, at least in ERM’s less mature manifestations

### Political risk management

- Manages the relationship between the organisation and its socio-political environment and milieu
- Intelligence => relationships + navigation

### ERM

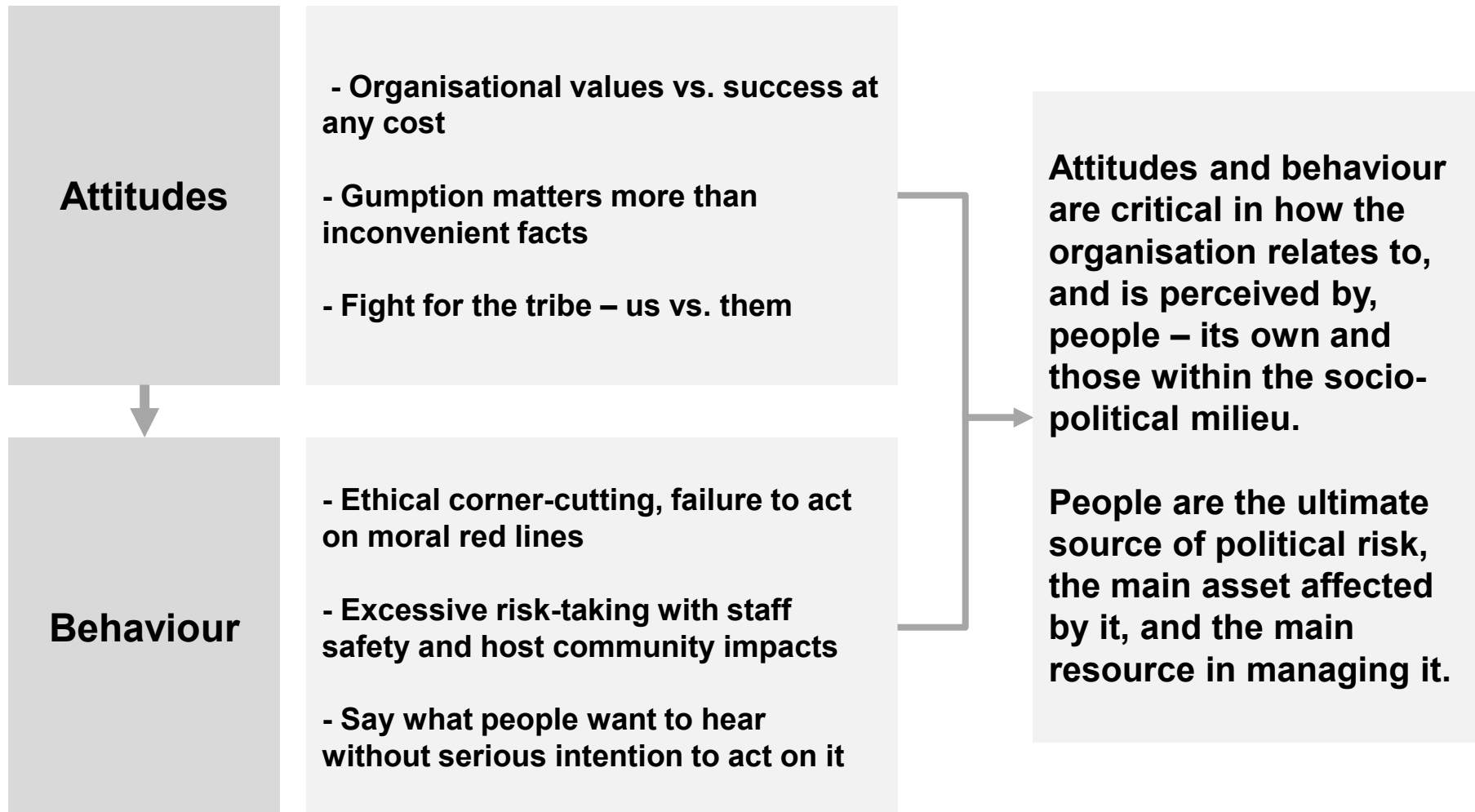
- In better instances, accounts for uncertainties and potential challenges in strategy formulation & pursuit, and in operations
- In worse cases maintains a cluttered risk registry and much confusion about upside / downside / risk measurement / risk appetite

Political risk management complements better ERM and gains from “risk intelligence” in the organisation – should be coordinated.

Political risk is constrained by immature / dogmatic ERM – political risk is often systemic and about relationships, not discrete, measurable potential events or changes.

(“Political risk” c. 1960, ERM c. 2000 – “risk” in political risk is a common sense term, not part of formal risk doctrine)

### 3) Political risk management is not just about the external environment, but also the organisation's own attitudes and behaviour, for example...



## A final point – political risk intelligence and management is something most organisations already do, by whatever label or no label at all

- People think about what could affect their responsibilities, whatever their formal remit
- Several functions directly learn about and address aspects of political risk
- Senior executives and planners at least tacitly consider political variables (e.g. PESTLE analysis)

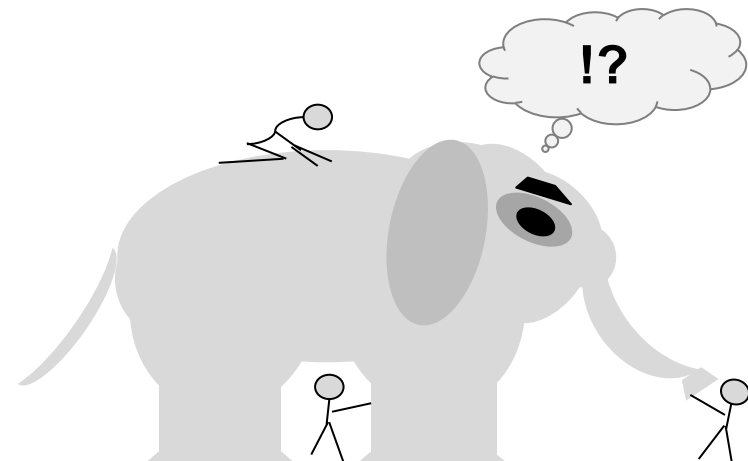
*Even if an organisation never heard of “political risk”, if they have been operating internationally for a while, they have been managing it.*

***But....***

### ...the blind men and the elephant

For better or worse, an elephant is a powerful animal – piecemeal insights and approaches are fine if the elephant is calm.

When it is twitchy and restless, piecemeal is insufficient – we need to know the whole animal and how it relates to us.



## Harmattan Risk can help to shape, hone and apply relevant capabilities

### Organisation

- Conceptual clarity for shared awareness
- Appropriate organisational options
- Room for improvement

### Learning

- Political risk dynamics and sources
- Intelligence and planning frameworks
- Intelligence thinking and case management

### Application

- Advice and guidance for specific intelligence exercises
- Country operation status and resilience review

**“We work with, not for” is a common refrain in consulting.**

**Harmattan actually means it. We listen, discuss, advise, guide, and cross-check.**

**But we don’t own the project, and we don’t act as outsourced capacity or expertise.**

**This approach helps to ensure that the client team retains full ownership, and that results have lasting impact.**



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