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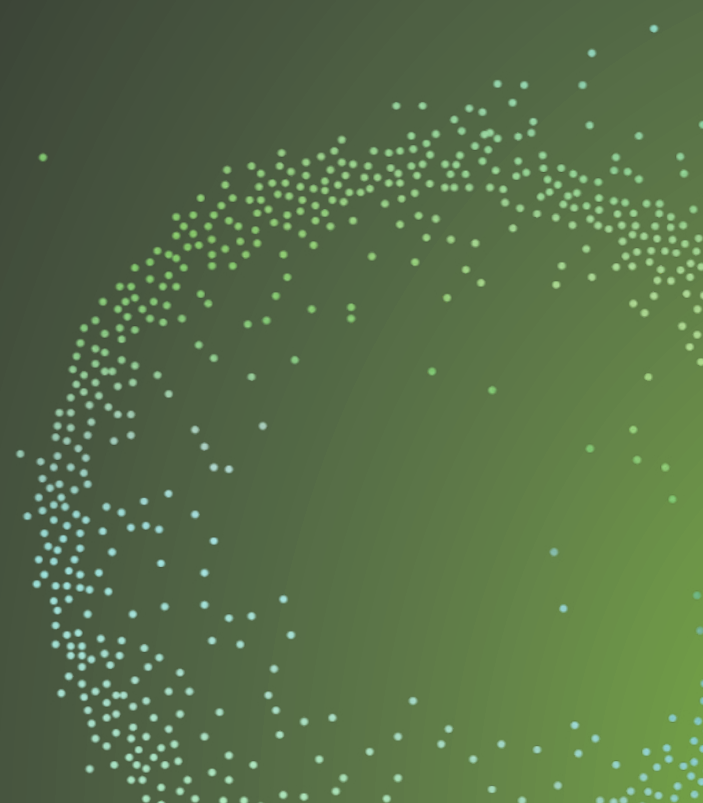


Keys to strengthening resilience to geopolitical risk

A guide for senior executives and board members

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The world is undergoing transformation along multiple dimensions, generating rapid and unpredictable change. Post-Cold War efforts to drive closer integration have been slowed by the COVID-19 pandemic, diplomatic tensions, and military conflicts. Trade policies and shifting alliances are advancing multipolarity. Even for policy makers, shaping agendas within this evolving world order can be challenging given the increasing levels of complexity and uncertainty.

Amid heightened geopolitical uncertainty, senior leadership teams are required to address risks and create new opportunities for competitive advantage.

Organizations that invest in resilience and agility can better adapt and thrive during disruptions, and are often better placed to serve their business, stakeholders, and broader society.

This publication aims to assist senior executives and boards (see sidebar) in strengthening resilience to geopolitical risks and developing strategies to capitalize on potential opportunities.



The board's role in geopolitical resilience

The board plays a key role in supporting management's efforts to address geopolitical risk¹ and should take a leadership role in this endeavor. Here are five ways the board can help:

- **Place geopolitical risk on the board**

agenda: Make geopolitical risk a regular part of the risk review presented to the board. Establish mechanisms to alert the board to increasing geopolitical risks and management's responses.

- **Seek external perspectives:** Commission external briefings and reports to help supplement internal views of geopolitical risks. Carefully consider the views of non-executive board members and especially those with relevant government, academic, and industry backgrounds.

- **Understand management's views:** Discuss with management exposures to risks arising from geopolitical and macroeconomic factors. Constructively challenge management regarding those exposures and how they are being mitigated and managed, including understanding mitigation effectiveness, and ownership and accountability

- **Ensure adequate resourcing:** Assist the Chief Risk Officer and other senior executives in obtaining the resources required to address geopolitical risk, including risk identification, assessment, planning, readiness and response, strategic decision-making, reporting and monitoring capabilities.

- **Obtain adequate assurance:** Through the Audit Committee, obtain adequate assurance from internal Audit (where possible) that management has recognized and addressed geopolitical risks and that the organization has complied with relevant regulatory requirements.

Within its risk governance role, the board is responsible for oversight of geopolitical risks, among others. Diligently executing that role supports management in addressing those risks.

¹ For further exploration on how boards should approach this area, please see: *How To Thrive When Uncertainty Becomes The New Norm For Governance: Navigating The Geopolitical Landscape*, Anna Marks, Chair of the Deloitte Global Board of Directors, May 2024, [How To Thrive When Uncertainty Becomes The New Norm For Governance: Navigating The Geopolitical Landscape](#)

A reversal of trends – and fortunes

In recent years, the world order has begun and continues to evolve. Wars and conflict, political upheavals, economic disruption, protectionist policies, strained relationships, new alliances, disinformation, political polarization, and hostile non-government actors have contributed to this trend. Given the resulting increase in geopolitical risk, leadership teams can no longer assume an orderly environment in which to plan, finance, and operate the business.

Executives are concerned by this changing operating environment. Deloitte Global research in September 2025 found that 55% of respondents ranked 'geopolitical and economic volatility' as the external disruptor attracting the most Board and C-Suite attention in 2025. Organizations have responded to this volatility in the following ways:

- **Reassessment of supply chains:** Geopolitical tensions and conflicts have prompted de-coupling and regionalization of trade in some countries, spurring new block-building within regions among neighboring countries. Some organizations are reassessing supply chains and reconfiguring them to manage risks while optimizing costs and logistics.
- **Localization and de-risking:** In certain sectors, such as life sciences & healthcare, organizations have gravitated to countries perceived as more stable and where investment in local manufacturing infrastructure may reduce their dependency on locations viewed as less stable.
- **Enhanced regulatory capabilities:** Changes and divergencies in regulatory requirements, particularly in the financial services sector and those supporting critical infrastructure, are prompting organizations to modernize and change their compliance approach. Agility is a sought-after attribute given more dynamic and fragmented regulatory regimes. Agile compliance as well as increasingly efficient reporting and assurance capabilities are strategic objectives for many organizations.
- **Robust cybersecurity programs:** Organizations are working to identify, assess, address, and monitor cyber vulnerabilities through scenario planning, optimized investments, and well-rehearsed response strategies. These efforts often extend to the cybersecurity capabilities of third parties and supply chain partners.
- **Strengthened crisis management and recovery:** Crisis management and recovery disciplines are moving beyond more predictable events to position the organization to address a broader range of occurrences (e.g., black and/or grey swans), such as extreme weather events, pandemics, denial of service cyberattacks, and reputation-impacting incidents. Organizations are also reinforcing these capabilities to maintain operations during crises and reduce long-term impacts.
- **Flexible business models:** Realizing the need for agility amid ongoing change, leaders are designing business models that can readily pivot to engage new markets and resources, seize new opportunities, secure alternative sources of funding, and overcome rigidity.

In general, leadership teams are expanding from a tight focus on operational efficiency, product improvement, and market success to a broader focus on strategic organizational resilience. They are also broadening their views to recognize that the private and public sectors should work in concert to protect stakeholders to act in the public interest.



Opportunities amid the risks

Periods of upheaval inevitably present upside opportunities as well as downside risks. Leaders and organizations that invest in resilience activities can better adapt and thrive during disruption and are often better placed to serve their business, stakeholders, and broader society.

Potential opportunities tend to be specific to a sector, location, and organization. These can include:

- **Enhanced supply chain resilience:** Organizations are addressing risks to their supply chains. For example, diversification of supply chains is underway in government & public sector, notably in defense, security, and justice. Moving sourcing, production, or assembly to a new location or spreading across multiple locations can create opportunities for lower costs, reduced disruption, and higher returns. Shifting production locally is another strategy to help reduce risk, sometimes supporting sustainability goals and championing local employment.
- **Modernizing operations:** In examining their supply chains and overall resiliency to geopolitical events, many organizations are recognizing the need to modernize their operations and are launching initiatives to implement this.
- **Investment in high-tech and green energy:** Increased subsidies are accelerating activity in advanced technology (e.g. AI) and green energy sectors, presenting opportunities to migrate to lower cost energy sources and reduce the organization's carbon footprint. However, in some locations, potential reversals in regulations, subsidies, and mandates present the risk of creating a more uncertain planning and investing horizon.
- **Enhanced compliance:** Modifying compliance monitoring and reporting systems in response to new regulations presents an opportunity to enhance the efficiency and adaptability of those systems. However, potential reversals in regulatory policies can increase uncertainty in this area, underscoring the need for flexibility.
- **Improved risk management and resilience:** Heightened geopolitical risk is motivating organizations to recalibrate their risk management processes and put strategies in place to rebuild a more resilient organization. The most resilient organizations are taking heightened geopolitical risk as an opportunity to enhance their strategies, business models, and technologies during a crisis rather than returning to business as usual. This way, they can thrive through adversity.



The five pillars of resilience

Resilience cannot easily be accomplished through piecemeal initiatives or simply by adding geopolitical risks to a risk register. It can be accomplished through a systematic approach to managing risks to five key areas of the organization.

In support of a systematic approach, Deloitte has identified five pillars of resilience³:

- Financial resilience:** Financial resilience better enables an organization to withstand events that impact its liquidity, revenue, profitability, or capital structure. These events may include shocks and stresses as well as planned strategic changes. Regarding geopolitical events, financial flexibility in the form of a strong balance sheet, adequate cash reserves, and ready access to credit and capital are particularly important.
- Operational resilience:** Operational resilience refers to the way an organization uses its nonfinancial resources to absorb the impacts stemming from shocks that affect its demand, supply, people, technology, or facilities. Regarding geopolitical events, achieving operational resilience may entail reaching beyond the organization and its suppliers and distribution channels to work with peers, government agencies, and a broader range of stakeholders.
- Reputational resilience:** Reputational resilience depends on being responsive to internal and external perceptions, addressing self-limiting behaviors, enhancing brand capital, and maintaining a foundation of trust and dependability among all stakeholders including the internal workforce.

The more trust and brand capital an organization has among stakeholders, the more able it will be to withstand reputation-impacting geopolitical events.

- Human resilience:** Human resilience better enables an organization to position its workforce at all levels and in all locations to continue to fulfill their organizational roles while buffering them from adverse outcomes of geopolitical events. Human resilience extends to stakeholders, who should also be protected from adverse outcomes while benefiting from their association with the organization in challenging times.
- Environmental resilience:** Environmental resilience minimizes the adverse environmental impacts (direct/indirect) generated by the organization following a geopolitical event and subsequent recovery. It also optimizes the costs and contributions to the community, society at large, and the broader environment.

Deloitte's Resiliency framework (Exhibit 2) can be used to map certain activities to each of the five pillars. That, in turn, better enables leaders to clearly discern which elements of geopolitical risk management may benefit through investment in specific activities.

Exhibit 2

Resiliency framework



In addition, our Geopolitical Risk and Resilience Methodology (GRRM) presents a phased approach to building resilience, including resilience against geopolitical risks (Exhibit 3).

³ *Resilience Reimagined: A practical guide for organizations*, National Preparedness Commission, Cranfield University and Deloitte UK, March 2021: [deloitte-uk-resilience-reimagined-a-practical-guide-for-organisations.pdf](https://www.deloitte-uk-resilience-reimagined-a-practical-guide-for-organisations.pdf)

Exhibit 3

Geopolitical Risk and Resilience Methodology



Each GRRM phase enables leaders to develop organizational resilience to geopolitical risks through specific actions.

Senior management has a key role to play across each phase mobilising and coordinating the various functions, regions and business lines across the firm:

- **Risk identification** uses quantitative tools, such as natural language processing and machine learning, to scan and synthesise global sources of data and employ qualitative tools, such as interviews and surveys, and human intelligence to develop risk-related markers and measures. This phase defines, selects, collects, processes, and analyzes data and information to prepare a robust basis for more refined assessment.
- **Risk assessment** generates a comprehensive view of the geopolitical risks posed to the organization. Activities include scenario development, which aims to identify risks not already discovered in phase 1, as well as impact modeling, likelihood and impact analysis, and strategic prioritization. This phase also includes country risk scoring, risk localisation (based on operational scope and geographies and specific strategic priorities), and risk classification.
- **Planning** involves the development of practical action-orientated contingency plans that define mitigations, response actions, and key strategic choices the organization may need to make in response to geopolitical disruption.

Building on scenarios, the organization can stress test delivery capabilities and identify modifications needed to maintain performance under various pressures.

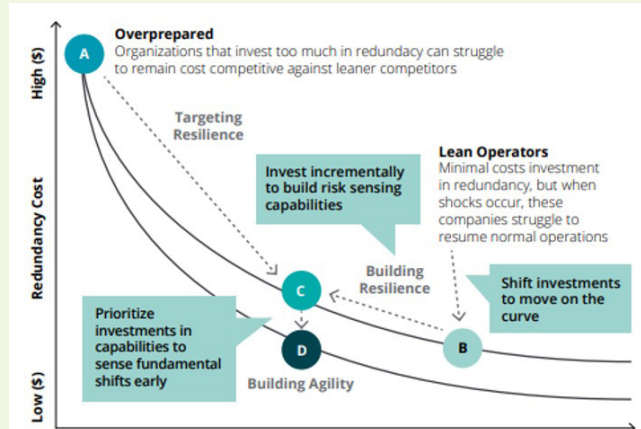
- **Readiness and response** establishes strategies to mitigate negative impacts, capitalize on opportunities, and ensure longterm success. This phase encompasses the design and readying of command, control, coordination, and communication mechanisms. It also builds readiness through simulations and rehearsals of these mechanisms.
- **Strategic decision-making** determines, and implements, the actions needed to increase resilience against geopolitical risks. Sample actions occur in areas such as governing geopolitical risk, increasing security in specific ways (and for certain stakeholders), meeting legal and compliance obligations, managing operational locations and partnerships, and incorporating geopolitical risks into investment decisions. This phase also encompasses avoidance, acceptance, transfer, sharing, and mitigation of geopolitical risk.

Capabilities are enabled through specific supporting services, provided internally, externally, or hybrid models. Relevant services might include:

- Developing ready-to-use scenarios for swift integration into organizational strategies, and as a tool for immediate application in risk assessment and decision-making processes.
- Establishing a coherent framework for calculating geopolitical country risk scores that can be utilized across the organization and geographies.
- Translating the findings of geopolitical analyzes into practical and actionable recommendations for senior Executives.
- Assessing critical dependencies in the tech sector and how to mitigate them.
- Addressing challenges relating to how to diversify the value and supply chain.
- Developing road maps for transition of companies and assisting implementation.
- Screening for regulations (and sanctions) that may apply to the organization on an ongoing basis.
- Developing exit strategies from specific markets identified as high risk and strategies to double down on investments in markets with growth potential.
- Building an ecosystem across service providers to better address geopolitical resilience through information and, when useful, formal coordination.

Depending on the organization, services can be tailored to support capabilities within all five GRRM phases. Accessing these services on a shared services or project basis or through a hybrid model can generate cost savings while reducing the need for internal resources and increasing flexibility and service quality.

Investment versus growth trade-off



in resilience relative to their needs (the 'lean operators'), which can lead to insufficient capabilities. By keeping investment in resilience low they may incur excessive recovery expenses or struggle to recover at all while failing to identify or seize opportunities. Organizations that overinvest in resilience (the overprepared) may incur excess costs and thus undercut their competitiveness.

Those underinvested in resilience may benefit by understanding their true risks and resilience needs while those overinvested in resilience may benefit through more targeted investments, freeing up resources for other purposes. A balanced approach would weigh the tradeoffs between resilience investments and recovery costs based on experience, value at risk, stakeholder needs, and similar considerations.

On one hand, investing in redundancy and backup systems could increase the pace of recovery from geopolitical events while, on the other, forgoing or minimizing such systems can result in higher costs and slower recovery (including missed opportunities, lost market share and relationships, and similar setbacks).

The challenge is to locate the optimal level of spending and to spend on the right resilience-related capabilities at the right time. For example, many organizations make small investments

Questions for management to consider

The following questions can lead to useful discussions about geopolitical risk:



Given the scope of our business, which geopolitical risks could most disrupt our organization?



Where do we perceive the greatest vulnerability to geopolitical risks in terms of our finances, operations, reputation, talent, and environment (including any third party and supply chain dependencies) and what impacts on our enterprise might they bring?



How have we performed in the past amid geopolitical events? What have we learned about our recovery capabilities and costs?



How can we develop or access geopolitical expertise and reduce uncertainty? What data and information would provide us a deeper understanding of our geopolitical risks and potential impacts?



How do we monitor, report on, and analyze geopolitical risks and events? How satisfied are we with the information we are receiving?



Which regulations (and sanctions) in our operating geographies apply to our organization? Are we in compliance with them? How have we responded to 'softer' guidelines?



What vulnerabilities do our various stakeholders face? In which geographies?



Which capabilities would enable us to position the organization more advantageously in light of the geopolitical risks we face?



Is the organization positioned to identify and act upon opportunities that might be created?



What actions are our competitors taking and how are they positioned to respond to risks and opportunities that might present themselves?



What role should our organization (if any) play in response to a geopolitical event, and how would we engage with our industry/broader society?



Let's talk

The global business environment is becoming increasingly less stable and more disruptive. Preparing the organization and its stakeholders for those conditions is among the most critical senior executive and board responsibilities.

As the recognized leader in risk and resilience, Deloitte stands ready to assist leadership teams in understanding geopolitical risks and their potential impacts, building resilience amidst volatility and ensuring organizations take advantage of opportunities.

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