

Geopolitical Risks: Are Corporate Boards Equipped?

BW businessworld.in/article/geopolitical-risks-are-corporate-boards-equipped-573335

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As the world is turning more fragile with trade wars and increasing acrimony between nations, global businesses are overwhelmed with uncertainty and anxiety. Geopolitical risk, which has been kept in the periphery so far, is right now under the arclights. Geopolitical risk is not the benign variety - it can cut deep, slicing through all systems of the company maliciously. From financial, digital and security risks to value chain disruptions and reputation damage, geopolitical risk can cascade across the organisation, threatening to bring down the edifice.

Recent experiences have shown that geopolitical tensions can cause state-sponsored attacks targeting corporate digital infrastructure. Complex regulatory environments and trade restrictions can demand vigilance to protect against legal and financial repercussions. Trade barriers and regional instability can upend supply chains, causing delays and increased costs. Currency volatility, tax policies and cross-border capital controls can destabilise financial planning and operations. Geopolitical crises not only can jeopardise the safety of employees and physical assets, but missteps in navigating geopolitical issues can tarnish brand image, too.

According to a Deloitte study, 63 per cent of global leaders now cite geopolitical risk as their top concern, surpassing inflation and economic volatility. The World Economic Forum's Global Risks Report 2025 identifies state-based armed conflict as the most immediate global risk.

Flying blind is risky, so companies are now making safe choices. As seen from the FDI landscape transformation, companies are now prioritising investments in countries that are geographically closer or politically aligned with their home countries. They are relocating investments and production from other countries back to their own. Near-Shoring, Friend-Shoring and Re-shoring have become the norm.

Little wonder that there is a surge in demand for political risk insurance. Demand for political risk insurance increased by 33 per cent as businesses navigate heightened geopolitical and macroeconomic volatility. Howden's 2025 Credit and Political Risk

Insurance (CPRI) report, titled “Opportunity in Flux”, noted that this surge in demand comes at a time when the broader insurance cycle is creating an opportunity for new market entrants and expansion into emerging asset classes and geographies.

Geopolitics in the Boardroom

It’s abundantly clear now that geopolitical risk is no longer confined to the realm of Government. It spilt right into the business corridors – If technological competition and political ambition between nations impacted corporate innovation and regulation, the more recent weaponisation of trade has shaken the very core – corporates now realise that they must exit existing markets or enter new markets, realign their supply chains, change product and customer profile or may even have to change the organisational structure. This means they have to go beyond usual preening behaviour and address psychological aspects like fear, paranoia and frustration. For the unprepared, this feels like running on burning coals.

In this game of managing geopolitical risks, companies should know that they are completely on their own. No copy-paste solutions work here because your “geopolitical vulnerability” can be different for different companies. It’s almost like your body scan. Your geopolitical ‘Vulnerability Map’ is unique to you. Every company has a unique geopolitical risk profile based on its industry, geography and operations. A thorough geopolitical risk exposure assessment should reveal where your vulnerabilities lie – whether in supply chains, regulatory environments or critical markets. Given this uniqueness coupled with external complexities, can the boards successfully carry out risk identification, risk quantification, risk mitigation and crisis preparation?

What Should Boards Do?

Boards have several options – they can arrange for briefings from internal experts on political risks and discuss their impact, or invite external experts for deeper insights. Corporations can explore creating an external advisory board of geostrategic experts, perhaps even tie up with reputed think tanks working on diplomacy. As a long-term policy, boards need to integrate geopolitical risk across committees, leveraging internal and external expertise. Business leaders should strive to develop risk appetite, stay alert to threats even as they respond blithely through their robust governance structures.

Boards should make geopolitical risk a governance priority. In most companies, geopolitics appears reactively when something goes wrong. They should institutionalise and prioritise this category of risk, making geopolitical risk a core part of enterprise risk management, coupled with business continuity and resilience strategy. Several progressive Indian boards are now being briefed on key geopolitical flashpoints, from retaliatory tariffs and energy security concerns to India’s border tensions.

Scenario Planning, historically used for visioning, can be an excellent tool. Boards should be able to visualise different scenarios and be prepared for opportunities and threats. They must anticipate global shocks and their country-specific ripple effects — from supplier shifts to currency instability.

Boards have no option but to embed political intelligence into their discussions. Geopolitical information should flow out of CXO inboxes into the boardroom. Here, information can be transformed into actionable insights through active discussions. Directors should seek periodic dashboards summarising regional and sector-specific developments — a form of “geopolitical status reporting”.

Board diversity should go beyond Gender. Corporations should actively seek members with international experience. Boards should strive for expertise diversity – on board technocrats, diplomats and military experts, including the neurodiverse. Geopolitical risk can bring both challenges and opportunities. While experts rely on data, the neurodiverse can bring different perspectives to the table.

The world is on the edge – so are businesses. Developing geopolitical situational awareness, embedding intelligence into governance structures, and having the courage to master complexity are what corporate boards need to do. They have to act now.

Disclaimer: The views expressed in this article are those of the author and do not necessarily reflect the views of the publication.



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