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# From Blind Spots to Insights: Enhancing Geopolitical Radar to Guide Global Business

WHITE PAPER  
JANUARY 2025



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# Foreword

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Forecasting the geopolitical events shaping tomorrow's world is often likened to predicting the weather: sudden, unpredictable and increasingly disruptive. Military coups, government collapses and supply chain disruptions can emerge with little warning, leaving just days or weeks to react.

In an era of rising economic nationalism and intensifying rivalries, business leaders with extensive cross-border operations must develop sharper agility and foresight. Their ability to make informed decisions in this volatile environment hinges on the strength of their so-called geopolitical radar – their capacity to effectively track and proactively assess these shifting dynamics.

This requires a fundamental shift in mindset from relying on backward-looking, experience-driven assessments of geopolitical risks to embracing a more forward-looking tracking of geopolitical dynamics, combined with rigorous scenario planning. With geopolitics playing an increasingly critical role in long-term business success, companies must invest in the necessary capabilities to strengthen their radar.

This report is the result of a collaboration between IMD, Boston Consulting Group and the World Economic Forum. Its conclusions are based on

insights from 25 interviews with representatives from the Forum's corporate partners.

It is the second in a three-part series designed to help public and private sector stakeholders better understand, respond to and leverage the causes and effects of disruptions, perturbations and reconfigurations that have beset the global trading system in recent years.

The first report focused on the costs of deglobalization and aspects of cross-border corporate footprints and operations. The third report will examine how firms are building their geopolitical muscle, including which internal structures they are adapting, considering or implementing to better respond to these disruptions, either by mitigating the risks they present or leveraging the opportunities they create.

We hope the insights and recommendations in these papers will help business leaders and policy-makers to better navigate the uncertainty and complexity of a new era of geopolitical rivalry and strategic competition. As the rules-based order that has underpinned global stability for the past 70 years faces unprecedented challenges, strengthening foresight and adaptability has never been more critical.

# Executive summary

By shifting from a backward-looking, event-focused understanding of geopolitical risks to a forward tracking of relevant dynamics, companies will be better placed to respond to challenges and seize opportunities.

The ways in which companies with extensive cross-border operations are reacting to the intensification of rivalry between governments in a multipolar world is of growing importance. Ultimately, the reaction of international businesses will be shaped profoundly by how corporate executives track and assess geopolitical dynamics – their so-called geopolitical radar. Based on in-depth interviews with 25 multinational companies, this white paper explores the extent to which international businesses are developing and deploying their geopolitical radar.

Geopolitical radar serves a variety of purposes, each reflecting a task undertaken within firms. International businesses have developed near-term tracking mechanisms, typically identifying relevant geopolitical factors based on prior experience. Detailed exposure assessments of geopolitical developments are now standard and such tracking is complemented by periodic scenario planning and consultation with external experts. However, international businesses differ in their approaches towards selecting which internal unit is entrusted with managing and acting on the insights gained through this geopolitical radar.

Corporate geopolitical radar tends to give greater prominence to state actions that are mandatory, require immediate action and are clearly impactful (for example, compliance with a regulatory requirement). When any of these three conditions

are not met, the attention given to a geopolitical factor tends to diminish. This deficiency reflects the essentially backward-looking and reactive identification of relevant geopolitical factors.

Developing geopolitical radar is not in and of itself sufficient. Geopolitical sonar is also needed to provide additional context on the drivers underlying geopolitical events. There is no denying that costs are incurred in developing an effective geopolitical radar and sonar. Rather than seeing this as a deadweight cost, this report identifies six commercial payoffs resulting from better navigation of geopolitical currents.

Shifting from an experience-driven, backward-looking identification of geopolitical risks to a forward-looking tracking of geopolitical dynamics will transform decision-making from reactive to proactive. The ability to read geopolitical events at an early stage can generate mitigating measures and business opportunities – but this requires a deeper appreciation of the drivers of geopolitical dynamics. Ensuring that a company's internal geopolitical function sets aside legacy attitudes, supports institutional memory, reduces key person risk and shares information where and when needed can all contribute to efforts by international businesses to better capitalize on the opportunities that arise as globalization continues to evolve in a multipolar world.

# Introduction

This white paper presents insights from interviews with senior executives from 25 major businesses from different geographies and industries, casting light on the current state of efforts by companies to develop geopolitical radar.

With no end in sight for growing geopolitical rivalry and increasing disruption from low-level as well as kinetic conflict, companies involved in cross-border operations and transactions are rapidly developing the capabilities needed to navigate the opportunities and risks created by an ever more fractured world.

The starting point varies for each company, with some further along this journey than others. However, no global business can afford to ignore geopolitical factors when devising operational plans, assessing performance and options, or re-evaluating strategies for capitalizing on the many opportunities created by the global economy.

The purpose of this white paper is to provide a status report on how firms are enhancing their detection, understanding and assessment of the many geopolitical factors that have emerged over the past decade. The term “geopolitical radar” is used here to capture these tasks and is distinguished from “geopolitical muscle”, which refers to the translation of geopolitical insights into corporate decisions. While a useful organizing concept, as will become evident, the concept of a geopolitical radar is not without its flaws.

It is difficult to see how international businesses could make informed decisions without a first-rate geopolitical radar. Assessing how companies are applying their geopolitical muscle will follow in a subsequent report.

To prepare this white paper, interviews were conducted with senior corporate executives from 25 companies involved in tracking geopolitical factors. These companies were selected from different geographies and industries, and are both publicly listed and private. They share a common characteristic: each has a significant cross-border, multi-jurisdictional, global commercial footprint and therefore possesses a vested interest in an open world economy.

The potential for cross-border impacts is a recurring characteristic of factors that executives

deem geopolitical. Consequently, there is a strong link between geopolitics and international trade, investment, innovation and the movement of data, people and ideas across borders.

These interviews, conducted from June to October 2024, form the evidential basis for this white paper. Experts from IMD Business School, Boston Consulting Group and the World Economic Forum’s international trade team participated in the interviews, which were held off-the-record to encourage candour. To protect confidentiality, this paper does not identify interviewees or their employers.

This is the second round of interviews conducted on this subject with executives from international businesses. The first round, involving 13 companies, resulted in a white paper, [Geopolitical Rivalry and Business: 10 Recommendations for Policy Design](#), published by the World Economic Forum in May 2024.<sup>1</sup>

That initial white paper laid the groundwork by exploring how executives perceive unfolding geopolitical dynamics and their immediate impact on operations and financial performance, offering 10 public policy recommendations and eight suggestions for businesses.

This white paper is structured into five chapters:

- Chapter 1 discusses the commonalities and differences between events, trends and factors that businesses deem “geopolitical”.
- Chapter 2 describes how firms are strengthening their geopolitical radar.
- Chapter 3 assesses the state of corporate progress in these efforts.
- Chapter 4 lays the groundwork for a discussion on best practice.
- Chapter 5 looks at possible payoffs from strengthening geopolitical radar and sonar.

Although building these capabilities entails costs, it is worth identifying the commercial benefits that can accrue to companies that are better able to navigate an increasingly fractured global landscape.

Although some may question the relevance of these findings for small and medium-sized firms, it is worth noting that these companies can share the cost of developing geopolitical radar through business associations and chambers of commerce, making these insights broadly applicable.

## BOX 1 How the interviews were conducted

Each interviewee was sent a set of questions in advance, the aim of which was to understand:

- How a company reflects on recent geopolitical developments – to elicit which developments are top-of-mind.
- How a company differentiates between geopolitical factors (if they do so at all) and the steps it is taking to develop its geopolitical radar – described as “steps to learn more about geopolitical dynamics”.
- Which arguments executives use when engaging with officials that have concerns about economic and national security (if such engagement happens at all).

Each interview was semi-structured and allowed the interviewee to develop their own considered responses. The interviews varied in length from 30 to 60 minutes. The individuals interviewed all had some responsibilities for tracking geopolitical developments, but this may often be only part of their remit. Some interviewees were involved in compliance functions, some in government affairs units and others in corporate strategy units. One was a board member, implying that almost all were in executive roles – including some at a very senior level.

Interviews can be revealing but they are not without their flaws. First, as those interviewed tend to carry some responsibility for tracking geopolitical factors, there was a tendency to argue “we’ve got it covered.” Few revealed difficulties or deficiencies. Often what was not said in these interviews was as revealing and important as what was.

Second, statements made in interviews cannot be verified. Nor was it possible to check whether the insights gleaned from exercising a corporate radar were well received or acted upon by others within the same company. Indeed, one interviewee noted that in their company it was accepted at the most senior level that geopolitical risks had important implications for future sourcing decisions. Yet, no business unit’s plan for the next year made reference to this matter. Obtaining convincing insights is one thing; acting upon them is another matter entirely.

Overall, these interviews add to the evidential basis of how firms are navigating intensifying geopolitical rivalry. They do not claim to be the last word. Nevertheless, there is value in asking executives to explain what steps they are taking, what their information diet is and who uses their analysis and product. In this manner, other companies as well as government officials can better understand how geopolitics is being understood and potentially acted upon at this time.

1

# What issues are on the geopolitical radar of global business?

US-China relations and security-related geopolitical factors are top-of-mind for the 25 corporate executives interviewed.



Asking corporate executives which geopolitical factors are top-of-mind can be very insightful. While the broad categories of these factors may not surprise a well-informed observer, what stands out are the attributes of specific factors that executives identify as geopolitically relevant.

Our 25 interviewees identified over 80 different geopolitical factors that are relevant to their business. They fall into a series of broad categories:

- **Acts**, such as bans on exporting certain technologies, regulations on data transfer and use, cyber-security regulations and consumer boycotts triggered by continued commercial presence in Israel.
- **Events**, both actual and potential, such as the trade disputes between the US and China, the 2024 “year of elections”, or a potential conflict in the Sea of Japan.
- **Drivers** of geopolitical events, including greater polarization in certain nations’ politics, nationalism and the transition to clean energy.
- **Trends**, such as supply chain reconfiguration, localization pressures and the rise of China.

Figure 1 identifies six groups of frequently mentioned geopolitical factors and how often they were mentioned by our interviewees. Only two interviewees did not cite relations between China and the US as a top-of-mind geopolitical development. Bear in mind that the maximum

possible number of mentions is 25 (the total number of firms interviewed).

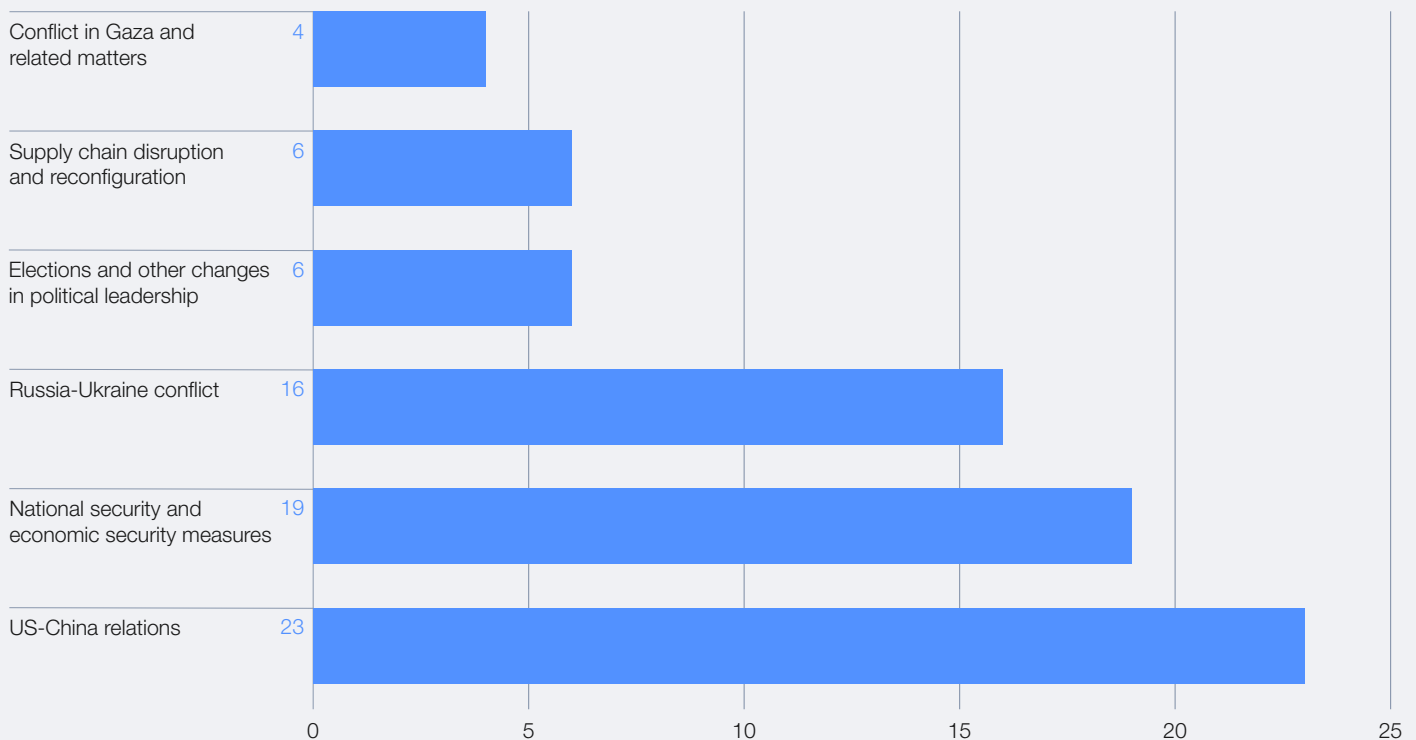
Of the six commonly identified types of geopolitical factors, two involve kinetic conflict, while another two reflect economic clashes, specifically US-China relations and national and economic security measures. In contrast, changes in political leadership – a traditional corporate political risk – were mentioned only six times. Additionally, one-quarter of interviewees identified supply chain disruption and reconfiguration as a distinct category of geopolitical factor.

What to make of these groups and the factors underlying them? The groups are certainly not MECE (mutually exclusive and collectively exhaustive). Deteriorating relations between China and the US, plus the legacy of the Covid-19 pandemic and the importance of certain critical minerals (such as rare earths), may well have increased mentions of economic security measures. In all likelihood, so did the Russian invasion of Ukraine.

The time when those headwinds started being acted upon varied among interviewees. One Asia-based interviewee highlighted as late as 2023 as the pivotal year when their company started to assess a supply chain diversification plan – with some thinking done before then, but no action taken. Another EU-based interviewee cited the invasion of Ukraine as the wake-up call, while a company in the trading sector cited Covid-19 as the gamechanger.

“ Only two interviewees did not cite relations between China and the US as a top-of-mind geopolitical development.

FIGURE 1 Number of mentions by interviewees of different geopolitical factors





A US-based interviewee, in turn, cited the beginning of the first Trump administration as the moment of awakening, when the US shifted from an approach of looking to “create a set of rules without China, but with China on your mind, so then China could join” (the Trans-Pacific Partnership being a case in point) towards the much more combative approach that has prevailed over the past eight years.

Perhaps the principal takeaway from Figure 1 is that security-related geopolitical factors are top-of-mind for the corporate executives interviewed here. That the shadow of security concerns now looms larger over the commercial policies of many governments has not been lost on global companies.

The interviewees’ responses suggest that security concerns involve a wide range of policy imperatives. These include:

- Assuring supply of certain items and commodities.
- Associated worries about “economic coercion” and the desire for “strategic autonomy”.
- Measures that seek to prevent potential combatants from securing technologies that could have military use.
- Concerns about preserving technological supremacy or narrowing gaps in capabilities where they exist.

For better or worse, interviewees recognized that officialdom increasingly perceives links between economic and national security considerations.

Still, it would be inaccurate to argue that international business has a single notion of what constitutes a commercially relevant geopolitical factor. For example, several interviewees refused to be drawn on classifying what was and was not a geopolitical risk. “Risk is risk” was how one interviewee put it. This attitude may reflect the diverse set of geopolitically linked disruptions to commercial operations witnessed in recent years.

Evidently, the fact that elections and changes of government are on the list of commonly mentioned geopolitical factors implies that a quarter of the companies interviewed view this traditional corporate political risk as a form of geopolitical risk. In turn, this raises questions about the boundaries between both categories of risk, not that this fazed many interviewees.

Moreover, not every geopolitical factor identified in the interviews is associated with state action. Consumer boycotts and Houthi rebel attacks on shipping in the Red Sea are examples where non-state actors are significant factors. Several interviewees pointed out the reputational risks that corporate action or inaction can generate as geopolitical events unfold.

Interestingly, state motives were not often explicitly mentioned by interviewees (perhaps they may have thought such motives were obvious). Still, the idea that a government might act to advance its position relative to another government – even if that meant the former damaging some of its commercial interests – was consistent with a number of the geopolitical actions mentioned in the interviews. Bans on technology exports and overseas investment screening typically involve some commercial sacrifice in the pursuit of other goals.

What was common to almost all, if not every, geopolitical factor mentioned is that there are cross-border consequences related to the associated actions, events and trends. Those consequences could implicate foreign firms operating within a jurisdiction where a state takes action. Alternatively, there may be investor, consumer or other stakeholder blowback against a decision a global business has taken in a market abroad.

Drawing the findings of this section together suggests the following: a working definition of a geopolitical factor relevant to international business is an “act, event, driver or trend where there are both security and cross-border dimensions that are likely to have material consequences on some aspect of commercial performance.” Implicit in this working definition is that the triggers for geopolitical factors are external to a firm, even if a firm’s prior choices affect its exposure to such factors.

### **Working definition of a geopolitical factor relevant to international business**

“An act, event, driver or trend where there are both security and cross-border dimensions that are likely to have material consequences on some aspect of commercial performance.”

Given the many different ways in which international business takes advantage of the opportunities of globalization, this working definition implies that there are many different developments that in principle a geopolitical radar could track. Still,

economic or national security considerations may act as something of a filter, as will the current and planned operations of a given business, together with its geographical footprint.

2

# How firms are strengthening their geopolitical radar

Tracking geopolitical risks can be outsourced, but translating that information into the “so what?” is a critical and highly company-specific task that must be entrusted to the right business function.

“ US export restrictions on certain technologies wiped \$130 billion off the stock market valuations of affected American suppliers.

That geopolitics can have a material impact on companies with cross-border operations is no longer contested. An April 2024 study by analysts at the Federal Reserve Bank of New York found that US export restrictions on certain technologies had wiped \$130 billion off the stock market valuations of affected American suppliers.<sup>2</sup> Their employment and profitability also fell.

Seeking to avoid such losses requires the development of a geopolitical radar and the muscle to make use of the insights generated. The former is an essential input to the latter. The focus of this white paper is on the ways in which firms are strengthening their detection, understanding and assessment of the many geopolitical factors that have surfaced over the past decade. The way in which firms utilize these inputs and turn them into geopolitical muscle will be addressed in a planned third report in this series of white papers.



## 2.1 Objectives and tasks

Interviewees were asked to describe how they currently track geopolitical developments, identify key decision points and explain how their tracking methods have evolved over time. Looking across sectors and geographies, international businesses have distinct purposes and tasks in mind when developing their geopolitical radar. Within companies, executives typically undertake at least eight such tasks:

- Ensure compliance with existing sanctions, export controls and other regulations.
- Assess current exposure to geopolitical contingencies.
- Identify mitigation steps for certain defined geopolitical contingencies.
- Execute mitigation measures when contingencies come to pass.
- Conduct enterprise risk management initiatives, in light of geopolitical insights.
- Carry out war-gaming and scenario planning exercises on potential geopolitical events.

- Review and reformulate corporate strategy, in light of geopolitical insights.
- Include geopolitical insights as an input to the performance review by the corporate board.

One task notably absent from all but one interviewed company's list was predicting specific geopolitical events, a goal widely considered too ambitious. To adapt General Eisenhower's famous quote about planning: "prediction is useless, but estimates are indispensable."

Indeed, it was noteworthy that a few interviewees made explicit reference to the practices of government intelligence communities in guiding the development of their own tracking and geopolitical radar. The notion of preparing "estimates" is a well-developed practice in several intelligence agencies.

To understand how firms are developing their geopolitical radar, it is useful to distinguish between their methods for tracking and assessing relevant information, be it for near-term tracking or longer-term trend and scenario assessment. A frequent feature of the interviews was a discussion of the merits of outside support versus in-house capabilities to support (part of) these functions.

## 2.2 Tracking geopolitics

All firms interviewed have some in-house staff and/or advisors tasked with tracking geopolitical developments. The calendar for certain events – such as elections and the campaigns that precede them – are known in advance and, where material, tend to be tracked. The run-up to the US presidential election in November 2024 was a case in point.

Most interviewees agreed that a wide range of information sources – beyond mainstream and English-speaking media – is necessary to develop a holistic picture of the geopolitical landscape and avoid selection bias. Local media across markets, podcasts and even fiction were mentioned as potential sources and inspiration.

Some mentioned local offices as important sources of intelligence, especially in key markets for a firm. Customers and other stakeholders can be important sources too. One consumer-facing company went as far as to emphasize the need to track consumer sentiment across markets, to identify potential reputational issues stemming from geopolitical developments.

In addition, engaging outside consultants and experts has become standard to leverage their

expertise and networks, especially in areas where the firm does not believe that it has adequate depth in its own in-house capabilities. Think tanks were mentioned as useful sources, providing a bridge to government and thus enabling companies to understand the policy-making agenda. Many of the companies interviewed stated a preference for engaging directly with government to understand and even align with its policy agenda.

A few interviewees mentioned frequent exchanges with the national security community, including international and intergovernmental organizations (e.g. NATO) to detect emerging risks. One point mentioned a few times is that policy-makers value industry insights and data that companies possess and are therefore willing to engage in dialogue. That said, more than one interviewee cautioned against placing too much emphasis on contacts with senior policy-makers. While attention from the latter may be flattering, it was argued that officials are not disinterested parties and they may shade various outcomes and their consequences in a more favourable light than may be the case.

The importance of corroboration of information was stressed. In terms of the language of the

“ A wide range of information sources – beyond mainstream and English-speaking media – is necessary to develop a holistic picture of the geopolitical landscape and avoid selection bias.

intelligence community, both HUMINT (the collection of information from human sources) and OSINT (generally available open-source intelligence) should be deployed to corroborate, as best as possible, any findings or insights.

From this information diet, a few interviewees have developed categories of geopolitical risks – although, as explained further above, there is a wide range of approaches to categorizing geopolitical issues based on geographical, functional or other factors.

For companies, the focus of tracking geopolitical developments appears heavily influenced by prior experience of an international business. Within their own industries, compliance with certain sanctions and regulations – and coping with the episodic disruption of supply chains and operations in recent years – has revealed to executives the points of vulnerability or choke points of individual

business units and regional organizations, as well as at the group level. As a result, there appears to be a risk that companies focus on a narrow set of immediate issues and eventually lose sight of longer-term trends in geopolitics.

One interviewee from the logistics supply chain highlighted that “in geopolitics you need to think global but act local”, while on the other hand another executive emphasized the need to move towards greater horizon-scanning capabilities. A few interviewees noted that forward-looking considerations tend to be incorporated when there are lengthy planning and investment horizons. For example, one investment house noted that decades-long cross-border investments in certain economies require an assessment of how any given investment might be perceived in the future by governments in rival jurisdictions. Such longer-term information tends to be collected on an ad hoc basis.

## 2.3 Assessing information

There are differences in how companies assess and internally communicate geopolitical insights. Translating information into the “so what?” for a company is critical in this process. There is a widely held view that external consultants can provide assessments of events as well as current and future decisions. But several interviewees noted that, unless furnished with the relevant information, external experts may not be in a position to draw out detailed implications of geopolitical factors for a company’s current operations and performance.

Therefore, undertaking detailed assessments of the relevance of this rich information diet for a company is a critical task. Many interviewees stressed that it should not be outsourced. Internal assessments of the exposure of a company’s current operations to geopolitical factors are now standard fare. These are “as is” assessments, that is, considering the impact of an external geopolitical development on the performance of a business unit (or units) assuming no change in the modus operandi. The consistent application of methods for determining impact is regarded as crucial by those interviewees who put more store in exposure assessment.

Exposure assessments are central to evaluating what is at stake as a geopolitical dynamic unfolds. These assessments involve financial estimates of likely impact as well as consequences for current operations in affected geographies and business units. Again, the purpose here is not exact prediction. What matters here is scaling the impact correctly. Does the fallout from a geopolitical event have a seven-digit, eight-digit or nine-digit consequence for a business if no mitigating measures are taken?

Some interviewees noted the importance of bringing the relevant people from across the firm together to assess impacts. Approaches in this regard range from establishing dedicated teams or working groups to holding frequent risk committee meetings dedicated to geopolitics. This stresses the notion – already evident – that there is no one-size-fits-all solution in terms of how companies implement and operationalize their geopolitical radars. Companies tend to find different avenues in terms of structure to capture geopolitics, one not necessarily being more efficient than the other, but just more fitting to the organization’s culture and operational anatomy.

“ What matters here is scaling the impact correctly. Does the fallout from a geopolitical event have a seven-digit, eight-digit or nine-digit consequence for a business if no mitigating measures are taken?

## 2.4 Public sector best practices and scenarios

Companies are increasingly moving to adopt methods that governments have employed for years, especially for assessing the longer-term implications of geopolitical trends. Several interviewees reported that their companies undertake scenario planning initiatives. Some acknowledged that they emulate the better practices of scenario planning employed by governments, international organizations and leading independent experts in the field.

One interviewee noted that their company deploys an “iceberg model” to differentiate between geopolitical drivers and events with an eye to identifying possible “no regret moves”, in addition to informing strategy development.

Another interviewee emphasized the importance of articulating underlying assumptions, thinking through possible sequences of outcomes and moves and associated feedback loops and then assessing plausibility. Yet another interviewee called for imagination in identifying scenarios, which should draw from a wide range of sources, including fiction.

Scenario planning initiatives were complemented by strategic simulations of specific contingencies, most notably assessing the impact of a potential conflict in the Taiwan Strait. Identification of emergent challenges through horizon-scanning is another tool mentioned by one interviewee.

## 2.5 Internal organizational considerations

The companies interviewed differ in the degree to which insights gleaned from exposure analysis and tracking are internally communicated and preserved for future recollection. Effective internal communication of geopolitical assessments has been raised as an important factor in the risk management process. Some companies use regularly recurring (e.g. quarterly) reporting cycles to inform management about geopolitical issues potentially affecting the firm. Others noted that insights tend to be shared among ad hoc networks of executives interested in geopolitics. Membership of such networks ebbs and flows. Some companies also integrate the longer-term geopolitical scenario planning directly into the strategy development process.

Few of the companies interviewed have already established information systems that store both tracked developments and the assessment of them. In other cases, institutional memory effectively depends on the retention of individual team members.

The unclear boundary between geopolitical factors in particular and corporate political risk in general has raised important questions for who is ultimately assigned responsibility for operationalizing a company’s geopolitical radar. Our interviews revealed tracking and assessment of geopolitical factors being undertaken by compliance teams, corporate strategy teams, government affairs teams, sourcing departments and legal functions, as well as by teams dedicated to assessing geopolitical factors, again attesting to a multiplicity of approaches rather than a universal practice.

When a dedicated team is not created, assignment of the geopolitical radar to an established unit

carries the risk that the inherited practices and contacts of that unit unduly influence which factors get tracked, which third parties get consulted and the conduct of exposure assessments.

For example, in some cases compliance teams can be blind to the opportunities created by geopolitical events, focusing instead on adherence to existing sanctions regimes and the like. Equally, centralized corporate strategy teams may not have access to the granular data on sourcing practices, for example, that allows for effective exposure assessment.

When a dedicated team is established to manage the geopolitical radar, identification of relevant geopolitical factors will still involve others within the company, such as when the CEO meets senior politicians or when managers in national business units engage with stakeholders far from the company headquarters. This in turn requires an understanding that associated insights should be shared. The dedicated team may also provide guidance as to which factors to keep an eye out for. The execution of the geopolitical radar of an international business is inherently a joint responsibility.

The relationship between the tracking and assessment of geopolitical factors and a company’s enterprise risk management (ERM) system was mentioned in several interviews. Given the former’s salience in recent years, it is not surprising that certain multinationals now include geopolitical risk in their ERM. However, concerns were expressed that, all too often, those responsible for ERM are more comfortable with directly quantifiable risks (such as certain financial risks) and that geopolitical factors are less amenable to such quantification.

“ The unclear boundary between geopolitical factors and corporate political risk has raised important questions for who is ultimately assigned responsibility for operationalizing a company’s geopolitical radar.

3

# Corporate geopolitical radar: an assessment

Too much focus on the urgency of present events can mask deeper insights into geopolitical drivers and trends with a more material impact on risks and opportunities.



### 3.1 Distinguishing the material from the urgent

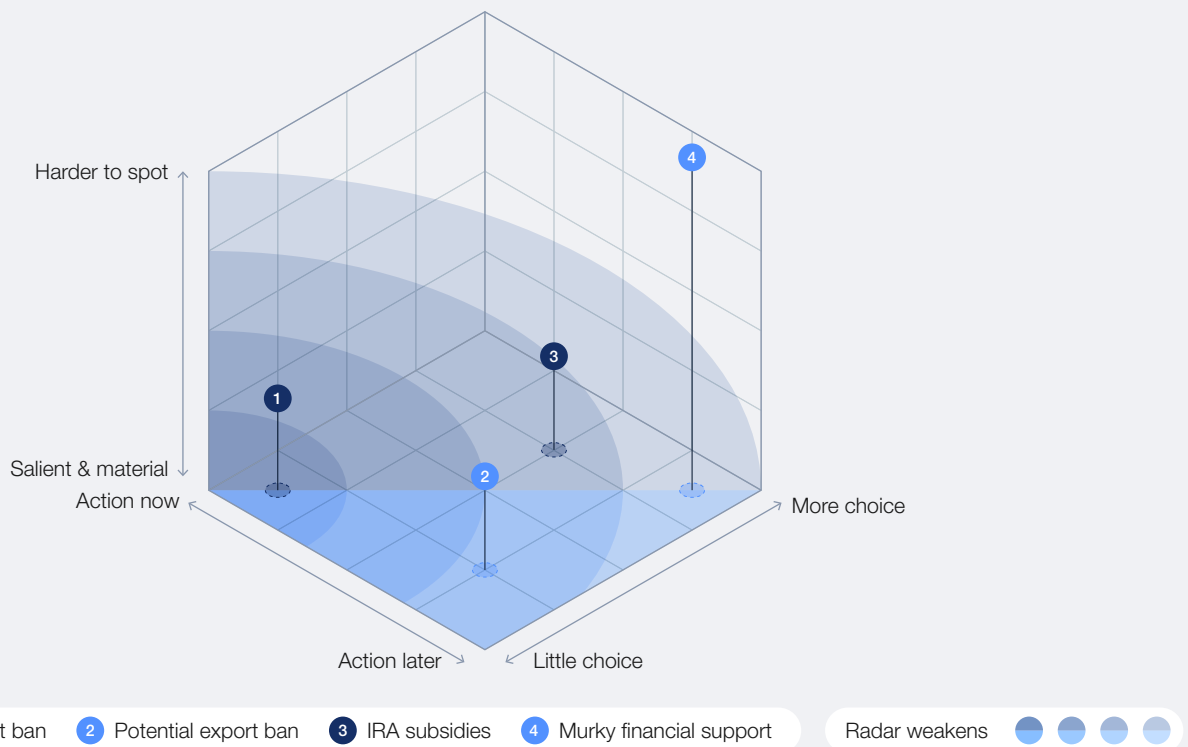
Not all analysts of international business and geopolitical dynamics will agree with Dwight Eisenhower’s statement that “what is important is seldom urgent and what is urgent is seldom important.” However, reflecting on the interview responses, this distinction proves useful.

Before discussing concerns about the current state of corporate geopolitical radar, it is important to recognize the significant strides forward that international businesses have made in recent years to strengthen their geopolitical capabilities. The US-China trade disputes, the Covid-19 pandemic and Russia’s invasion of Ukraine, in particular, have

led to an elevated awareness of the importance of geopolitics for business, which is expected to last for the foreseeable future. The executives interviewed acknowledged that their companies are on a journey, with no illusions about the challenges involved.

The respective corporate geopolitical radar of the various businesses interviewed tend to prioritize state actions that are mandatory, require immediate action and are clearly impactful. When any of these three conditions are absent, the attention given to a geopolitical factor often diminishes. Figure 2 captures this insight, identifying state acts associated with varying circumstances.

FIGURE 2 Geopolitical radar: better at tracking material and urgent geopolitical factors



Note: IRA = US government’s Inflation Reduction Act of 2022. Murky financial support = non-transparent state support

“Applying a compliance mindset to developing a geopolitical radar risks missing opportunities arising from industrial policy subsidies.”

Applying a restrictive compliance mindset to developing a geopolitical radar risks missing opportunities arising from industrial policy subsidies, which may be available for years, as with certain provisions in the US Inflation Reduction Act. The less transparent (or “murkier”) the state support, the greater the likelihood that significant competitive advantages for rival firms may be overlooked. In such cases, state actions may not require an urgent response but are likely to be commercially important, nonetheless. This reality demonstrates the point that successful firms are able to deploy

their geopolitical radar not only to manage risks, but also to harness commercial opportunities.

After more than a decade of international businesses facing events such as the US-China trade disputes, the demand and supply shocks caused by Covid-19 and the fallout from the 2022 Russian invasion of Ukraine, the focus on mandatory, immediate and prominent actions is understandable. However, this experience-driven approach is inherently backward-looking and may inadvertently create blind spots. Furthermore, the

experiential focus on high-profile events may leave limited bandwidth for understanding the underlying drivers of geopolitical circumstances.

One interviewee mentioned that the quarterly reporting cycle for their publicly listed company reduces the appetite for considering emerging or

foundational factors behind geopolitical disruptions. This focus on the “here and now” narrows both the identification of and response to relevant geopolitical risks, as well as the willingness to allocate resources and management time to understanding future dynamics.

## 3.2 The flow of insights and “key person risk”

The companies interviewed varied in the extent to which their geopolitical radar serve relevant parties within the organization. In some companies, the insights generated by their radar are well-integrated into sourcing, strategy, contingency planning and evaluation functions across business units and at the group level. In these cases, information and insights flow both ways between those managing the geopolitical radar and other executives. In other companies, tracking of geopolitical events is more siloed, driven by the specific needs of the unit responsible for the task.

Few of the companies interviewed have invested in information systems that allow for

inventorying and assessing geopolitical factors. This shortfall leads to a reliance on key personnel for contextualizing developments, which creates “key person risk”. Such individuals may become bottlenecks when handling requests from across the organization – or take their knowledge with them when they leave the firm.

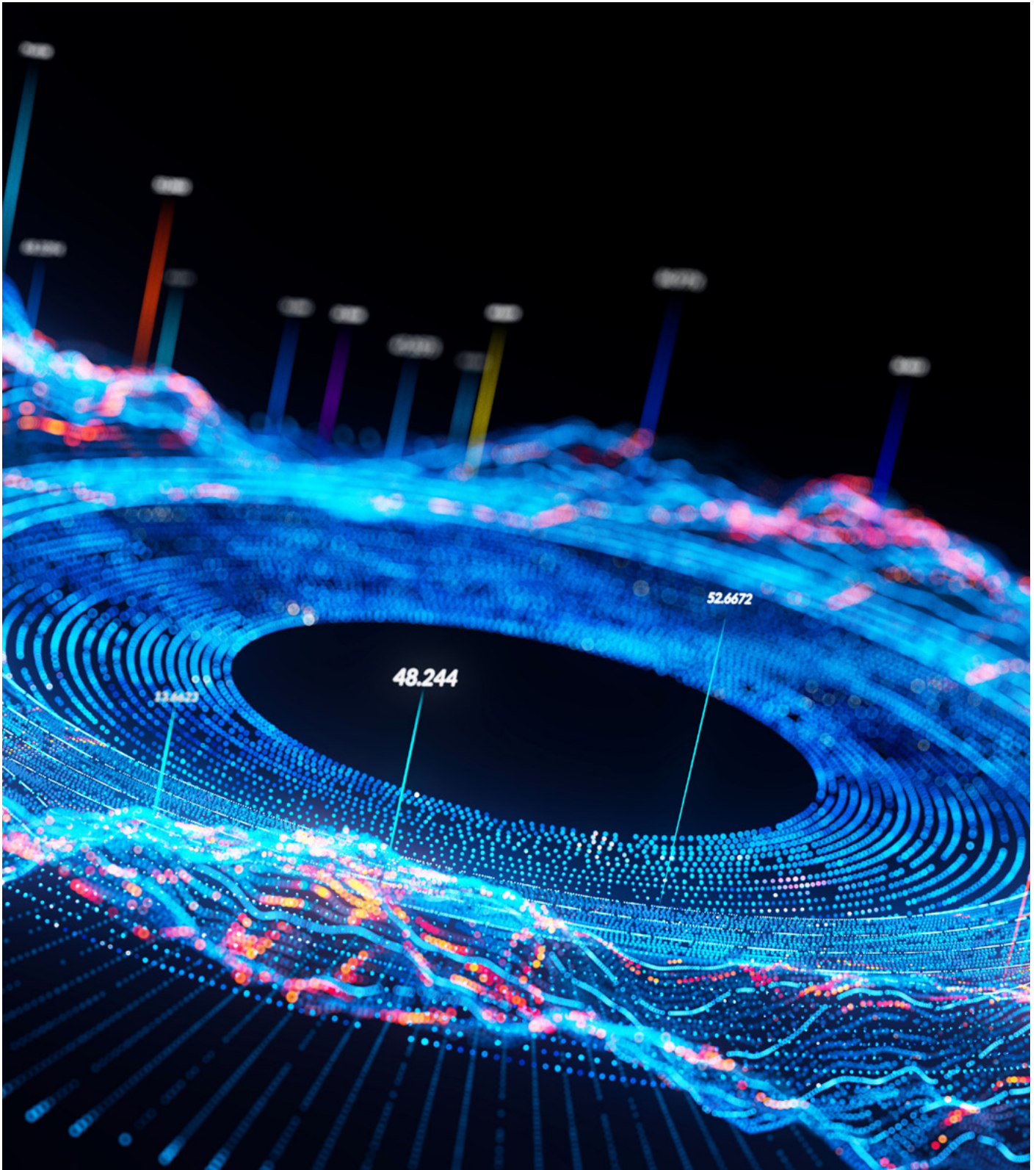
The absence of an inventory also hampers the identification of emerging patterns across markets, potentially overlooking risk mitigation opportunities. The departure of key individuals from a company further undermines institutional memory and the ability to navigate an increasingly complex geopolitical landscape.



4

# Towards better practice

Given the impact that geopolitical dynamics are having on long-term value, business leaders must invest in capabilities to analyse not only events but the trends driving them.



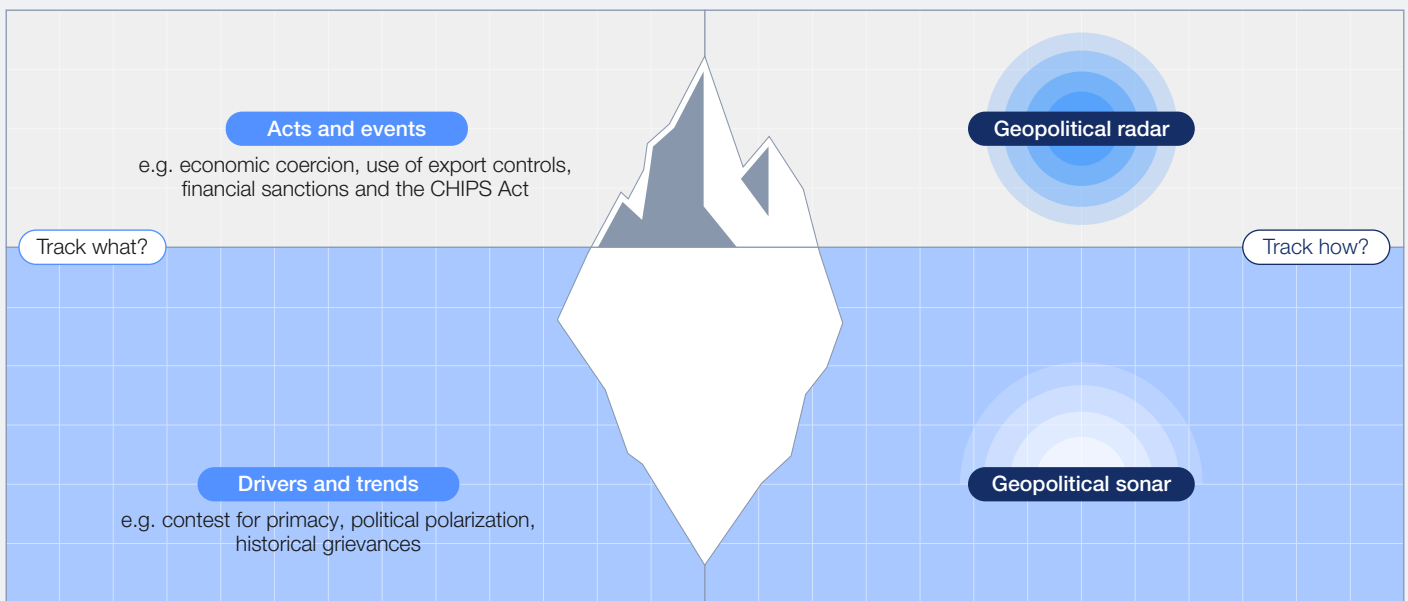
Cutting-edge companies devote considerable resources to future-proofing their client offerings, cultivating a deep understanding of the drivers of their customers' needs and developing value propositions that enable them to create and capture commercial value. They also invest in the development of internal capabilities and core competencies to safeguard the future of their business.

While considerable progress has been made over the past decade, international business is still generally reactive to geopolitical dynamics. Now that these dynamics can have first-order effects on a firm's long-term success, the time has come to

move towards a more active approach and invest in the necessary capabilities.

The notion of a geopolitical radar indicates in part where the opportunities exist to adopt better practice. Radar is effective at detecting events above the water. An effective radar enables executives to navigate geopolitical icebergs, as one of the interviewees asserted. A well-functioning radar should provide warnings of imminent incoming threats. But while informed by the past, radar typically focuses on current developments. Unless steps are actively taken, institutional memory is weak, exacerbated by key person risk.

FIGURE 3 Geopolitical radar only takes companies so far – sonar is also needed



Worse, radar rarely reveals what is going on below the water's surface. In our context, what this means is that the root causes of geopolitical dynamics may not even be identified, let alone their commercial consequences assessed. Not every driver of geopolitical events is slow-changing but many are (such as the factors responsible for manufacturing job losses in many economies). International business needs to augment its geopolitical radar with a geopolitical sonar, to continue the nautical analogy (see Figure 3).

Leaving consideration of the drivers of geopolitical dynamics to (at best) periodic scenario planning initiatives does not cut it. Developing a succinct "world view" on these drivers, based on investments in internal capabilities and expertise and on externally sourced insight, is at a premium.

Some of our interviewees acknowledged the need for a more rounded world view and pointed to certain appointments to their corporate board as a way to strengthen internal competencies. No doubt such expertise adds value but again, individuals and HUMINT should not substitute for sound process and actively tapping OSINT and other forms and sources of intelligence. These are complements, not substitutes.

Other interviewees highlighted the need for agility in assessing geopolitical dynamics. Structured monitoring of pre-selected geopolitical risks based on previous episodes of disruption may, if done correctly, reveal valuable information in a timely manner. However, backward-looking identification of relevant risk increases the likelihood of being blindsided. A geopolitical sonar that surfaces insights into drivers of events constitutes a more supportive, agile response.

“ A geopolitical sonar that surfaces insights into drivers of events constitutes a more supportive, agile response.

In this direction, some companies are moving to integrate more information and real-time data into their processes. The increasing use of analytics tools can help establish “corporate situation rooms” that support the monitoring and anticipation of relevant geopolitical developments. Innovative and high-quality data can inform the decision-making process and also foster outside-the-box thinking.

As with its radar counterpart, geopolitical sonars are evidently context-specific. They should be developed with current and planned or likely lines of business and geographical footprint in mind. In this manner, the root causes of geopolitical dynamics can inform the classic international business decisions relating to “where to play” and “how to play.”

Development of a geopolitical sonar will bring to the surface assumptions being made about how

security considerations will reshape the commercial landscape in nations, regions and worldwide. Critical assumptions ought to be scrutinized. While it is unrealistic to expect to eliminate all sources of surprise, better grounded assumptions surely diminish rude awakenings.

Although our interviewees put a lot of weight on geopolitical developments related to unfolding great power rivalry, economic and national security drivers of policy and the fallout from kinetic conflict, looking ahead it is conceivable that climate and weather-related factors – think water scarcity for example – become recognized drivers of geopolitics. A well-functioning geopolitical sonar should factor in these considerations when developing detailed insights to inform corporate decision-making.

## 5 Payoffs from strengthening geopolitical radar and sonar

Geopolitics is not all downside risk: building an effective geopolitical radar and sonar can lead to big wins and performance gains over the short, medium and long term.



“ While risk mitigation and compliance remain important tasks, geopolitical insight is increasingly sought to inform corporate growth and business development.

Developing an effective geopolitical radar and sonar involves costs. Rather than viewing these as deadweight expenses or, conversely, simply branding them as “investments,” it is worthwhile reflecting on the payoffs to international business from better navigating geopolitical currents (see Table 1).

Insights from our interviewees highlight that geopolitical dynamics often create commercial opportunities. This points to a shift in the role of teams dealing with geopolitical issues. While risk mitigation and compliance remain important tasks, geopolitical insight is increasingly sought to inform corporate growth and business development strategies. The payoffs from geopolitical radars and sonars seem to be rising in this new environment and can also serve as an internal bridge to further highlight the relevance of such teams within the firm’s structure.

The first payoff emerges during the implementation of risk mitigation measures: geopolitical assessments may prompt a fresh look at options previously overlooked. For instance, today’s premium on reliable delivery by suppliers can broaden sourcing choices. Decisions are less often made solely on price, making higher-cost suppliers in friendly or non-aligned locations attractive as diversification options for firms’ supplier bases.

Companies are also discovering underserved customer segments – and possibly developing countries that had not been served at all – as attractive business opportunities. Previous decisions to concentrate sales efforts in large, established foreign markets may no longer be prudent. For example, international businesses are exploring ways to replace sales lost due to the US-China trade disputes. Growth outcomes and potential in underserved markets may create new opportunities for profitable market entry, with effective geopolitical capabilities supporting customer base diversification. This is the second payoff.

One interviewee noted their company’s increased emphasis on localization strategies. This involves not only local sourcing and broadening customer bases, but also developing new products tailored to specific geographic needs. As a global

company, they expect that innovations introduced in one market may be successfully adapted to others – the third potential payoff.

Geopolitically motivated state actions targeting particular firms or countries create opportunities for rivals. Once sanctioned, a firm’s customers may shun that company and seek alternative suppliers, benefiting its competitors. A few interviewees reported that their companies have profited this way – the fourth potential payoff. This dynamic applies equally to talent and suppliers, as geopolitical rivalry can shape which companies are more or less desirable as employers and buyers. Previously unattainable merger and acquisition targets may become available as firms grapple with geopolitics.

The imposition of financial sanctions and measures affecting digital assets has also created demand for alternative commercial solutions. One interviewee noted that the goal is not to evade sanctions but to offer legal workarounds for customers seeking to limit exposure to certain financial counterparties and systems. In a related example, companies prohibited from buying specific technologies, parts or components may respond by creating their own substitutes or vertically integrating with remaining accessible suppliers. These actions are informed by a well-functioning geopolitical radar and sonar supporting a fifth potential commercial payoff.

Several interviewees argued that security-related geopolitical considerations offer opportunities for closer collaboration with government officials – a sixth potential payoff. Benefits here include more opportunities to influence the implementation of regulations and the design of emerging restrictions and requirements. Another avenue is participation in industrial policies to support private sector development in geopolitically sensitive technologies and sectors. Robust internal capabilities enable firms to better assess governmental geopolitical priorities and position themselves accordingly.

In addition to highlighting the potential payoffs from building an effective geopolitical radar and sonar, these examples serve to reinforce the point that, as far as international business is concerned, “geopolitics” is not all downside risk.

TABLE 1 | **Six potential payoffs from building an effective geopolitical radar and sonar**

Type of activity	Payoff / Opportunity
1 Geopolitical risk mitigation	Diversification of suppliers in more friendly or non-aligned locations
2 Replacing sales lost due to trade wars	Discovery of new underserved markets supporting customer base diversification
3 Increased focus on localization	Development of local sourcing but also new products tailored to specific geographic needs, which could be adapted to other markets
4 Reaction to sanctioned firms or countries	Opportunity for a rival to take sanctioned firm's business, talent & suppliers – or acquire that firm
5 Reaction to sanctioned technologies or components	Creation of own substitutes or vertical integration with remaining accessible suppliers
6 Managing security-related risks	Closer collaboration with government, with opportunity to influence design & implementation of regulations & industrial policies

# Conclusion

Companies with significant cross-border operations have a vested interest in strengthening their capacity to understand both the risks and opportunities presented by unfolding geopolitical dynamics.

There is considerable interest in how firms with extensive cross-border operations are reacting to the intensifying rivalry between governments in a multipolar world. Understanding how international businesses seek to capitalize on opportunities in a global economy shaped by increasing security considerations is of interest not only to corporate executives but also to analysts, officials and critical stakeholders, such as customers and investors.

Ultimately, the response of international businesses will be shaped by how corporate executives track and assess geopolitical dynamics. This white paper has focused on how firms are developing their geopolitical radars and why they also need geopolitical sonars. Geopolitical muscle is essential for deriving actionable insights from these dynamics; but this muscle requires sufficient input, which this white paper addresses.

On the whole, international businesses have taken great strides over the past decade to reduce geopolitical blind spots and improve their capacity to understand unfolding geopolitical dynamics. Companies with significant cross-border operations have a vested interest in continuing this journey – not only defensively but also to identify the commercial opportunities that a well-executed internal geopolitical function can uncover.

Looking forward, companies should take several important steps. Moving from an experience-driven, backward-looking identification of geopolitical risks to forward-focused tracking of geopolitical dynamics will shift decision-making from a reactive to a proactive posture – and could create significant opportunities. Achieving this will require a deeper understanding of the drivers of such geopolitical dynamics.

Ensuring that the internal geopolitical function overcomes legacy attitudes, supports institutional memory, reduces key person risk and facilitates timely information sharing will enable international businesses to better capitalize on opportunities as globalization continues to evolve within a multipolar world.

Ultimately, it is the actions that companies take that determine the extent to which they can build competitive geopolitical advantage and seize new opportunities in this increasingly complex geopolitical environment. Geopolitical muscle is needed to turn insights into actionable and successful business strategies. This will be examined in greater detail in the next instalment in this white paper series.

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# Endnotes

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