



GEOPOLITICAL RISK INTELLIGENCE

AN EXECUTIVE'S GUIDE



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In an era marked by escalating geopolitical tensions and complexities, Insight Forward's "**Geopolitical Risk Intelligence Guide**" is an essential tool for corporate leaders seeking to effectively handle the intricacies of global business risks. This guide not only clarifies the concept of geopolitical risk intelligence but also provides a robust framework for integrating it into strategic decision-making, thereby fortifying businesses against the vicissitudes of the dynamic global landscape.

Key Insights:

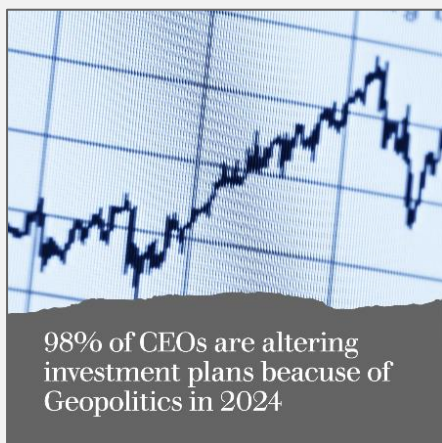
- **Geopolitical Context:** The guide begins with an exploration of the current geopolitical environment, highlighting the shift from a post-Cold War era of optimism to a contemporary landscape rife with geopolitical tensions. It underscores the resurgence of geopolitics as a critical determinant in global affairs, impacting markets, international relations, and corporate operations.
- **Understanding Geopolitical Risk:** Geopolitical risk intelligence is an indispensable asset for businesses, providing insights into the many factors that influence international business. The guide emphasizes the necessity of using intelligence to anticipate and mitigate risk.
- **Corporate Strategy and Geopolitical Intelligence:** The guide offers a comprehensive approach to integrating geopolitical risk analysis into organizational strategy. It addresses the importance of understanding an organization's exposure to geopolitical threats, the role of stakeholders, and the impact of geopolitical events on business operations.
- **Operationalizing Intelligence:** Our structured approach guides businesses in applying geopolitical intelligence effectively. This includes developing risk frameworks, scenario planning, continuous monitoring, and building expertise.
- **Case Studies:** The inclusion of case studies provides real-world examples of how geopolitical events can influence business operations and strategies. These cases illustrate the application of geopolitical risk intelligence in decision-making processes, highlighting both the challenges and opportunities that arise in a volatile global environment.

The "**Geopolitical Risk Intelligence Guide**" offers insights and strategies to adeptly manage and leverage geopolitical risks. By fostering a comprehensive understanding of geopolitical dynamics and integrating this knowledge into strategic planning, leaders can ensure their organizations are resilient, adaptable, and poised for success amidst the complexities of the global market.

GEOPOLITICAL RISK INTELLIGENCE: AN EXECUTIVE'S GUIDE

Introduction

The importance of understanding and managing geopolitical risks has never been more critical for corporations and their leaders. This guide addresses the growing concerns among CEOs and executives about the geopolitical challenges that loom large over global operations. Risks are vast and varied,



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incorporating challenges from China's global ambitions, the destabilizing effects of Russia's invasion of Ukraine, and the ongoing conflicts in the Middle East. Beyond these high-profile issues, businesses must also contend with the cartel wars in Latin America, political upheavals in West Africa, transnational terrorism, territorial disputes in South Asia, and the rise of political extremes in both Europe and the Americas.

The impacts are clear - geopolitical risks carry significant financial implications. They deter investment, diminish profitability, and can severely damage a company's brand. No organization is immune, and executives must have the

knowledge and tools necessary to navigate these challenges. Through expert analysis, accurate forecasting, and strategic insight, leaders can mitigate the impacts of geopolitical turbulence.



The contemporary landscape presents corporations with a unique challenge: asymmetric risks from geopolitical events. These threats are difficult to predict or quantify. Unlike calculable market fluctuations, the potential consequences of terrorism, political instability, disinformation or cyberattacks can be far-reaching. Disruptions to supply chains, spiraling operational costs, and irreparable damage to brand reputation are just a few potential outcomes. Corporate strategies must include discussions regarding disruptive threats that extend beyond the traditional.”

Chuck Randolph – Chief Security Officer, ONTIC

"Geopolitical Risk Intelligence: An Executive's Guide" underscores the imperative of preparedness, proactive risk management, and the pursuit of strategic agility. In doing so, this doesn't just guide businesses on how to survive geopolitical risks - it teaches them how to thrive amidst them.

Understanding World Order: The Revenge of Geopolitics

In the aftermath of the Cold War, the world witnessed an era of unprecedented optimism, where the spread of liberal democracy and free market capitalism seemed destined to usher in a global order defined by economic interdependence and the governance of representative democracies. This period of optimism was epitomized by Francis Fukuyama's influential thesis, "The End of History and the Last Man," which argued for the inevitable universalization of Western liberal democracy as the pinnacle of human governance. Yet, the unfolding of the 21st century has starkly challenged this narrative, revealing the resurgence of geopolitical tensions and complexities that Fukuyama's vision sought to transcend.

The end of history was met with the revenge of geopolitics.



Selected Geopolitical Events 1989-2022

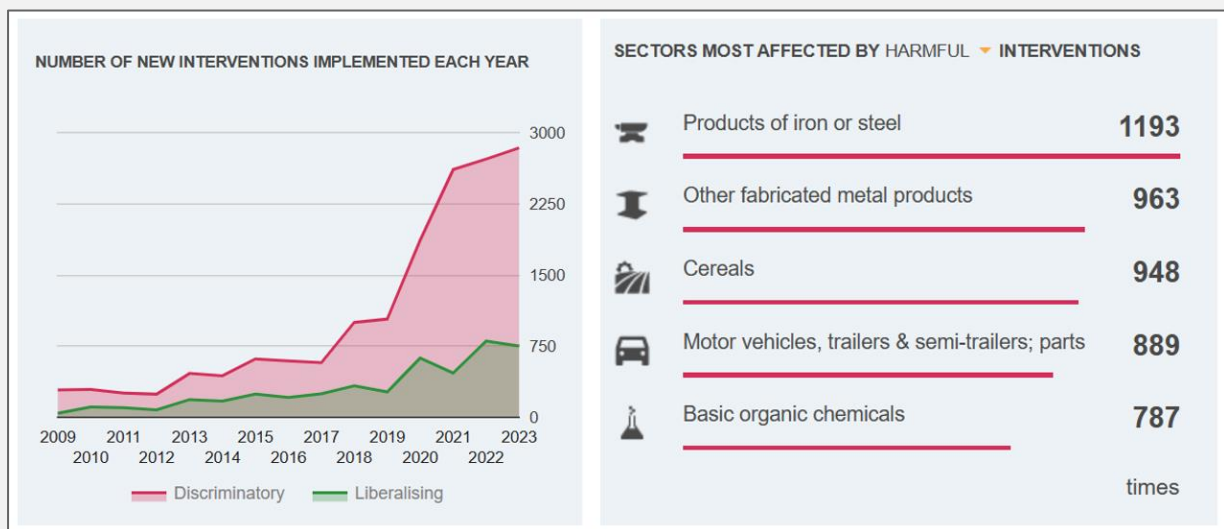
During the Cold War, many countries were focused on defeating the totalitarian empire of the Soviet Union. However, there were [dozens](#) of [local](#) and [regional](#) issues bubbling under the surface that most foreign policy hands were blind to. Although liberal democracy prevailed in the great power competition of the Cold War, when it ended, these local issues resurfaced, and powerful historical forces shattered the illusion of Fukuyama's telos.

One of those was the rise of terrorist groups like [al-Qaeda](#). The United States had a partial hand in helping al-Qaeda develop as they were an Arab contingent of the mujahedeen America funded in Afghanistan to create a quagmire for the Soviets. However, that did not make America their ally. Once the Cold War was over, al-Qaeda began pushing its Islamist ideology and agenda in the Middle East and North Africa. Their strategy changed in the mid-1990s when they decided to attack the "[far enemy](#)" (America) to harm the "near enemy" (Middle Eastern governments) because the U.S. backed those regimes, had stationed troops in Saudi Arabia, "killed" Iraqis containing Saddam, and supported Israel. That was al-Qaeda's justification for 9/11.

Of course, transnational Islamist terrorism was not the only local issue with broader implications. Serious issues in Rwanda, Bosnia, Somalia, Pakistan/India, Iraq, Panama, Georgia, Armenia, and other countries and regions all experienced conflict stemming from historical problems. Each of these

conflicts occurred because of deep, long-term struggles concerning religion, ethnicity, colonialism, and/or ideology. No amount of economic growth or modern technologies could overcome history.

Subsequently, a primary cause for the revenge of geopolitics in the West was the [Great Recession](#), which caused many people to start [doubting the utility](#) of economic markets and the Washington consensus. The global interdependence of the market was harmed because of subprime mortgages and toxic assets in the U.S. real estate market, triggering a global financial crisis. Despite the obvious utility of free market capitalism, countries began erecting trade barriers, and the general populace wanted increased job protection. The European Union and China were amongst those that introduced trade barriers to protect their local industries, but it was U.S. President Donald Trump embodied that [new protectionism](#) during his administration.



State Trade Interventions - Implemented since the start of the Global Financial Crisis: Source - [Global Trade Alert](#)

The historic problems that brought local conflicts to the surface and the perceived market failures of the Great Recession have caused a rise in illiberalism. The Enlightenment brought certain values and slowly over the 18th and 19th centuries these values came to dominate political discourse in the West. However, as the world began tearing itself apart politically and economically, new movements adhering to older ideologies appeared in many countries including the United States, France, Germany, Hungary, Italy, and Brazil. These movements were more akin to the reactionary views of Joseph de Maistre or Chateaubriand than Edmund Burke and John Adams. For example, [Viktor Orbán](#) in Hungary and [Jair Bolsonaro](#) in Brazil both tried to upend the liberalism of their regions, though Orbán was far more successful. In the United States, the GOP under Trump has also taken an illiberal turn and moved [towards populism](#). Now, illiberalism does not equate to authoritarianism, but it is anathema to the dominant beliefs of the 20th century. In addition, illiberalism is not just found on the political right; what is colloquially referred to as “woke” or progressive in the U.S. and Europe have also abandoned the liberalism of the Enlightenment.

Connected to these illiberal movements is the return of the importance of culture and identity. Essentially, Samuel Huntington was right in the 1990s that the “[clash of civilizations](#)” based on culture and identity would dominate politics and geopolitics in the 21st century. For example, Russia’s invasion

of Ukraine was partially inspired by their idea of what being Russian means, i.e., Ukraine is part of Russia and that it is Russia's job to protect the Rus people. Or look at massive right-wing and left-wing protests in the United States and Europe. Notice how many of these protests are based on the concept of identity: Black Lives Matter, Unite the Right, Free Palestine, Proud Boys. **All of these protests are about how their identities conflict with mainstream ideologies.** Culture and identity will continue to drive conflict and large-scale protests over the next several decades.



These changes mean that U.S. power projection is at a critical moment, and that matters because America remains the [global hegemon](#). As the only truly global power, the U.S. will be fundamental to maintaining stability and a balance of power despite deglobalization and a rising multipolarity. Importantly, though, that hegemony is being challenged by the rise of China, domestic problems preventing the support of Ukraine to contain Russia, and instability in the Middle East (especially the Israel-Hamas conflict). What this fundamentally means is that the revenge of geopolitics is also the return of [blatant and overt realism](#).

Although there are certain interludes in global affairs in which the national interest and balance of power do not guide international relations, history shows that the world overwhelmingly comes back to this behavior because the fundamental assumptions of realism remain true: **an anarchic world structure in which countries and governments can never trust others due to the security dilemma and zero-sum nature of power.** From Thucydides in Ancient Greece to Augustine of Hippo at the end of the Roman Empire to Machiavelli in the Florentine Republic to Cardinal Richelieu in the Thirty Years War to Metternich in the Napoleonic Wars to Henry Kissinger in the Cold War, the great thinkers and statesmen of foreign policy were most successful when recognizing and then responding to a realist world order.

At **Insight Forward** we believe that executives will need to recognize this truth to accurately assess geopolitical risks for their corporations. International relations, and therefore geopolitics, tend to operate under a specific paradigm, and knowing that paradigm will lead to more accurate insight. The revenge of geopolitics is here because of deglobalization and long historical factors preventing and undoing interdependence. Going forward, **the 21st century will be controlled by geopolitics with great powers vying for regional and global hegemony while smaller powers and sub-state actors attempt to disrupt the world order by siding with and against these great powers.** The End of History was really the beginning of a new geopolitical era.

What is Geopolitical Risk Intelligence

Geopolitical risk intelligence refers to the systematic and strategic gathering, analysis, and interpretation of political, economic, security, technology, law, and environmental information on a global scale. The aim is to assist corporations in understanding and managing the uncertainties inherent in the international business environment. **Geopolitical risk intelligence is crucial for corporations operating across national borders**, as it helps them to anticipate and respond to potential risks arising

from geopolitical shifts, such as changes in government policies, political instability, regional conflicts, economic sanctions, and other events that could impact business operations, supply chains, market access, and investment climates. This intelligence is typically gathered using a variety of sources, including official publications, news media, proprietary data, and expert analysis.

The core objectives of geopolitical risk intelligence include:

	Risk Identification	Detecting and assessing the nature, scale, and probability of geopolitical events that could affect the corporation's interests and operations.
	Impact Analysis	Evaluating the potential consequences of identified geopolitical risks on the corporation's strategic goals, operational capabilities, financial performance, legal standing, brand and reputation.
	Strategic Planning	Providing insights and foresight that support strategic decision-making, including market entry, investment strategies, supply chain diversification, and crisis management planning.
	Compliance and Regulation	Ensuring that corporate activities remain in compliance with the evolving legal and regulatory requirements across different jurisdictions.
	Stakeholder Communication	Facilitating informed communication with stakeholders, including investors, employees, customers, and partners, about the geopolitical risk implications for the corporation.
	Scenario Planning	Developing and evaluating scenarios based on possible geopolitical developments to prepare flexible and resilient strategies.
	Security Measures	Advising on security measures and protocols to protect personnel, assets, and reputation across the corporation's areas of operation.

To effectively utilize geopolitical risk intelligence, corporations should follow a structured approach. This begins with a thorough understanding of the organization and the business areas most likely to be impacted by geopolitical factors. Next, to identify the decisions that will be made based on the analysis, which allows the development of specific intelligence requirements. Finally, resources should be allocated efficiently to meet these requirements, enabling informed decision-making, risk mitigation, and opportunity identification.

Understanding Your Organization

The way a company views geopolitics is pivotal in shaping its strategic decisions and market positioning. This perspective is not only about acknowledging global events, but it also requires a deeper understanding of how these events align or conflict with the company's strategy and operations. For instance, a corporation with a global footprint might view geopolitical shifts as opportunities for market expansion or diversification, while another might see them as warning signs necessitating a more cautious approach. This is often a reflection of the company's core values, mission, and long-term

vision. It influences everything from investment strategies to supply chain management, and even employee and customer engagement. By aligning geopolitical perspective with strategic planning, corporations can turn potential risks into opportunities for growth and resilience.

Four Pillars of Geopolitical Risk Intelligence for Corporations



ORGANIZATIONAL CULTURE



RESOURCES



NETWORK AND PARTNERSHIPS



LEGAL AND ETHICAL CONSIDERATIONS

Organizational Culture

To develop an understanding of your organization’s exposure to geopolitical risks, it is important to identify several core factors from your corporation's organizational culture. These include the corporation's risk appetite, ideology, and the source of its core financial value. This could be rooted in physical assets, intellectual property, personnel, or reputation.

Financial Value

Understanding the core financial value of an organization is crucial when assessing geopolitical risk, as it enables companies to identify and protect their most valuable assets and revenue streams. This will inform risk mitigation strategies, ensuring that resources are allocated efficiently to safeguard critical areas of the business. Aligning risk assessment processes with the financial core of the enterprise not only aids in minimizing potential financial losses but also in maintaining investor confidence and securing the organization's long-term viability.

Examples of the Financial Implications of Geopolitical Events



Physical property

In September 2019, drone and missile attacks on Saudi Aramco's Abqaiq and Khurais facilities, attributed to Houthi rebels, significantly disrupted global oil supply by halving Saudi Arabia's production. The incident led to considerable financial repercussions for Saudi Aramco.



Intellectual property

American Superconductor Corporation suffered significant financial losses after Sinovel Wind Group, a Chinese firm, illicitly obtained their proprietary wind turbine software, leading to a drastic reduction in AMSC's sales. As a result, AMSC experienced over \$1 billion in shareholder equity loss and had to lay off nearly 70% of its workforce.



People

In 2013, the In Amenas gas plant in Algeria, operated by BP, Statoil, and Sonatrach, was attacked by Islamist militants, resulting in the deaths of 40 employees and halting production. The immediate shutdown and the need for enhanced security measures led to significant financial losses and increased operational costs for the involved companies. Long-term financial impacts included compensation for victims' families, higher insurance premiums, and a cautious approach to future investments in geopolitically unstable regions.



Reputation

At the start of the 2023 Israel-Hamas war, Israel's McDonald's franchise offered free meals to Israeli soldiers. The backlash in several countries has caused a significant loss of business.



Financial Markets

The disruption of supply chains first by the COVID-19 pandemic and subsequently by the Ukraine war has had a notable impact on global inflation, forcing governments to increase interest rates and demonstrating how geopolitical shocks can affect financial markets.



Operations and Logistics

In 2020, the explosion in the port of Beirut, Lebanon, had a profound impact on businesses operating in the area. The blast caused extensive damage to the port, a critical infrastructure for the country's imports and exports, affecting numerous companies' operations and leading to significant financial losses.



Infrastructure

In 2021, the Colonial Pipeline, a major fuel pipeline in the U.S., was hit by a ransomware cyberattack attributed to a criminal group. This attack halted pipeline operations, leading to a significant disruption in the supply of gasoline and jet fuel across the East Coast. The company paid a ransom to regain access to their systems.

Risk Appetite

A corporation's risk appetite is the level and type of risk an organization is willing to accept in pursuit of its goals. It dictates how aggressively or cautiously a company will act within the context of geopolitical



risks. **A well-defined risk appetite serves as a guiding principle for strategy development, decision-making, and resource allocation.** For instance, a company with a high-risk appetite might pursue opportunities in volatile markets, betting on high rewards despite the risks, while a more risk-averse organization might focus on stability and predictability, avoiding regions or sectors with high geopolitical instability. This appetite is influenced by various factors, including the company's financial health, strategic

priorities, stakeholder expectations, and the industry in which it operates. Moreover, aligning the organization's geopolitical risk strategies with its risk appetite is crucial. It ensures that the company's responses to geopolitical events are consistent with its overall business objectives and organizational culture. For example, a company that is risk-averse might invest more in robust intelligence and risk mitigation strategies, while a risk-tolerant company might focus on agile and opportunistic strategies to leverage geopolitical changes.

Aligning the company's geopolitical strategy with its organizational culture is not just about consistency in decision-making; it's about creating an environment where the understanding and management of geopolitical risks are ingrained in the company's DNA. This alignment ensures that the company's response to geopolitical events is not only strategic and well-informed but also deeply rooted in its core identity and values.

Resources

A corporation must also consider what resources – financial, people, and technological – it has available to help understand and plan for disruption from geopolitical risk or capitalize on those opportunities. This might include investments in specialized staff, research tools, and technologies necessary for comprehensive analysis. Technological resources play a pivotal role in monitoring and analyzing geopolitical risks. Advanced data analytics, artificial intelligence, and machine learning tools can process vast amounts of data to identify trends and potential threats. Real-time news aggregation, social media monitoring, and sentiment analysis tools are crucial for staying ahead of emerging geopolitical issues. These technologies enable companies to conduct thorough scenario planning and simulations, forecasting potential outcomes and impacts of geopolitical events. Investing in the right technology enhances a company's ability to quickly and accurately assess geopolitical risks, making it an essential component of any risk analysis strategy.

Integrating financial, human, and technological resources is key to creating a robust framework for geopolitical risk analysis. This integration involves ensuring that the various resources complement and enhance each other. For example, the insights provided by human experts can be augmented with advanced data analysis tools, while financial resources can be allocated to support both these areas effectively. Successful integration often requires cross-functional collaboration, ensuring insights from geopolitical analysis are effectively communicated and utilized across the organization. This holistic approach not only improves the quality of **analysis** but also ensures a more coordinated and strategic response to geopolitical risks.

Network and Partnerships

Partnerships and networking are pivotal elements for enhancing a corporation's understanding and response capabilities. The types of partnerships that prove beneficial are diverse, ranging from collaborations with external geopolitical analysis firms such as Insight Forward, which offer specialized insights and forecasts, to joint ventures with companies in different regions, providing a local perspective on geopolitical dynamics. Additionally, memberships in international business councils and



forums can offer a broader, more global view of geopolitical trends and their potential impacts on business.

Networking, both in formal settings like international conferences and industry-specific forums, and through informal channels such as online professional networks, play a crucial role in this context. These interactions provide first-hand insights and facilitate the exchange of diverse perspectives on geopolitical issues. Moreover, such networks can be a rich source of localized knowledge, which is essential in understanding the nuances and specific implications of geopolitical risks in different regions. Furthermore, the strategic leveraging of these partnerships extends beyond mere risk analysis. They can be instrumental in risk mitigation and in formulating response strategies.

Maintaining dynamic and mutually beneficial relationships with these partners is key to ensuring a continuous flow of timely and relevant information. Such relationships foster trust and open communication, which are crucial for effective collaboration in times of geopolitical uncertainty. By actively engaging in and nurturing these partnerships and networks, corporations can not only enhance their understanding of geopolitical risks but also position themselves to respond more effectively and strategically to the challenges and opportunities presented by the global political environment.

Legal and Ethical Considerations

There are several legal and ethical considerations that corporations should evaluate. Corporations should carefully consider what actions are permissible and advisable, both from a legal standpoint and an ethical perspective. Engaging in the analysis of geopolitical risks often means delving into sensitive information about potential threats, which can lead to legal complexities and ethical dilemmas. Companies must identify not only what they are legally allowed to do but also what they ethically should do, setting clear boundaries for their conduct.

The process of gathering and analyzing such information can expose employees to distressing content, posing challenges to their well-being and potentially risking the company's reputation. It's vital for companies to operate with transparency, clearly communicating their legal and ethical guidelines



regarding what actions are acceptable and what limits should be respected. This approach ensures the protection of all involved and upholds the company's integrity.

Deciding on whether to manage geopolitical risk analysis internally or to outsource it is an important strategic choice. This decision should

be informed by a thorough understanding of the company's capabilities to handle these responsibilities within their legal and ethical framework. Outsourcing can provide access to specialized expertise and help navigate legal systems across different regions, but it requires careful oversight to ensure external partners align with the company's ethical standards and legal obligations. Striking the right balance between in-house and outsourced activities is key to effectively managing geopolitical risks in a manner that is both legally sound and ethically responsible.

Who is Responsible for Geopolitical Risk

In any organization, the responsibility for understanding and analyzing geopolitical risk must be clearly defined and strategically placed. Ideally, this responsibility would fall to a dedicated team whose primary focus is to monitor international developments and assess their potential impact on the organization. Alternatively, this task might be undertaken by cross-functional teams that bring together diverse perspectives and expertise from various departments, such as international relations, finance, and operations. This collaborative approach ensures a more holistic understanding of how geopolitical shifts can affect different facets of the business.

The clarity of roles and responsibilities in this area is crucial for effective monitoring, analysis, and response to geopolitical risks. Clearly defined responsibilities ensure that there is no ambiguity about who is tracking which indicators, who is analyzing the data, and who is responsible for formulating and crucially implementing response strategies. This clarity not only streamlines the process of risk management but also ensures accountability and prompt action when dealing with geopolitical issues.

Moreover, the rapidly changing nature of global politics necessitates continuous training and development for those tasked with these responsibilities. Geopolitical dynamics are complex and influenced by a myriad of factors, including economic trends, technological advancements, and cultural shifts. As such, individuals and teams responsible for geopolitical analysis must be equipped with the latest knowledge and tools to effectively interpret these dynamics. Regular training programs, workshops, and exposure to external experts can help keep these professionals at the forefront of geopolitical thought and analysis. This ongoing investment in human capital and supporting technologies is essential for maintaining an informed and agile approach to managing geopolitical risks.

Intelligence Topics and Requirements

The next step in effective geopolitical risk management is to **define the organization's specific intelligence topics and requirements**. This process is essential for guiding the collection and analysis of relevant information, ensuring that the organization's risk management efforts are both focused and efficient.

Intelligence topics refer to broader, standing requirements that do not change frequently. These are the foundational elements that set a baseline for ongoing intelligence collection and analysis. They are typically areas that are critical to the organization's long-term strategic interests and operational stability. For example, a company with significant overseas operations might have a standing intelligence topic around political stability in key regions, or a tech firm might consistently monitor global technological advancements and cyber threats. These topics provide continuous monitoring and analysis that is crucial for maintaining situational awareness and long-term strategic planning.

Intelligence requirements are more dynamic and are reviewed and updated regularly. These requirements are responsive to the changing geopolitical trends and are used to address specific or immediate concerns or opportunities. For instance, an emerging conflict or a sudden shift in foreign policy, might require specific intelligence requirements to assess the potential impact on a corporation's operations and supply chains. These requirements ensure that intelligence efforts are agile and relevant, enabling timely responses to new developments.

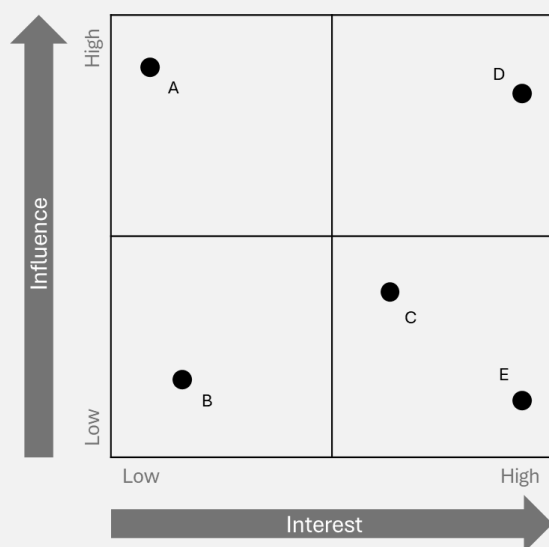
Well-defined intelligence topics and requirements provide a structured framework for intelligence activities, ensuring that resources are allocated effectively, and that the intelligence gathered is directly relevant to the organization's needs. This helps prevent information overload and ensures that decision-makers receive concise, actionable insights. Furthermore, they facilitate better communication and collaboration among different departments by providing a clear understanding of what information is needed and why it is important. By establishing clear and focused areas for intelligence gathering and analysis, organizations can maintain a proactive stance in managing geopolitical risks.

Understanding Stakeholders in Geopolitical Risk Analysis

Another important process in utilizing effective geopolitical risk analysis is identifying and understanding an organization’s stakeholders. These may range from board members and C-suite executives to department heads and external partners. Each group has distinct concerns, priorities, and levels of expertise in geopolitical matters.

Begin by segmenting stakeholders based on their roles, decision-making capacities, and their direct or indirect involvement with the geopolitical risks at hand. This allows for a tailored approach in both analysis and communication, ensuring relevance and clarity.

Stakeholder Matrix



- **Low power, low interest stakeholders** are in the monitoring box and require minimum effort. You do not need to ignore them completely because their power or interest may increase so you want to keep them on side. You should keep them informed so that they know where to come if they need more information.
- **Low power, high interest stakeholders** should be kept informed as they may be helpful with the detail of your project/program and may be able to influence more powerful stakeholders.
- **High power, low interest stakeholders** need to be kept satisfied. They are important because they are powerful, but because their interest is low their reaction can often be predictable, and expectations managed.
- **High power, high interest stakeholders** must be managed closely. Make the greatest effort to satisfy these stakeholders. They must be kept fully engaged as their cooperation is of key importance to new strategies.

Once you have a clear understanding of the audience, the next step is to tailor the delivery of geopolitical intelligence products. This customization is vital for ensuring that the information is not only received but also understood and actionable. Understanding the specific concerns and questions your stakeholders have regarding geopolitical risks is crucial. For board members, the focus might be on long-

term strategic implications while operational heads may be more concerned with immediate risks to supply chains or compliance issues.

Different stakeholders may prefer different formats for receiving intelligence products. While some may favor detailed reports, others might prefer executive summaries, infographics, or even interactive dashboards. Selecting the appropriate delivery channels - be it email, presentations, or written reports - is equally important to ensure secure and efficient access to the information. The frequency and timeliness of updates are also important. Decision-makers need current information to make timely decisions. Establishing regular updates and creating protocols for emergency communications can help stakeholders stay informed and prepared.

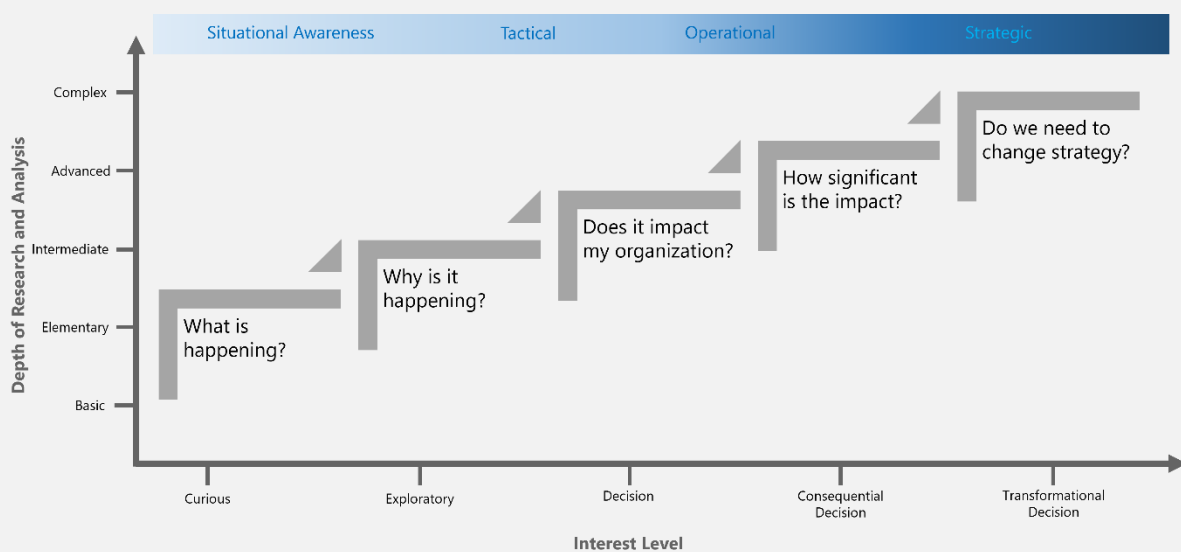
Informing Decision-Making

The primary objective of geopolitical risk intelligence is to serve as a process for informing and steering strategic decision-making. By understanding the potential decisions that stakeholders might consider in response to the analysis, it can deliver insights that are not only relevant but also practically actionable.

One potential decision could involve bolstering security protocols at a company's facility in response to an identified increase in the risk of local violence. Another example is the strategic decision related to market dynamics - choosing to either venture into a new market or withdraw from an existing one based on geopolitical developments. This might involve analyzing the stability of the local government, the legal environment, or the socio-economic conditions that could affect business operations.

Additionally, it's pivotal to recognize that in some scenarios **the best decision might be inaction**. This could be the case when the risks of making a change outweigh the potential benefits, or when there is insufficient information to warrant a significant strategic shift. However, this decision to maintain the status quo should be a deliberate choice, backed by thorough analysis and consideration.

Effort Vs. Interest








In every instance, it is crucial to ensure that the allocation of time and resources towards these decisions aligns with their potential impact on the organization. **Effective geopolitical risk analysis should not only anticipate and identify risks but also prioritize them in a manner that guides stakeholders toward the most informed decisions.** To understand the level of decision required it may also be necessary to determine the likely impact. You can then understand the level of effort that should be dedicated to each task or requirement.

Defining Impact

Perhaps the most crucial part of geopolitical risk analysis is defining the impact to an organization, **geopolitical events can ripple through an organization in numerous and often unexpected ways.** The first step in safeguarding your organization against geopolitical risks is to understand how these external forces intersect with your business operations. This understanding enables a proactive approach to risk management, ensuring that your organization can identify potential disruptions.

Examples of Geopolitical Impacts to Corporations

 <p>Operations</p>	<p>Your day-to-day operations may face direct impacts from geopolitical instability, including disruptions to production processes, challenges in workforce management, and increased operational costs.</p>	<p>For example, the COVID-19 pandemic led to travel and movement restrictions, compelling companies to quickly adapt their operational strategies.</p>
 <p>Supply Chain</p>	<p>Geopolitical tensions can disrupt supply chains, leading to delays, increased costs and challenges in sourcing materials. A thorough analysis of your supply chain's vulnerability to geopolitical risks is critical for developing resilience strategies.</p>	<p>Attacks by the Yemen based Houthis against cargo vessels in the Red Sea has forced multiple companies to adjust maritime routes increasing the time and costs of shipping.</p>
 <p>Safety and Security</p>	<p>Employees and executives face various risks including violent crime, kidnapping, arbitrary detention, and exposure to conflict and unrest.</p>	<p>The detention of Michael Kovrig, an International Crisis Group adviser, and Michael Spavor, a businessman, in China in December 2018, illustrates the risk of arbitrary detention. Their detention followed Canada's arrest of Huawei's CFO, Meng Wanzhou, highlighting the individual risks from broader geopolitical tensions.</p>
 <p>Market Entry or Sustainability</p>	<p>Geopolitical shifts can affect market attractiveness, altering the risk-reward calculus of entering new markets or sustaining operations in existing ones. Assessing political stability, regulatory changes and economic policies is crucial.</p>	<p>Since the onset of the conflict in Ukraine, several companies have experienced asset expropriation in Russia.</p>
 <p>Regulatory and Compliance</p>	<p>Regulatory landscapes can change rapidly in response to geopolitical events, affecting compliance requirements, operational licenses, and market access. Staying abreast of regulatory changes is essential for maintaining compliance.</p>	<p>The imposition of restrictions on exporting materials crucial for semiconductor manufacturing, illustrating how sudden policy shifts can impact business operations and compliance requirements.</p>



Executive Management

Executive teams must be prepared to navigate the organization through geopolitical uncertainties, requiring a clear understanding of potential impacts and the agility to respond swiftly to emerging threats.

The CEO of a prominent tech conference resigned amid a backlash for his public statements against Israel.



Recruitment and Retention of Personnel

Geopolitical instability can affect your ability to attract and retain talent, especially in regions where safety, security, or economic conditions are deteriorating.

Many skilled workers have fled political and economic crises - in Sri Lanka, from Afghanistan after the Taliban retook control, and from Russia after the invasion of Ukraine.



Geographical Location

The geographical footprint of your operations can determine the level of exposure to geopolitical risks, with certain regions presenting higher risks due to their political, economic, or social landscapes.

Multiple companies either withdrew from Iran or stopped plans to enter the country after the U.S. withdrew from the Joint Comprehensive Plan of Action (JCPOA), commonly known as the Iran nuclear deal.



Brand and Reputation

Geopolitical controversies can have a lasting impact on your brand and reputation, particularly if your organization is perceived as complicit or negligent in contentious issues.

The speed and the number of corporations that exited Russia following the invasion of Ukraine demonstrates the importance of a brand's integrity and stakeholder relationships. In May 2022, McDonald's announced its decision to exit Russia after more than 30 years of operations in the country.



Travel

International travel for business can be affected by geopolitical tensions, requiring modifications to travel policies and the need for enhanced security measures.

During the Gulf diplomatic crisis that began in 2017 several countries, including Saudi Arabia, the United Arab Emirates (UAE), Bahrain, and Egypt, severed diplomatic ties with Qatar and closed their airspace to Qatar Airways affecting direct and connecting flights in the region.



Commodity Prices

Geopolitical events often influence global commodity markets, affecting prices and availability of critical resources.

In 2010, during a territorial dispute with Japan over the Senkaku/Diaoyu Islands, China imposed an unofficial embargo on rare earth exports to Japan.



Business continuity

Different from operations, business continuity deals with the ability of the business as a whole to operate, and major geopolitical shifts can completely disrupt communication, money transfers, travel, supply chains, etc., that prevent the business from working on multiple levels.

The 2011 Japan earthquake and tsunami severely damaged infrastructure, leading to power outages and logistical disruptions. Toyota, one of Japan's largest automakers, was forced to halt production due to damage to its factories and disruptions in the supply chain. Many of its suppliers were based in the affected region, causing a shortage of parts needed for vehicle assembly.



Cybersecurity

While cyberattacks are consistent concerns, geopolitics can lead to larger or more significant attacks (even incidentally), and certain threat actors will target corporations specifically for geopolitical aims if the company is perceived as siding with the "enemy."

The NotPetya attack by Russian hackers in 2017 targeted companies worldwide. It severely impacted Maersk's operations. The company was forced to reinstall thousands of servers and computers, which cost hundreds of millions of dollars and disrupted global shipping operations.



Technology and data

Balkanization of technology and data localization are largely driven by politics, and corporations will face several challenges and risks when technology and data cannot be transferred across borders because of geopolitical competition.

The EU's introduction of GDPR (General Data Protection Regulation) reflects its response to global data security concerns and digital sovereignty.



Currency Markets

Often overlooked, currency markets are critical for the success of multinational corporations because exchange rates can directly impact the bottom line. Geopolitics majorly impacts currency markets and the stability of the broader financial ecosystem.

The Swiss National Bank (SNB) unexpectedly unpegged the Swiss Franc from the Euro in 2015, because of the anticipated quantitative easing by the ECB. The SNB's decision led to a sharp appreciation of the Swiss Franc against the Euro and other major currencies. This caused significant volatility in the currency markets, affecting traders, companies, and investors worldwide.



Insider Threat

Multinational corporations hire globally, but that does not mean employees will be more loyal to the company than their home country. Geopolitics can lead to significant insider threats over everything from economic espionage to sabotage to political protests.

Walter Liew was convicted of stealing trade secrets from DuPont to aid a Chinese state-owned enterprise in developing titanium dioxide production, receiving over \$20 million for the stolen information.

Understanding Second and Third Order Effects

Beyond the immediate impacts, it's crucial to consider the second and third order effects of geopolitical events. These are the indirect consequences that can cascade through different aspects of a business, often in less predictable ways such as the effect of the Ukraine-Russia war on Neon gas production and its impact on the semiconductor supply chain. Impacts on other areas including consumer behavior, shifts in competitive landscapes, and changes in investor confidence, can all indirectly affect an organization's performance. Longer-term consequences may involve structural changes in global trade patterns, alterations in strategic alliances, and shifts in geopolitical power balances. These can fundamentally reshape the environment in which an organization operates.

Response Strategies and Techniques

The ability to effectively respond to geopolitical risks is paramount for maintaining stability and fostering growth. Organizations must adopt a proactive stance, developing comprehensive response strategies that enhance their resilience to geopolitical fluctuations.

Response Strategies

01

Geopolitical Expertise Development

Assign a dedicated office or organization to cultivate internal geopolitical expertise.

02

Risk Framework Creation

Develop risk frameworks and guidelines that align with the organization's priorities and risk tolerance.

03

Geopolitical Risk Integration

Embed geopolitical risk analysis into business planning and financial reporting.

04

Scenario Planning

Utilize scenario planning and simulation techniques for strategic foresight.

05

War Gaming Exercises

Implement war gaming and tabletop exercises for business continuity and market access.

06

Crisis Strategy Development

Craft response strategies and crisis management plans for various geopolitical scenarios.

07

Annual Geopolitical Assessment

Conduct an annual strategic review focusing on major geopolitical trends affecting markets.

08

Continuous Geopolitical Monitoring

Maintain ongoing monitoring of geopolitical developments and routinely reassess risk management strategies.

09

Geopolitical Expertise on Board

Include geopolitics experts or experienced individuals on the board and allocate regular time for geopolitical discussions.

10

Ethical Decision-Making Guidelines

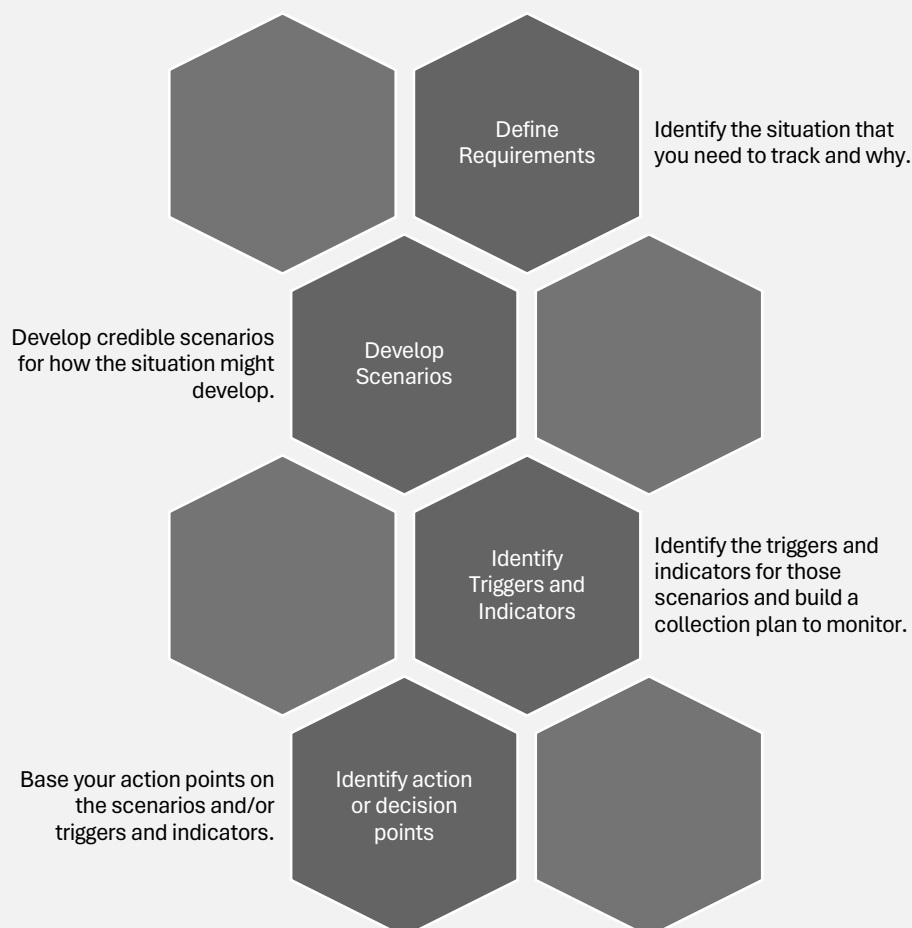
Establish ethical standards to navigate complex geopolitical situations like conflicts, human rights issues, or major power rivalries.

It is important for corporations to use these techniques as part of a structured approach to managing geopolitical risks. By developing a deep understanding of geopolitical dynamics and techniques such as scenario planning and war gaming, corporations can more easily mitigate risks and capitalize on emerging opportunities, ensuring sustained growth and resilience.

Case Studies

In this section, we offer three real-life case studies that illustrate how corporations can effectively employ geopolitical risk intelligence. These practical examples showcase the application of the concepts and strategies discussed earlier in the guide.

Simple Scenario Development Process



1. Escalation Scenarios for the Russia – Ukraine War

Russia's ongoing invasion of Ukraine has the potential for significant escalation, either within Ukraine itself or through the involvement of external international actors. This escalation could unfold deliberately, inadvertently, or even accidentally. In an extreme scenario, Russia could become the first nation since 1945 to use nuclear weapons in warfare. A key trigger for Russia to intensify the conflict is the perception that battlefield setbacks are jeopardizing the regime's security.

To date, Ukraine has been relatively restrained in its attacks on Russian territory. However, Ukraine has compelling reasons to conduct strikes within Russia, including the objective of conveying to the Russian populace the potential consequences of continued support for the conflict. If Ukraine were to broaden its attacks on critical targets inside Russia, and if these attacks prove increasingly effective, this could prompt Russia to consider more escalatory responses. This is important because of the political risks associated with Russia appearing incapable of preventing or retaliating against such attacks. It is

therefore plausible that Ukraine will intensify its attacks on Russian territory to create domestic instability in Russia.

Scenario	Detail
NATO official killed by Russian strike in Ukraine	Officials from NATO states visit Ukraine regularly and Russian missile attacks during a visit could plausibly kill a visiting official, even if they were not the intended target. The severity of the NATO response would depend on which country the official was from but could result in a unilateral retaliation which could further escalate and draw in NATO or a combined NATO response targeting Russia. Alternatively, NATO could significantly increase military aid to Ukraine that would increase Ukraine's chances of winning the conflict.
Aggressive Russian aircraft manoeuvres kill U.S. military personnel	Russian aircraft frequently behave aggressively towards U.S. military flights. An accident that caused the death of U.S. military personnel may force the U.S. to retaliate against Russian military targets and/or significantly increase military support for Ukraine.
Russia assesses NATO is going to intervene in Ukraine	Russia mistakenly believes NATO is going to directly intervene in Ukraine and carries out a pre-emptive attack against a NATO state such as Poland.
Limited Russian strike against a NATO member	Russia carries out an attack against a NATO country to try and force NATO to reduce support for Ukraine.
Sustained Russian air campaign against Ukraine	Russia has not likely deployed its full air capability in Ukraine and could escalate airstrikes and missile attacks against infrastructure and civilian populations to destroy Ukraine as a functioning nation-state rather than taking more territory.
Russia uses chemical weapons	Russia deploys chemical weapons on the battlefield resulting in increased support for Ukraine by NATO states. There would also be a low likelihood of limited NATO strikes against Russian military positions in Ukraine.
Russian nuclear test	Russia carries out a nuclear test to try and put pressure on NATO's support for Ukraine.
Ukraine expands strikes inside Russia	Ukraine increases the frequency of its strikes inside Russia, particularly using NATO supplied missiles.
Widespread anti-government protests in Russia	Widespread anti-government protests in Russia that threaten domestic stability are triggered by the election or Ukrainian attacks.

Corporations should analyze these escalation scenarios to understand their specific implications for their organization. This understanding will guide them in determining the necessary mitigating actions or decisions to take should such scenarios materialize. Subsequently, by monitoring these scenarios, the organization can maintain awareness of their likelihood and be prepared to implement the identified actions or decisions as required.

2. The Pandemic, Supply Chains, and Policy Choices

Pandemics are not normally discussed as a political risk, but the COVID-19 pandemic demonstrated the myriad of risks to multinational corporations. Communicable diseases pose safety risks but how governments respond creates political risks, and this is what disrupted business operations. The biggest policy decisions by federal, state, and municipal governments were to encourage (or require) social distancing and working from home. This started a [chain reaction](#) forcing companies to respond and adapt in novel ways, beginning with consumption by customers. In a rattled response to the pandemic and subsequent closure of public spaces, people began panic-buying tons of goods and storing them, so they would not have to buy those items for several months.

As such, supply chains were especially impacted, which had broader negative implications. Supply chains had [developed over decades](#) to become extremely efficient and linear based on just-in-time inventory and open cross-border trade. However, this made the global supply chain highly brittle and subject to disruptions from geopolitics and non-consistent purchasing. When customers stored up on consumer goods, the supply chain was interrupted as manufacturers could not accurately pace production and warehouses became full. In response, manufacturers and suppliers reduced their production, but when customers needed to purchase goods again, supply did not match demand. These disruptions simultaneously occurring with the rise of a remote workforce led to a strain on [internet infrastructure](#) for companies and a rise in unemployment, leading the government to provide trillions of dollars in stimulus. Stimulus checks encouraged further purchasing of goods, but the mismatch of supply and demand [led to inflation](#).

Multinational corporations who [altered their supply chains](#) were able to weather the storm, but [small businesses](#) who did not have those capabilities were not as lucky. Inflation issues are pernicious for both businesses and consumers. Higher expenses negatively impact the bottom line for business by increasing production and personnel costs. Consumers suffer because they cannot afford goods, which means businesses make less money through fewer purchases. In addition, companies are now having to contend with how to manage a remote workforce and employees who do [not want to return](#) to the office.

The COVID-19 pandemic was the progenitor for a series of risks for multinational corporations and small businesses, but these risks were primarily political and policy in nature rather than safety. Supply chains, inflation, infrastructure issues, a remote workforce. All of these happened due to policy choices by governments, and most companies were not prepared for this because they viewed the world only through a business or market lens. Profits are the primary goal of companies, and to maintain profits companies need to understand how politics create such problems. Those problems are understandable when assessing and determining causal mechanisms between events and how government policies intersect with business interests.

3. Technology Companies, Geopolitics, and APTs

Multinational technology companies have entered into geopolitics in a way that corporations of the past have not because they are critical to defending the countries in which they operate. Western countries are deeply capitalist, and so technology companies are at the forefront of development of new technologies that permeate every aspect of people's lives. Social media, smart doorbells, laptops, the energy grid, and automobiles are all used every day, but they are vectors for attacks by various threat actors. Not only do they protect these aspects of everyday life, but they also work with governments to provide intelligence, defend critical infrastructure, and even go on the offensive against advanced persistent threats (APTs).

Take for example some of the largest technology corporations in the world. Microsoft, Google, and Meta have all directly participated in issues of national security. Microsoft publishes [threat intelligence](#) on cyberattacks and threat actors, especially because so many of these events involve zero days found in Microsoft products. Google was the first technology company to acknowledge that a state actor (China) deliberately targeted American companies in [Operation Aurora](#). Meta infamously dealt with the spread of disinformation and misinformation during the 2016 presidential election, which involved claims of anti-conservative bias and impacted the perception of the role of [social media in politics](#). These companies not only provide defense and intelligence, but they also neutralize threats that can target both their customers and the government. For example, [Microsoft](#) eliminated the infrastructure of APTs from the Russian GRU. Although this is more the exception than the norm, technology companies are highly likely to start engaging in more offensive operations against threat actors, impacting geopolitics.

Technology corporations face specific geopolitical risks due to the role they play in all aspects of daily life and the quintessential role they play in critical infrastructure for the modern world. That especially means that these companies need to be attuned to geopolitical competition between great powers as these are the most likely threats to multinational technology corporations. Low-level threats like hackers or ransomware gangs are significantly less likely to be direct threats as they do not have the resources to overcome the established defenses of technology companies. It is APTs sponsored and supported by countries like Russia, China, North Korea, and Iran that are most likely to be the threats. Therefore, geopolitical risk analysis is critical to effective business operations for technology companies who need to understand how these great powers are most likely to threaten the companies.

Conclusion

Insight Forward's "Geopolitical Risk Intelligence Guide" is an essential resource for executives navigating the complexities of the global business environment. That is why our services go beyond providing information; they offer a strategic partnership that enhances your organization's ability to foresee, comprehend, and address geopolitical risks effectively. Businesses are becoming increasingly aware of the importance of geopolitical risks, but that does not mean they know how to handle these issues. Those that do make significantly better decisions concerning the markets in which they operate. As such, the data is clear: CEOs that have access to high quality geopolitical risk analysis are less likely to delay strategic decisions.



Nearly half of CEOs report that they have the capabilities to understand the complexities of the febrile global geopolitical environment. But about half of CEOs believe their company still has room for improvement to fully integrate geopolitical risks into their strategic and investment decision-making.

EY CEO Outlook | January 2024

For those corporations that do not currently have the expertise or knowledge on how to handle geopolitical risks, Insight Forward is here to help.

Insight Forward provides:

- High-quality **geopolitical risk analysis** to reduce decision-making delays, allowing you to act swiftly and confidently.
- **Tailored intelligence services** that give you deep insights and strategic guidance, enabling your organization to understand and respond to global dynamics proactively.
- Intelligence that is relevant to your **strategic planning**, so that you can align your decisions with your long-term objectives.
- Analysis, forecasts, and recommendations that are not only relevant to the current landscape but also **forward-looking**, preparing you for future challenges and opportunities.

Choosing Insight Forward means you're choosing a partner committed to boosting your geopolitical awareness and strategic resilience. With Insight Forward, your business isn't just reacting to global shifts; it's equipped to navigate and influence them. Allow us to support you in gaining the clarity and confidence to execute strategic decisions that effectively address and capitalize on geopolitical risks.



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insightforward.co.uk | info@insightforward.co.uk