



INTERNATIONAL BUSINESS

From Crisis Reaction to Strategic Geopolitical Response

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Geopolitical muscle, like other forms of strength, takes time and effort to build. BCG's new survey of the state of big companies' geopolitical muscle (the combination of capabilities, experts, and tools focused on geopolitical issues and developments) finds that commitment is widespread and priorities are clearly set. But forward-looking analytical and planning capabilities—as opposed to reactive know-how—are still works in progress.

The survey, which was conducted before the expanded conflict in the Middle East, found that geopolitics is now a core business consideration. Some 80% of companies report significant exposure to, and impact from, geopolitics. They feel the most acute pressure in trade and investment flows and mission-critical sectors (such as semiconductors and critical minerals) and from ongoing conflicts. (See the slideshow for details.)



Companies have moved quickly to build up their geopolitical capabilities, with about 90% strengthening them in the past year and most establishing organizational ownership at senior levels. These efforts signal strong momentum and recognition at the top.

But only a small minority of firms, around 15%, have embedded geopolitics systematically into core business decisions. Despite increased investment, readiness remains limited, with only about half of companies feeling prepared for future disruptions. Many organizations do not quantify geopolitical impacts and translate them into decisions for action. Critical areas such as capital allocation, investment, and innovation remain largely disconnected from geopolitical insight.

The good news is that while the need is urgent, the current shortage of preparedness should be short-lived: about 95% of companies plan to further strengthen geopolitical capabilities in the coming year. There is no single playbook for developing geopolitical muscle, but leading companies are aligning around a common set of building blocks across three phases of activity: sensing the risks, planning the response, and turning decisions into actions. These include establishing a clear mandate, developing strong assessment capabilities, developing an integrated operating model, securing the right talent, and embedding decision-making processes.

Most companies plan to continue strengthening capabilities and are shifting the focus from crisis response toward long-term strategic planning and design. This reflects the growing recognition that geopolitics must inform forward-looking decisions, not just guide reactive measures.

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