
GEOPOLITICS IN THE BOARDROOM: LEADING THROUGH TURBULENT TIMES

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THE GLOBAL SCENARIO

- *From a flat to a fragmented world*
- *The West: from a global hegemon to a primus inter pares*
- *The only certain thing is uncertainty*

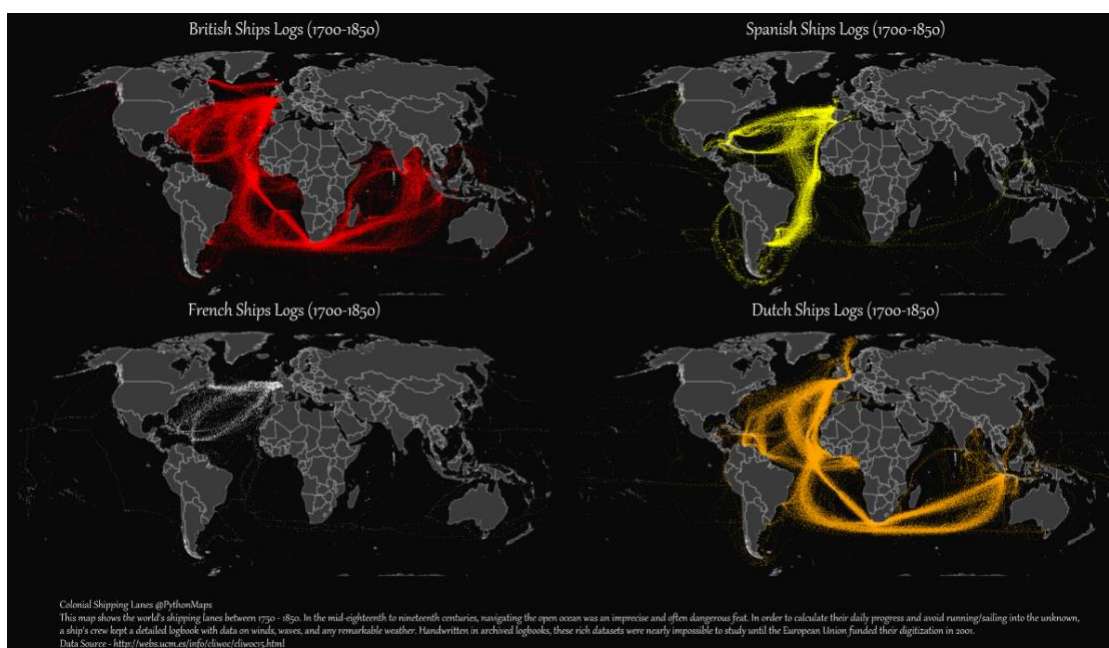
IMPACT ON LEADERSHIP AND ORGANIZATION:

- *The boardroom: increase of senior policy officers or former govt persons as members or involvement of external consulting firms.*
- *CEOs: centralized control and decisions for multinational companies might be not effective anymore, with a fragmentation of the market in regional areas, increasing need to rely on a network of reliable regional managers or GM*
- *CFOs: M&A and expansion projects tampered by economic uncertainty, capital shortage sanctions or golden power strategies.*
- *Supply Chain&Purchasing Directors: need to rethink the supply chain and build in resiliency for the long term*
- *CHROs: strong goal on talent retention, inclusion practices, talent development, and performance-based evaluation. Also, functions as Organization/HR architect and Leadership coach can be pivotal*
- *Overall, corporations have taken a range of steps to restructure their organizations in response to the current geopolitical situation. The key is to be proactive, agile, and adaptable to navigate the challenges and capitalize on the opportunities presented by a rapidly changing global landscape.*

RHEINMETALL: A CASE STUDY IN LEADERSHIP AND RESILIENCY

THE GLOBAL SCENARIO:

- **From a flat to a fragmented world:** The concept of a flat world, as popularized by Thomas Friedman, suggested that globalization and technological advancements would create a level playing field, erasing traditional geopolitical boundaries. However, in recent years, the world has become more fragmented. Rising nationalism, trade tensions, and regional conflicts have challenged the idea of a seamless global village. Geopolitical factors such as border disputes, ideological differences, and resource competition have reemerged as significant determinants of global dynamics. This fragmentation has created a complex landscape for businesses, forcing them to navigate a web of shifting alliances, regulations, and cultural differences to maintain their global reach.
- **The West: from a global hegemon to a primus inter pares:** For much of the last 300 years the West has enjoyed almost total control of sea lines of communications and worldwide trade. This hegemony was reaffirmed in post-World War II by United States, setting the rules of the international order, influencing global institutions, and driving economic growth. However, the rise of emerging economies, particularly in Asia, has shifted the balance of power. The West is no longer the sole dominant force, but rather a primus inter pares—a first among equals. China's rapid economic ascent, coupled with the resurgence of Russia, has challenged Western influence and created a more multipolar world. This shift has profound implications for businesses operating in a global context, as they must now navigate diverse power centres and adapt to different geopolitical dynamics.



- **The only certain thing is uncertainty:** In today's world, uncertainty has become a constant companion. Geopolitical volatility, economic fluctuations, technological disruptions, and societal transformations all contribute to an environment where predicting the future becomes increasingly challenging. Geopolitical factors such as shifting alliances, trade wars, and political instability can have a direct impact on business operations, supply chains, and investment decisions. In this context, leaders in the boardroom must embrace agility, adaptability, and strategic foresight. They need to develop robust risk management strategies, build resilient business models, and cultivate a deep understanding of geopolitical dynamics to effectively navigate the turbulent times ahead.

IMPACT ON LEADERSHIP AND ORGANIZATION:

- ***The boardroom: increase of senior policy officers or former govt persons as members or involvement of external consulting firms.*** The global scenario has witnessed a notable increase in the involvement of senior policy officers or former government officials in the boardroom of businesses and organizations. This shift can be attributed to the growing need for expertise in navigating complex geopolitical issues that have a significant impact on business operations. As the global landscape becomes increasingly intricate, organizations require individuals who possess the necessary experience and understanding of government policies and regulations to guide them effectively. Senior policy officers or former government officials bring a unique skill set to the boardroom. Their in-depth knowledge of government operations, regulatory frameworks, and political dynamics equips them with a comprehensive understanding of the external factors that can influence an organization's activities. This knowledge allows them to provide valuable insights and perspectives on navigating through the complexities of the global scenario. Additionally, their established network of contacts within government agencies and diplomatic circles can be leveraged to facilitate smoother interactions with regulatory bodies and to navigate through potential challenges. This is not to be underestimated as many industries are becoming more and more pivotal to local economies and can be disrupted by sanctions, "golden power" prerogatives by the government, or trade wars. Enjoying an open communication channel with the national governments can support greatly in investment decisions and long-term strategic planning. Furthermore, senior policy officers or former government officials can contribute to strategic decision-making by offering a nuanced understanding of the political and regulatory risks associated with specific markets or regions. Their insights can help organizations identify and mitigate potential obstacles, make informed choices, and align their strategies with the geopolitical landscape. Another significant trend in the boardroom is the increased reliance on external consulting firms. These firms specialize in providing strategic advice and guidance to businesses and organizations, helping them navigate the multifaceted challenges presented by the global scenario. External consulting firms bring a wealth of knowledge and expertise that can assist organizations in making well-informed decisions. In summary, the global scenario's increasing complexity has necessitated the inclusion of senior policy officers or former government officials in the boardroom of businesses and organizations. Their expertise in navigating geopolitical issues and understanding government policies and regulations makes them valuable assets. Additionally, external consulting firms have become indispensable in providing strategic guidance, market insights, and objective perspectives to navigate the complexities of the global scenario. By leveraging the expertise of both senior policy officers/former government officials and external consulting firms, organizations can make informed decisions and enhance their ability to succeed in an increasingly complex and interconnected world.

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- ***CEOs: centralized control and decisions for multinational companies might be not effective anymore, with a fragmentation of the market in regional areas, an increasing need to rely on a network of reliable regional managers or GM.*** The fragmentation of markets in regional areas has had a profound impact on the effectiveness of centralized control and decision-making for some multinational companies. In this evolving global scenario, CEOs might be compelled to rely on a network of reliable regional managers to ensure the success of the organization. Regional managers or possess a deeper understanding of the local market dynamics, cultural nuances, and customer preferences, allowing them to tailor the organization's strategy to suit the specific conditions and demands of each region. They can adapt marketing strategies, product offerings, and distribution channels to effectively penetrate regional markets. This localization approach enhances the organization's agility and responsiveness, enabling it to better compete and thrive in diverse regional environments. However, this shift towards regional management presents its own set of challenges for CEOs. They must ensure that they have the right people in place in each region to effectively lead and execute the organization's strategies. This necessitates a robust talent management and development framework to identify, recruit, and nurture capable regional managers or GMs. CEOs must invest in building a strong leadership pipeline, emphasizing cultural adaptability, strategic thinking, and the ability to collaborate across diverse regions. Moreover, CEOs face the ongoing challenge of balancing the need for growth with the risks posed by economic uncertainty, capital shortage, sanctions, or golden power strategies. Expansion projects, mergers and acquisitions (M&A), and other strategic initiatives often require significant capital investments. However, the unpredictable global scenario and potential geopolitical disruptions can introduce a level of uncertainty that impacts the feasibility and success of such investments.
 - ***In this context, CFOs play a critical role in assisting CEOs in navigating these challenges. CFOs provide financial analysis and guidance to evaluate the risks and rewards associated with various growth initiatives.*** They conduct rigorous financial due diligence, assess potential risks, and develop financial models to project the potential returns on investments. By providing a clear understanding of the financial implications and potential pitfalls, CFOs enable CEOs to make well-informed decisions regarding capital allocation, expansion strategies, and M&A activities.
CFOs also play a vital role in optimizing capital management and mitigating the impact of economic uncertainty. They identify alternative funding sources, manage cash flows efficiently, and develop contingency plans to address potential disruptions. They also work closely with other functional areas, such as supply chain and purchasing directors, to ensure financial resilience and alignment with the organization's strategic objectives.
This collaboration ensures that financial decisions are made in consideration of the organization's overall strategy and its ability to withstand potential disruptions. CFOs must continually evaluate and enhance financial systems to ensure they remain flexible and responsive to changing circumstances in the global

landscape. By establishing robust financial processes, CFOs help the organization build resilience and agility, enabling it to navigate through the complexities of the global scenario and make informed financial decisions. In summary, the role is becoming increasingly strategic and organic to the growth strategies of the company, and the job market sees a spike in demand of CFOs strong on the business and execution side.

- ***Supply Chain&Purchasing Directors: need to rethink the supply chain and make build in resiliency for the long term.*** The global scenario has emphasized the critical need for businesses and organizations to reevaluate their supply chains and develop long-term resiliency. Supply chain and purchasing directors play a pivotal role in this process as they face the challenge of mitigating the risks associated with supply chain disruptions. These disruptions can arise from various factors, including natural disasters, geopolitical tensions, and pandemics. To address these risks, directors must create robust contingency plans that enable the organization to adapt swiftly and effectively in the face of unexpected events. Furthermore, supply chain and purchasing directors must consider the impact of supply chain disruptions on the organization's financial health. Disruptions can lead to increased costs, delayed deliveries, and damaged customer relationships. Directors must ensure that the organization has sufficient resources and financial strategies in place to navigate through these challenges. This includes exploring alternative sourcing options, establishing strategic stockpiles, or developing flexible supply chain networks that can withstand disruptions. Another significant trend in supply chain management is the growing emphasis on sustainability and social responsibility. Consumers are increasingly conscious of the environmental and social implications of their purchases, demanding products and services that align with their values. Supply chain and purchasing directors must collaborate closely with suppliers to ensure that the organization's offerings meet these expectations. This involves assessing and monitoring the sustainability practices of suppliers, promoting ethical sourcing and production, and implementing transparent supply chain management processes. By embracing sustainability and social responsibility, organizations can enhance their reputation, attract socially conscious consumers, and create long-term value. In summary, the global scenario has compelled businesses and organizations to reassess their supply chains and prioritize long-term resiliency. Supply chain and purchasing directors play a vital role in this transformation by developing contingency plans to mitigate supply chain disruptions and safeguard the organization's financial health. Moreover, the rising focus on sustainability and social responsibility necessitates close collaboration with suppliers to ensure the organization meets consumer expectations. By proactively addressing these challenges and embracing sustainable practices, organizations can build resilient and socially responsible supply chains that contribute to their long-term success.

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- **CHROs: strong goal on talent retention, inclusion practices, talent development, performance-based evaluation. Also, functions as Organization/HR architect and Leadership coach can be pivotal.** The global scenario has brought about significant implications for human resources management, requiring CHROs to adapt and respond to these changes. In this context, there is a heightened focus on talent retention, inclusion practices, talent development, and performance-based evaluation. In a fragmented world, organizations recognize the importance of having a diverse and inclusive workforce to thrive in different markets and cultural contexts. CHROs are responsible for ensuring that the organization's hiring and promotion practices align with the overall strategic goals, fostering an environment that attracts and retains top talent. Furthermore, CHROs are increasingly assuming the role of organization/HR architects and leadership coaches. They are tasked with designing and implementing HR strategies that are closely aligned with the organization's overall strategy and vision. This involves understanding the organization's culture, values, and goals, and tailoring HR initiatives to support and enhance these aspects. By aligning HR practices with the organization's strategic objectives, CHROs can help create a cohesive and high-performing workforce that drives organizational success. Additionally, in a regionalized world, organizations must rely on a network of leaders who can effectively operate in diverse geographies and cultures. CHROs play a critical role in developing these executives, ensuring the organization has a robust leadership pipeline. They oversee the implementation of comprehensive training, coaching, and mentoring programs to nurture and enhance leadership skills across the organization. By investing in leadership development, CHROs contribute to the organization's ability to navigate through the complexities of the global scenario, foster innovation, and sustain long-term growth. In summary, the global scenario has significant implications for human resources management, necessitating CHROs to adapt their approaches. They prioritize talent retention, inclusion practices, talent development, and performance-based evaluation to build a diverse and high-performing workforce. CHROs also assume the role of organization/HR architects, aligning HR strategies with the overall strategic goals, values, and culture of the organization. Additionally, they play a crucial role in developing leaders who can thrive in a fragmented world, ensuring the organization has a strong leadership pipeline and fostering a culture of continuous learning and development.
 - **Overall, corporations have taken a range of steps to restructure their organizations in response to the current geopolitical situation. The key is to be proactive, agile, and adaptable to navigate the challenges and capitalize on the opportunities presented by a rapidly changing global landscape.**
 1. Strategic thinking: Corporations are looking for individuals who can think critically and strategically to identify opportunities and risks in different geopolitical environments. They want people who can develop and execute strategies that can help them achieve their goals despite geopolitical challenges.

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2. Cross-cultural communication: With corporations operating in different countries, cultures, and languages, they need individuals who can communicate effectively with people from different backgrounds. They are seeking people who can bridge cultural gaps and build relationships across different geopolitical environments.
 3. Risk management: Corporations are looking for people who can identify and manage risks in different geopolitical situations. They want individuals who can anticipate potential risks, develop mitigation plans, and respond effectively when things go wrong.
 4. Digital skills: With technology playing an increasingly important role in business, corporations are seeking individuals who are proficient in digital skills. They want people who can leverage technology to increase efficiency and reduce costs, and who can navigate digital environments in different geopolitical situations.
 5. Adaptability: Given the fast-changing geopolitical situation, corporations are looking for individuals who can adapt quickly to new situations. They want people who are flexible, open-minded, and able to work effectively in different cultural and political environments.

RHEINMETALL: A CASE STUDY IN LEADERSHIP AND RESILIENCY

Rheinmetall Italia, a major global player in the defense industry, is a perfect case study on how to build resiliency and reorganize internal processes to face future global challenges. Starting with supply chain, the company, has proactively worked on expanding its network of suppliers, exploring also parallel markets, and diversifying the network outside the typical defense cluster. To ensure that aspects as quality, ESG factors and delivery times are met by new partners, they have implemented a ranking system managed by their quality team, selecting top-tier suppliers, and conducting periodic evaluations every two months. On top of that, they have also partnered with certification companies to anticipate future requirements.

By doing so, Rheinmetall has significantly reduced delivery times by externalizing non-essential processes, resulting in a decrease from 48 to 12 months for delivery, which is a small revolution in the industry.

Another pivotal aspect is cybersecurity, where Rheinmetall has invested along two key principles: making it an integral part of its corporate strategy and demonstrating a commitment to costs and expenses. As the vast majority of breaches come from poor IT literacy or just distraction by the staff, the company invested heavily in prevention and personnel training and, last year alone, they successfully blocked 20,000 cyberattacks. They are actively engaged in information sharing and training initiatives, even implementing phishing simulations in employee emails to enhance awareness and

preparedness. Rheinmetall Italia also has a dedicated team focused on diversity and inclusion, actively working towards fostering a diverse and multicultural workforce.

Because of the strategic nature of its business, the company is strongly involved in geopolitical changes and, having a mixed stakeholder structure enjoys direct access to German and European policymakers. Also, Rheinmetall Italia has also included former public personnel in their supervisory body to address sector-specific concerns and advocate for relevant issues.

In summary, Rheinmetall has undertaken a strategic transformation of its supply chain, prioritizing supplier quality, diversification, and externalization of non-essential processes. They have established partnerships outside the defense sector and implemented rigorous evaluation procedures. The company has also focused on cybersecurity as an integral part of its strategy, investing in employee awareness and training programs to mitigate risks. Additionally, Rheinmetall Italia has a strong commitment to diversity and inclusion, actively working towards creating a multicultural workforce. These initiatives reflect Rheinmetall's proactive approach to adapting to changing market conditions and ensuring long-term success in an evolving global landscape.