

JAY TRUESDALE

CEO of Veracity Worldwide

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Let me move to Jay. You are working with many corporates around the world, providing them with geopolitical advice in almost every country in the world.

Jay Truesdale, CEO of Veracity Worldwide

About 150.

Nikolaus Lang

Indeed. What is your view on the current state of geopolitics and trade?

Jay Truesdale

Well, it is a privilege to be here and I want to first say thank you very much to the organizers, both of our panel, but of course of the broader conference.

I will attempt, in my time, to synthesize some of the conversations we are having with corporate leaders and investors that are very much engaged in trade; very much engaged in decisions around capital financial flows; and some of the things they are thinking about when it comes to the topics that we have been discussing here. These are traders, these are investors.

First and foremost, I would say taking your framework, Nikolaus, of turbocharging risk management. They are seeking to build a taxonomy to map the various risks that they face.

Financial firms have done this over the course of the last 25 years increasingly well, in part due to regulatory requirements that have been placed on them. Non-financial institutions are relatively new at this and, when they think about risk mapping, typically, they think about operational risk; they think about tax-related risk; they think about jurisdiction-related risk. They do not think about geopolitical risk.

Therefore, as you say, Nikolaus, this is very new on the agenda. What we have been encouraging our clients to do is to very much identify where they have exposure in this respect.

However, that is not the only step you can take when it comes to risk. You have to prioritize your risks. You have to dimensionalize what you think might come to pass and what you need to focus on. There are all kinds of ways you can dimensionalize risk – obviously whether it is going to come into your life; whether there is a likelihood or a probability of that risk occurring; and also what its impact will be. In the upper right, you can start to then focus on what the things are that you should begin to work on.



You should definitely build crisis management capabilities around those risks in the event that you have to deal with them – and this is to your point, Penny. Many companies may have something on the table, something on the shelf, but they do not actually do the work of testing themselves. You mentioned this point also, Nicolas, of really exercising their capabilities through simulations around specific scenarios.

Finally, they have to be real with themselves to know where their gaps are to be able to build the capabilities that are required in the event these risks actually were to come to pass.

What risks are we talking about? From a geopolitical perspective, we really break this down into three different categories – country level or even sub-county level risk; regional risk or regional flashpoints; and some macro-global trends that are very difficult to get your head around but which are extremely important to plan for, especially if you are in the business of doing strategy.

Businesses are probably best when it comes to geopolitical risk around country-level topics or sub-country-level topics. Why is that? Well, if you are at Total, you are going into a country where you know you need to engage with the political leadership. You know you need to know about the political opposition. You know you need to know about the regulatory environment. You know you need to know about what policy changes might be coming down the line. You know you need to understand the stakeholder groups that could affect your position and your social license to operate.

I would say, historically, of all of the risks that might be identified, country-level risks are something that companies can do quite well through government relations capabilities; through communications capabilities, just as a matter of requirement for going into a new environment or maintaining relationships with local partners.

All of those factors I identified at the beginning – knowing your risks; prioritizing them; building crisis management capabilities; testing them – they are all very important to do at the country level, but I would say many of our non-financial clients actually do this quite well, increasingly well, especially in fields like energy, mining, telecommunications, advanced industries such as semiconductors, renewables. These are all sectors where companies face real risk at the country level, but they identify it and they are working on it.

The two additional types of geopolitical risk that are much more difficult to work on are the regional flashpoints and the global longer-term trends. There has been discussion over the course of our panel and previous panels – and I know over the course of the next couple of days – around the major flashpoints around the world today.

However, the three that our clients are most concerned about relate to the war in Ukraine, instability and open conflict in the Middle East, and potential for the worsening of relationships between, not just the United States and China, but broadly speaking the West and the emerging relationships that China is building with its closest partners.

Each one of these has elements of instability, yet each one of these is very difficult to predict. Therefore, you have to, as you are thinking about geopolitical risk around regional flashpoints or these types of potential conflict scenarios, you have to bind your thinking around specific assumptions and around what will impact your business.

This is very difficult to do and it requires, frankly, really difficult conversations about what the business impact will be, not just for your company, but for your suppliers, your sub-suppliers, your partners, and others that might be affected through second- and third-order impact of these situations unravelling further.

In the case of Ukraine, the Middle East and the relationships between the United States and G7, let us say, China and other countries working together with China, there is some degree of ambiguity – and that ambiguity needs to be identified and worked through.

The third category – and I will be brief but I could spend lots of time on this category because it is incredibly interesting – it is around ‘Where is our world going?’. If these flashpoints were to come to pass, or if they were to have specific types of impact on companies, what does this mean for the future of our world?

We really see five different macro trends happening as a result of the way our world is structured today – some of which are very much aligned with what you talked about, Nikolaus, in your presentation; and some are maybe additive to what you were saying.

Our first relates to domestic instability that is resulting from some of this geopolitical tension, and really questions around liberalism versus populism; or liberalism versus a more autocratic type of government. How do you best understand the demands of your population, the changing nature of the population, especially youth populations, underrepresented populations? How do you ensure that you have the means by which to address those issues and provide a way for those to be vocalized?

Many countries are facing difficulties around this, not the least of which is our country – and Penny alluded to some of the factors related to that. However, there is a degree of nihilism among the youth population of the United States, where they just want to burn the house down. There is a degree of just lack of engagement, where, in a participatory democracy, that is in fact very dangerous. We see this as a growing trend throughout, especially the West and parts of East Asia.

The second major macro trend is around the energy transition – and, of course, you focus on this every day, Nicolas – but there is so much discussion. We are moving towards a green economy, how are we going to manage getting from where we are now to where we need to be? What does that mean for our mix in terms of oil and gas? What does that mean for our mix in terms of renewables? How are we going to get access to critical minerals to fuel battery production; electric vehicle production; semiconductor production, and all the trade implications related to that – the protectionist instincts that are increasingly paramount? That is a macro trend.

The third relates to the post-World War II Security Order, which is increasingly being questioned, if not actively undermined – and this also relates to the economic security of the post-World War II Order. Nikolaus, you mentioned the Bretton Woods system which, of course, now is also being called into question, not just by those who would be against it, but by those who would ignore it, frankly, not seek to engage in that respect.

The fifth – and we can talk about this maybe on the sidelines, but it is maybe on the minds of many people here – is the formation of blocs. This concept of blocs is still very much being developed. It is not well-formed, but ideologically there are blocs in terms of interests; and there are blocs in terms of security and economic relationships.

A major macro trend, as far as we are concerned, if these blocs are being increasingly well-defined, they are increasingly being reified; and they are increasingly being used to define one group against another group.

How you make sense of all this, in terms of your risk management; and your ability to scenario-plan; and your ability to understand how this could impact your business, is incredibly important and something we spend a lot of time on with our clients.



I will stop there, out of interest of time, but I hope that that has offered some food for thought if you are out there representing a business; or if you are in government thinking about how you can better work with your business colleagues.

Nikolaus Lang

Thank you, Jay. I think these blocs refer to the multipolar competition that we discussed earlier – and I, too, see this development as shaping how corporations work.