Monitoring Geopolitical & Worldwide Risks

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Geopolitical risk is no longer a background concern—it is a high velocity force reshaping strategy, operations, and brand relevance. As global tensions increasingly affect consumers, supply chains, and employees, organizations are shifting from predicting outcomes to building preparedness anchored in strategic priorities and guiding principles.

Our work with ERM leaders at multinational organizations reveals important insights into approaches being used to stay abreast of the constantly shifting geopolitical risk landscape. The following key points may be helpful for C-Suites and boards of directors as they navigate a world of increasing uncertainty and risk.

EMERGING TECHNIQUES FOR NAVIGATING GEOPOLITICS

Build a Monitoring Ecosystem

"Monitoring" is no longer just reading the news; it is a multi-layered surveillance operation. Here are some of the techniques that we have heard about:

- **Command Centers & AI:** Dedicated command centers and AI scraping tools are being created to ingest vast amounts of data, which is then integrated with Internal Audit to assess the effectiveness of risk owners.
- **Ground Intelligence:** Heavy reliance is being placed on "teams on the ground"—local leaders who can provide context that a news crawler might miss.
- **Government Liaison:** Government Affairs teams help separate "public reporting" from "geopolitical reality."

Moving Beyond "Impact vs. Probability"

A key takeaway was the shift in how risks are triaged:

- **Velocity as an Assessment Metric:** There is greater emphasis on Velocity—how fast a risk can manifest. If the impact is unknown but the velocity is high, the organization must act.
- **Strategic Alignment:** Risks are filtered through their relevance to long-term strategic goals, not just immediate P&L impact, given "money isn't always the driver."
- **Guiding Principles:** Organizations are moving toward "What if?" playbooks. Instead of predicting the future, they define **Guiding Principles** for how they will act when specific triggers (e.g., escalation in South Korea) are met.

Recognizing the Shift in Global Sentiment

Geopolitics is now manifesting as "Consumer Nationalism" and "Employee Morale" shifts:

- **The "Buy Local" Trend:** Some multinationals have noted a critical shift in China where consumers are prioritizing local brands over global ones. This suggests that "Global Brand Equity" is no longer an automated shield against local competition.
- **Regional Protectionism:** The "Build and Buy" sentiment is no longer just a US phenomenon; it is being mirrored in the EU and elsewhere, complicating global market entry.

Strategic Insights

Here are four high-level insights for ERM leader consideration that can help strengthen ERM's value in navigating fast-changing world conditions:

MONITORING GEOPOLITICAL & WORDWIDE RISKS

1. **The “Intelligence Gap” & AI Triage**
   AI scanning is being used to a greater extent. While that can generate lots of information, it also highlights a shift: the problem isn’t a lack of information; it’s the “Signal-to-Noise” ratio.

   Insight for ERM Leaders: ERM’s role has evolved from Information Gatherer to Information Editor. By using AI to “input articles for Executive Summaries,” ERM leaders are acting as the filters that prevent “Information Fatigue” at the C-Suite level.

2. **Geopolitics as a “KRI” (Key Risk Indicator) for Vendors**
   Some multinationals are spending significant time on KRIs related to 3rd party risk.

   Insight for ERM Leaders: We are seeing the end of “blind” global supply chains. Companies are now treating a vendor’s location as a risk factor as much as their financial health. If a vendor is in a “high-velocity” geopolitical zone, they may no longer be considered a “critical vendor” regardless of their price or quality.

3. **The “Accountability Loop”**
   Some are finding that integration of ERM with Internal Audit can be a sophisticated move.

   Insight for ERM Leaders: Most companies monitor risk, but few “evaluate the effectiveness of those responsible for monitoring.” By auditing the monitors, organizations can ensure that the “Command Center” doesn’t become a passive observer but remains an accountable part of the decision-making process.

4. **The “Nationalism Paradox”**
   The observations about the shifts towards “Build and Buy” in the EU and local brand preference in China suggest a de-globalization of the consumer mind.

   Insight for ERM Leaders: For global brands, the risk isn’t just “Can we ship the product?” but “Does the consumer still want a ‘US Product’?” Geopolitical risk is moving from the border to the checkout counter.

ELEVATING LEADERSHIP OVERSEEING GEOPOLITICAL UNCERTAINTIES

When taken together, these observations suggest that geopolitical risk management is evolving from an analytical exercise into a core organizational capability. ERM functions that succeed will be those that curate insight rather than volume, emphasize accountability alongside awareness, and align responses with clear guiding principles. In a world defined by speed, sentiment, and strategic uncertainty, the true differentiator is not prediction—but disciplined readiness.

ABOUT THE AUTHOR

Bruce C. Branson, is an Alumni Distinguished Professor of Accounting and Associate Director of the ERM Initiative in the Poole College of Management at NC State University. His teaching and research is focused on enterprise risk management and financial reporting and includes an interest in the use of derivative securities and other hedging strategies for risk reduction/risk sharing. He also has examined the use of various forecasting and simulation tools to form expectations used in financial statement audits and in earnings forecasting research. He earned his Ph.D. at Florida State University.

ABOUT NORTH CAROLINA STATE UNIVERSITY’S ENTERPRISE RISK MANAGEMENT (ERM) INITIATIVE

The Enterprise Risk Management (ERM) Initiative in the Poole College of Management at North Carolina State University provides thought leadership about ERM practices and their integration with strategy and corporate governance. Faculty in the ERM Initiative frequently work with boards of directors and senior management teams helping them link ERM to strategy and governance, host executive workshops and educational training sessions, and issue research and thought papers on practical approaches to implementing more effective risk oversight techniques (www.erm.ncsu.edu).