

Geopolitical change

The modern CEO: business (wo)man or politician?

Many companies are larger economic entities and with potentially greater influence than the countries in which they operate. According to one estimate, 69 of the top 100 wealthiest economic entities in 2016 were corporations, not countries. As a result, they have essentially become political actors assumed to have political agendas. The 'revolving door' between CEOs and top political appointments in developed and developing countries alike has further reinforced this perception. If top business roles are seen as stepping stones to political careers, the public will expect a CEO to behave like a politician even while they simply occupy a business seat.





Today's geopolitical environment is nothing like what we've seen in the past. CEOs are beholden to the outputs of an increasingly complex geopolitical system that moves at an accelerated pace, with few guardrails. Outcomes are hard to predict without careful focus. Time to react is limited. Only by moving politics to the forefront of strategy, and personally being the point (wo)man for geopolitics can a CEO lead their organization to success in turbulent times.

Corporate leaders are looked to for social media comments and responses to political events almost in real time. In a world without social media, ‘no comment’, ‘we are monitoring the situation’ and ‘our company does not take political positions’ were previously reasonable public positions. This is no longer the case, and any CEO who appears unprepared on political matters of public interest may be seen as aloof at best, and inauthentic at worst.

Beyond the general public, Boards are also increasingly unwilling to accept a shift in ‘external conditions’ as an explanation for failing to deliver results. Many companies whose earnings were affected by the volatility of the British Pound in the wake of the Brexit vote report having tough conversations at Board level about whether they could have prepared and mitigated better.

Boards have grown in confidence in their responsibility to act on nontraditional business risks such as climate change, cyber security or ethics. No longer is the ability of management to fully measure or forecast a ‘new’ risk seen as an acceptable response and having a list of ‘known-unknowns’ can be seen as shirking away from the issue.

CEOs can expect Boards to want to see geopolitics appearing on the risk register, as well as mature mitigation and response plans. Perhaps the thorniest issue of all is connecting with employees and customers by taking public positions on politicized issues. Some will expect the company to take a public position — and those that do might be on opposite sides of the issue — while others would rather see it kept quiet.

Kick-starting the discussion

Geopolitics is nothing new, but to succeed in today’s charged environment, companies are going to have to do things differently. It starts with recognizing that politics influences the business environment more than it has for decades. While it might be easy for CEOs to have a relatively informed view on this new geopolitical landscape, it’s hard to be a specialist — particularly when economic logic is seemingly no longer a constraint on politics and companies can take nothing for granted. Furthermore, while a ‘wait and see’ approach might be seen as the easiest route — especially given the range of known-unknowns or unknown-unknowns defining the current social, political and economic environment, the signals can be predicted if you look in the right places, risks managed if you know how, and opportunities exploited if you can turn foresight into action. In this paper we have explored three proactive responses to the current geopolitical environment which should help make CEOs view themselves and the companies they lead in a different light; as takers of political risk and opportunities, but also as shapers of societal outcomes. There are also a range of boardroom questions which should be high on the CEO agenda to kick-start the discussion and identify geopolitical implications for financial, business and operating models. While geopolitics has the potential to disrupt, for those that are prepared and ready to act, it can also create opportunities. Armed with a well thought through strategy, analysis and information, an effective CEO acting like a Chief Geopolitical Officer can help lead the company towards a more certain path in an uncertain business world.





Financial model:

- What business planning assumptions could be derailed by geopolitics?
- Have your financial forecasts and business plans been stress-tested for geopolitical disruptions?
- What does increased geopolitical uncertainty mean for the availability and cost of capital and resources?



Business model:

- How resilient is your business to the loss of a key customer as a result of a geopolitical event?
- How could your distribution network or product portfolio be impacted by major geopolitical changes?
- Which new or alternative markets should be explored in light of possible political trajectories?



Operating model:

- Who in the business is responsible for monitoring, analyzing and interpreting geopolitical events?
- Is your operating model sufficiently agile to respond to a surprise geopolitical event?
- Is your geopolitical intelligence of comparable quality to financial and operational data?