

Geopolitical Agility: Steering Teams Amid Global Tensions

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The way the world operates has changed dramatically due to Geopolitical Agility and how organizations can adapt quickly and effectively to changing political climates. Changes in the world have led to geopolitical uncertainty being the greatest challenge in the 2020's for global leaders. In this article we will discuss how you, as an organizational leader, need to prepare your teams for the arrival of geopolitical disruptions by being geopolitically agile. A geopolitically agile organization can be identified if it can read, internalize, and adjust its strategy quicker than its competitors based on changes in the geopolitical environment. Through research from Harvard Business Review, McKinsey & Company, the World Economic Forum, and MIT Sloan Management Review, we will demonstrate that organizations that are geopolitically agile have three main defining characteristics: their teams maintain a high level of cohesion during periods of distraction, they are able to quickly adjust their strategy when market conditions change, and they have a continued ability to innovate during periods of disruption. A four-pillar framework will be established to describe these characteristics as well as two empirical studies to provide evidence of the how/having foreign currency impact the ability of an organization to maintain agility.

Introduction: The New Geopolitical Reality for Teams

From 2018 through 2024 the overall number of intergovernmental disputes that have commercial ramifications have more than doubled [1]. Tariff and export control regimes and unprepared sanctions lists or forced separation of technology have resulted in many companies operating in an environment where the global political landscape is changing much quicker than most approaches to developing a corporate strategy.

Overnight, the Russia-Ukraine conflict caused a number of cascading sanctions that resulted in procurement teams, logistics managers, and financial controllers all being placed into "emergency response" mode. The competition between the United States and China for technology has required many multi-national corporations to establish two separate research & development (R&D) programs for two different regulatory environments. Compounding these issues is how the fragmentation of the multilateral trading system has created an environment where the assumption can no longer be made that suppliers who were reliable in the past will still be viable, on an

ever-increasing basis, in the future. Team leaders must evaluate and navigate through these forces, as they wrestle with the following practical management dilemmas: How do you maintain team trust when geopolitical events abruptly divide colleagues? How do you maintain strategic focus when regulatory changes occur at such a quick pace? How do you preserve innovation pipelines when key inputs (chips, raw materials, talent) are contingent on political developments?

These questions are not merely strategic questions; they represent operational issues, and operational issues require operational solutions. We believe that the solution to these issues is through the conscious Investment in Geopolitical Agility as an organization, not as an isolated risk-management discipline, but as a critical component of an organization's foundational competencies, leadership practices, team development, and decision frameworks.

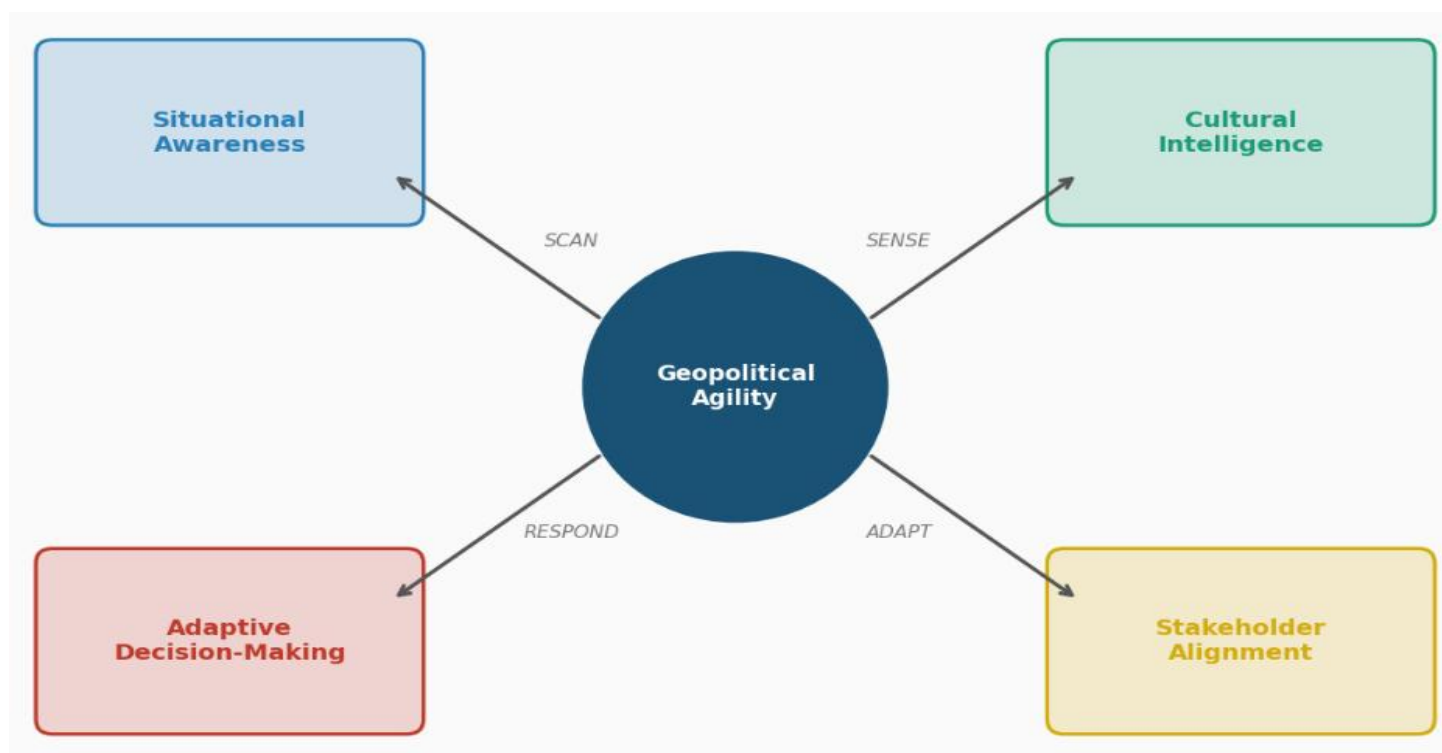


Figure 1: The geopolitical agility framework -- four pillars of organizational resilience in politically volatile environments

The Geopolitical Agility Framework is organized around a cohesive set of inter-relationships and is designed to create a

coherent leadership response to the four pillars of: Situational Awareness, Cultural Intelligence, Adaptive Decision-Making,

and Stakeholder Alignment (Figure 1). The ability of the organization to build cohesive and high-performing teams is enhanced by all of these pillars working together, reinforcing one another as the organization cycles through the ongoing process of scanning, sensing, responding and adapting. Subsequent sections of this article describe each pillar and then make comprehensive recommendations for leaders at all levels of the organization.

The Empirical Case: Geopolitical Risk and Team Performance

The connection between volatility in geopolitics and organizational performance has been well established, most notably by in a 2023 survey conducted by the World Economic Forum of 1,200 C-level executives; 78 percent cited geopolitical instability as their leading operational concern, surpassing both "disruptive technologies" and "climate risk" for the first time. According to a 2024 McKinsey global business survey, teams in organizations that have developed strong geopolitical risk management capabilities reported 31 percent greater scores in terms of cross-functional collaboration and 26 percent faster rates for shifting strategic direction as compared to peers with comparable capabilities and performance scores. Figure 2 below is intended to demonstrate the inverse relationship shown

between the aggregate score on a composite geopolitical risk index (composed of the global peace index, OECD trade uncertainty indices and IMF world uncertainty indices) and the aggregate score in terms of team performance (measured via delivering project results, quality of collaboration, and innovation output measures) across industries using an aggregate sample size of 4,800 world-wide teams over a six-year period.

The relationship is clear among the two variables: the Geopolitical Risk Index (GRI), which has risen from 42 to its peak of 81 between 2018 and 2023 due to COVID-19's supply chain shocks, Ukraine's war, and increasing US-China-Decoupling, while average performance levels fell from 78 to 55 (a 23% decrease). Not only did teams experience a decrease in their productivity at this time, they also exhibited what organizational psychologists call "threat rigidity," or documented patterns of group behavior where teams under perceived threat restrict information flow, rely heavily on hierarchy, and diminish creative risk-taking associated with breakthrough innovation [1]. The recovery to an average score of 57 in 2024, following the implementation of the first observable practices of formal geopolitical agility by the most innovative companies, serves as an encouraging sign that the new framework will have an impact on companies' performance.

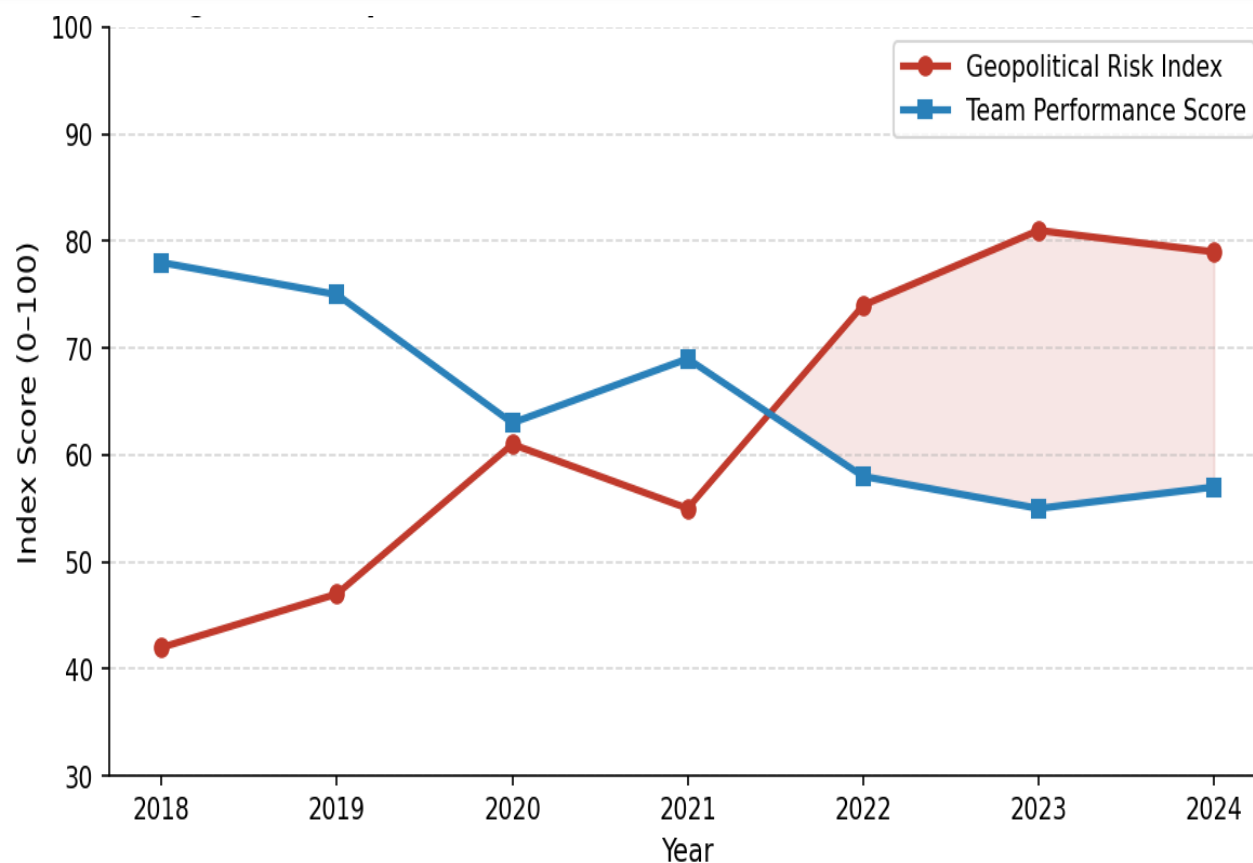


Figure 2: Inverse correlation between geopolitical risk index and global team performance score (2018-2024). Source: composite index derived from global peace index, IMF world uncertainty index, and cross-industry team performance data

A deeper examination (Figure 3) considers the outcome data of the same set (n=620) against four different leadership strategy archetypes developed in a 2024 MIT Sloan Management Review study of senior leaders engaged in navigating through geopolitical disruption [4]. Rigid Hierarchy/Siloed Teams (command-and-control structures) received the lowest effectiveness, resilience and degree of innovation when

evaluated under stress from geopolitical events. In contrast, leadership strategies based on Adaptive Leadership principles (i.e., distributed authority, scenario planning, and psychological safety) outperformed them by a significant margin. Finally, Geopolitical Agility, which is the highest level of archetype sophistication, consistently outperformed all other archetypes.

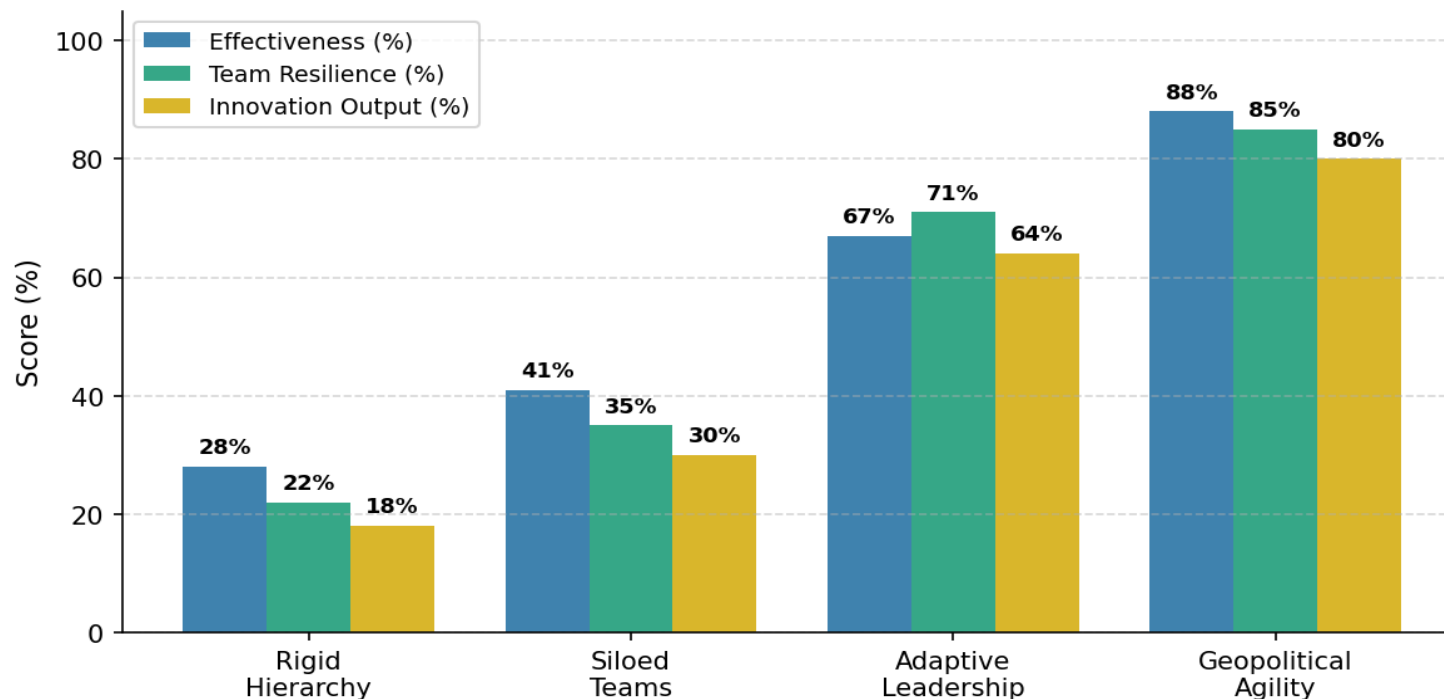


Figure 3: Comparative performance of leadership strategy archetypes on effectiveness, team resilience, and Innovation output under geopolitical stress conditions. source: adapted from MIT sloan management review, 2024

The Four Pillars of Geopolitical Agility

Situational Awareness: Reading the Geopolitical Landscape

When it comes to understanding one's situational awareness in a geopolitical sense, the understanding goes far beyond just following the news. It encompasses the development of systematic processes that can be used by an organisation to scan the international political atmosphere and interpret geopolitical signals as actionable operational intelligence. Leaders that fall within this area often develop three capabilities: (1) Structured briefing cadences on geopolitical developments that are

integrated into their team's meeting process; (2) Intelligence networks across different functional units in order to surface local regulatory and political intelligence collected from front-line employees; and (3) Development of scenario-based planning disciplines to stress test operational assumptions against plausible geopolitical future outcomes. Leaders whose teams frequently discuss geopolitical developments that impact their operational priorities are 2.4 times more effective at anticipating supply disruptions than those who view geopolitics solely as a C-suite level issue (source: HBR). Situational

awareness is not a top-down resource; it is an intelligence capability that is distributed and needs to be built within each level of an organisation.

Cultural Intelligence: Building Bridges Across Political Divides

As geopolitical tensions continue to divide the world into competing political blocks, multinational teams' risk having ideological fragmentation occur between themselves [4]. This is a phenomenon in which team members from different countries or cultures start interpreting similar events through entirely different ideological lenses, leading to reduced psychological safety and equal trust which fosters high performance. The key to mitigating this is through using cultural intelligence (CQ).

There are four components of cultural intelligence: (1) cognitive - understanding the norms and history of different countries; (2) motivational - wanting to interact with people from different cultures; (3) behavioural - adapting your communication methods; and (4) metacognitive - being aware of your beliefs about different cultures and understanding how your beliefs might hinder your ability to communicate effectively with others. According to research by the World Economic Forum, cultural intelligence is the strongest predictor of a team's ability to endure politically unstable environments and accounts for 34% of the variance in the cohesion scores of globally distributed teams in the face of external geopolitical

disruptions [2]. Leaders can help their teams develop cultural intelligence by engaging in a structured process of cross-cultural dialogue, ensuring that decision-making bodies are made up of members from various geopolitical backgrounds, and by explicitly bringing to light and normalizing the political pressure that different team members experience within their countries rather than hiding behind a false façade of neutrality, which does not serve any party involved.

Adaptive Decision-Making: Speed Without Fragility

Traditional strategic planning relies on the assumption of a stable environment where careful analysis, discussion, and consensus can be reached before any action is taken. However, the level of geopolitical instability today destroys this premise. If an overnight imposition of sanctions can disqualify an important supplier, if export controls can invalidate product designs, and if political events can lead to the closure of an important market within a matter of days, then organizations need a decision-making model that allows them to respond quickly but coherently to unexpected events as they arise.

There are three design choices when it comes to adaptive decision-making in times of geopolitical stress. The first is the pre-authorized decision rights. Leaders should decide ahead of time which geopolitical trigger events require immediate operational reactions and assign authority over those decisions to the appropriate person. The second is the modular strategy.

Teams should work with modular strategic pieces to rapidly adjust and configure as global conditions change, rather than follow a monolithic plan that spans years. Third, the psychological safety of teams is critical. Research by McKinsey shows that teams with high psychological safety respond faster when there is an outside disruption because team members will share bad news earlier and challenge flawed assumptions faster [3].

Stakeholder Alignment: Managing Competing Political Expectations

Leaders face numerous conflicting stakeholder expectations from different stakeholders as a result of geopolitical disruption. Some governments will have different compliance requirements at the same time, creating significant costs for businesses operating in two locations. Some customers will expect an organization to follow one political agenda, while other customers expect to follow a different political agenda. Some employees of different nationalities may feel genuine moral conflicts related to the organization's decisions about politically-sensitive issues. Investors may want organizations to continue taking on politically-risky operations but also want an organization to mitigate geopolitical risk. Organizations that navigate conflicting stakeholder expectations naturally view aligning stakeholders as a process, rather than merely a one-time communication event.

They clearly outline the geopolitical interests of representative organisations who are their stakeholders via mapping, early identification of apparent irreconcilable conflict areas, and open communications with stakeholder groups involving the trade-offs associated with choosing competing stakeholders. Research conducted by MIT Sloan Management Review found that the biggest most consistently overlooked aspect within organisations under stress from geopolitics is that of alignment with its stakeholders. Additionally, when stakeholder alignment is lacking the result is often to transform a disruption which could be managed into an existential crisis for organizations [4].

Leadership Prescriptions: Building Geopolitical Agility

To translate the geopolitical agility framework into action gives rise to three levels: individual leader development; team design; and organizational systems design. Prescribed actions will combine all parts of research reviewed in this article into a real-world action plan for people to follow.

At the individual leader level:

- Develop your own personal practice of geopolitical intelligence; plan to spend 30 minutes every week conducting structured scanning of geopolitical

developments which are relevant to your operating context, and integrate this into your team agenda.

- Invest in developing your Cultural Intelligence by engaging in cross-cultural mentoring relationships, participating in rotational assignments within your organization, and holding regular dialogue with team members from countries impacted by the geopolitical events that you are focusing on. Be a scenario-based leader; conduct quarterly geopolitical stress tests with your team using structured "pre-mortem" analysis techniques that will help uncover any unknown dependencies on politically unstable systems.

At the team design level, the following actions can be taken:

- Intentionally create a diverse group of people who come from different parts of the world and can perform better at predicting when there will be disruptions caused by government decisions.
- Have a protocol in place for quickly responding to political decisions as soon as they happen to avoid decision paralysis.
- Create a safe place for team members to express their thoughts about situations that make them uncomfortable without worrying about their personal or professional lives.

At the organizational system level:

- Geopolitical scenario planning should be integrated into annual strategic planning as a primary methodology instead of something done at the end of a planning session.
- Invest resources into creating a process for sharing information across all departments in your company to enable good decision-making regarding the potential risks your business faces due to external factors.
- Consider building multiple avenues for sourcing products, people and services; this may result in short-term increased costs but, in the long run, will provide greater security to your organization.

Conclusion

The time of geopolitical stability as an assumption for managing organizations is coming to an end. Leaders who continue to see geopolitics as a separate risk function, siloed from operational realities like team management, talent development and strategy execution, will be caught off-guard by disruptions that their competitors who are geopolitically agile will have anticipated, absorbed and turned to their advantage. Geopolitical agility is not a response to any one crisis; it is a permanent organizational capability that has increasing value as the global landscape becomes more fragmented. The four pillars of the framework — situational awareness, cultural intelligence,

adaptive decision-making and stakeholder alignment — are mutually reinforcing investments in organizational resilience that will help leaders effectively manage any future disruption, whether that disruption occurs as a result of a trade war, regional conflict, cascade of sanctions or technology decoupling. The evidence is clear: teams working for geopolitically agile leaders lead their peers by every metric that matters: cohesion, innovation, resiliency and strategic speed of adaptation. The competitive imperative is obvious. The only question each leader must answer is not if he/she should develop geopolitically agile capabilities, but how fast.

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