



Geopolitical Risk Index | Consulting Group 2 | 2024

The importance of geopolitics for **ITALIAN COMPANIES**

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Contents

- 1 Introduction
- 2 Geopolitical challenges at national level
- 3 Survey analysis
- 4 Solutions
- 5 Conclusion
- 6 Bibliography



Contents

- 1** Introduction
- 2 Geopolitical challenges at national level
- 3 Survey analysis
- 4 Solutions
- 5 Conclusion
- 6 References



Overview

1 Geopolitics Dynamics



Trade tensions, resource conflicts and migration challenges impact companies seeking for expansion



Sanctions and other implications impact the **supply chain**, necessitating strategic planning



Geopolitical risk affects both **domestic** and **international business operations**



Drawing lessons from events like **Brexit** and aftermath of **Ukraine-Russia conflict**

2 Our Approach



Demonstrating the **influence of geopolitics** on Italian companies using case studies and survey



Providing actionable advice to boost **resilience** and strategic **alignment**



Contents

- 1 Introduction
- 2 Geopolitical challenges at national level**
- 3 Survey analysis
- 4 Solutions
- 5 Conclusion
- 6 References



Geopolitics of the Mediterranean Sea

1 The impact of regional conflicts

Local fragmentation has led over time to the rise of civil wars and favored the influence spread of extremist and separatist groups. Beyond the local scope, events with **global geopolitical implications** also occur there: water scarcity, desertification, food insecurity, ...

3 Migration

One of the most significant spillovers of the local fragmentation is the migration, drastic consequence of:

- ❑ **Social inequality;**
- ❑ **Human exploitation;**
- ❑ **Corruption.**

2 What do the rise of these conflicts mean for Italian companies?

- ❑ Regional security is mitigated;
- ❑ Local market conditions are disrupted (consumer behavior and investment patterns);
- ❑ Reputation is at stake.

The ultimate goal is to find a balance between **ambition** and **prudence**.

Energy 4

The energy sector is one of the most prominent in the region, ranging from **oil** to **natural gas** and **renewables**. Due to their **geographic closeness**, Italian companies have a unique **competitive advantage**, to be exploited by **lobbying** through partnerships with local stakeholders and authorities.



Geopolitics of Africa (Eni case study)

1 Eni's African Strategy

Eni, an **Italian multinational oil and gas company**, leverages Italy's foreign policy to enhance its strategic presence in Africa, focusing on exploration and production of oil and gas

3 Example of Strategic Outcomes

A notable achievement is Eni's discovery of the **largest gas reserve** in the world in **Mozambique** (Coral Project), facilitated by a state-backed visit and collaborations with local governments

Italian Government Collaboration 2

The **Italian government** supports Eni through strategic partnerships and agreements, reinforcing Eni's operations in resource-rich African countries.





Geopolitics of Africa (Eni case study)

1 Impact of the Russia-Ukraine War on Eni

The recent geopolitical tensions, specifically the Russia-Ukraine war, have compelled Eni to reduce its dependence on **Russian gas**, prompting a strategic shift towards alternative sources

3 Future Strategic Directions

Eni plans to further decrease its reliance on Russian energy supplies, with a strategic focus on enhancing **long-term partnerships across the Mediterranean and African regions.**

Strategic Diversification 2

Eni is actively **diversifying** its energy sources, increasing investments in African nations, and entering new markets to ensure energy security and sustain its supply chain.





Contents

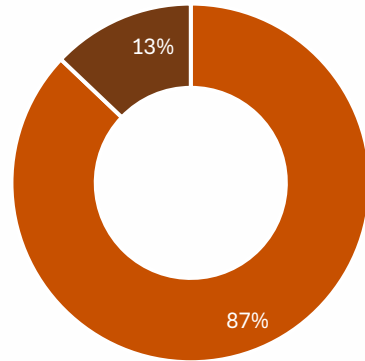
- 1 Introduction
- 2 Geopolitical challenges at national level
- 3 Survey analysis**
- 4 Solutions
- 5 Conclusion
- 6 References



Facing geopolitical tensions

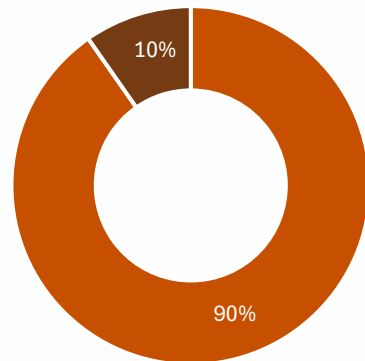
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If you know what geopolitical risk is, do you **assess** it in your company?



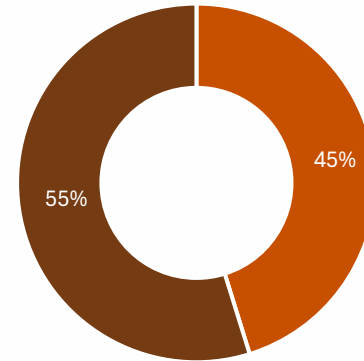
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In the past years, have geopolitical tensions **influenced** your company's decision-making process?



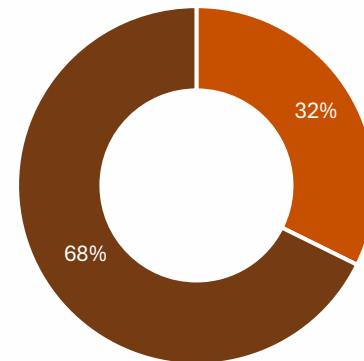
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Has your company taken into consideration the idea of **expanding** or **relocating** operations as a result of geopolitical concerns?



4

Do you believe geopolitical tensions have affected the company's **international collaboration** with partners, peers and stakeholders?

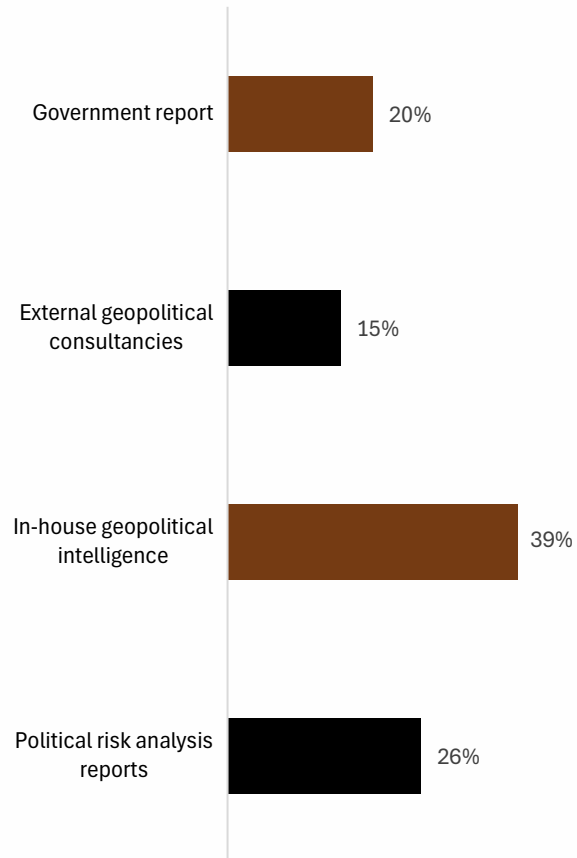


YES NO



Geopolitical impact and solutions

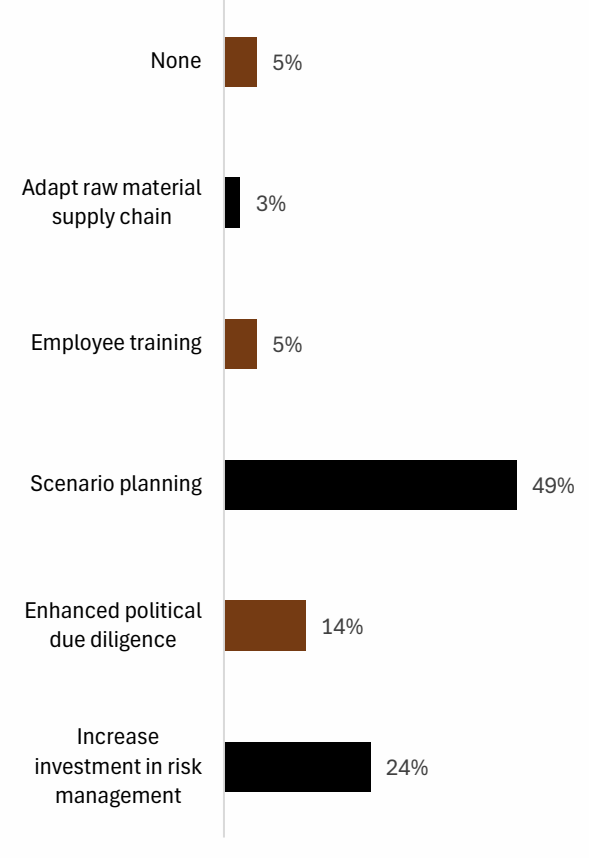
1 Which **methods/tools** do you currently use to assess geopolitical risk?



2 How geopolitical tensions **influenced** your company's decision-making process?



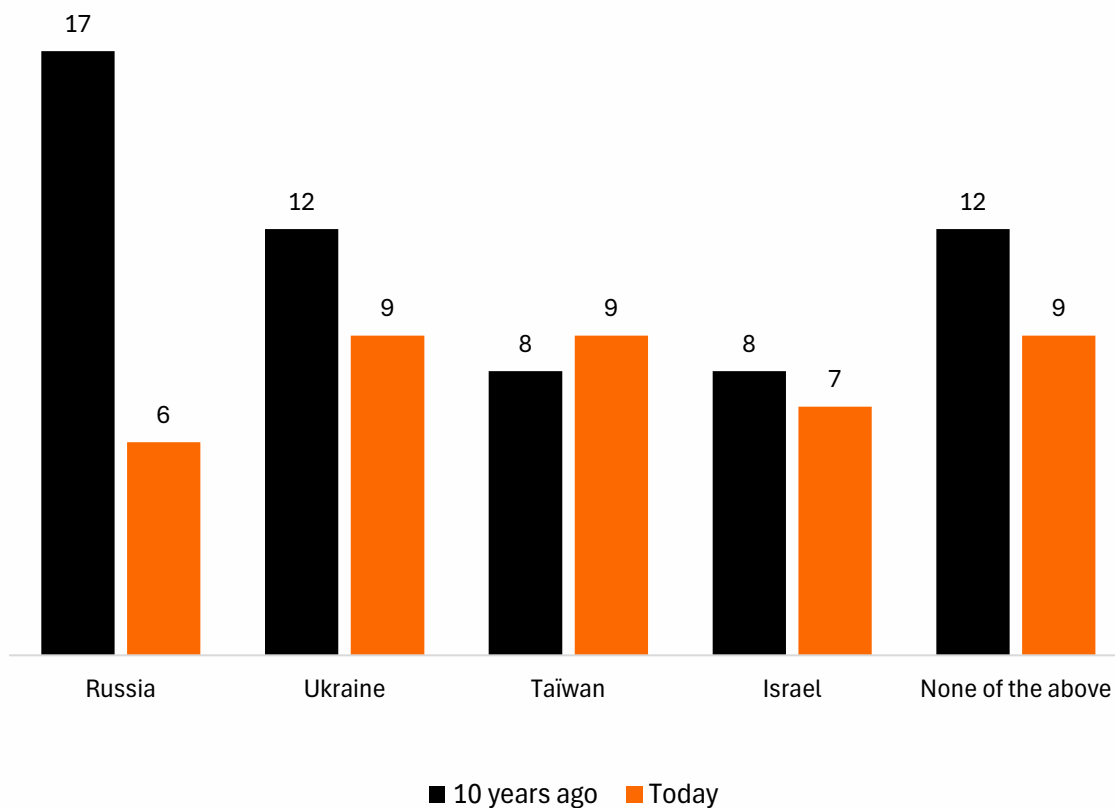
3 Which measures are you planning to implement or enhance to **strengthen** your company's **resilience**?





Geographic coverage over time

1 Where does your company operates?



Comments **2**

- ⊕ **Sanctions** and **conflicts** have a noticeable impact (e.g. Russia and Ukraine)
- ⊕ Israel is viewed as a **resilient** and **secured** business location
- ⊕ Risk of a **regional conflict** in the **Middle East** is not deemed as high
- ⊕ Remaining activities in **Taiwan** despite the looming threat of Chinese intervention. Perceived short-term stability



Contents

- 1 Introduction
- 2 Geopolitical challenges at national level
- 3 Survey analysis
- 4 Solutions
- 5 Conclusion
- 6 References



Analyzing **survey results** and **theoretical papers**, we came out with some **advice** companies could implement

1 Tips for supply chain management



Lobbying the Italian government for support and prevention of any (geo)political tension



In-depth analysis of the supply chain for **operate locally** where possible

2 Tips for long-term perspective



Consider the possibility of **future** potential **conflicts**



Improve **integration** between company's strategy with the "geopolitical dimension"



Contents

- 1 Introduction
- 2 Geopolitical challenges at national level
- 3 Survey analysis
- 4 Solutions
- 5 Conclusion**
- 6 References



Conclusion

1 Geopolitics' Growing Impact

- ⊕ **Geopolitics** increasingly **affects Italian firms**, impacting both domestic and international operations
- ⊕ Examination of the **Mediterranean Sea** region and ENI's case highlights challenges and opportunities doing business abroad

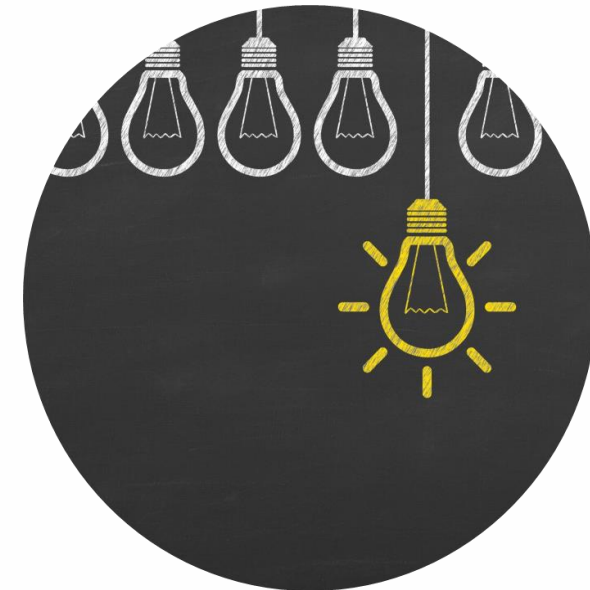
3 Geopolitical Risk Management Strategies

- ⊕ The varied reactions of Italian firms to geopolitical risks in the survey highlight the significance of **diversification, resilience, and adaptability**
- ⊕ Adopt comprehensive risk management practices integrating **geopolitical competence** to ensure sustained growth and competitiveness

Central Role of Geopolitics risks

2

- ⊕ Geopolitical risks are central, influencing **all facets** of business operations, from supply chains to strategic decisions
- ⊕ Insights from Ferrero's response to the 2022 conflicts in Russia illustrate geopolitical impacts on **business strategies**





Contents

1

Introduction

2

Geopolitical challenges at national level

3

Survey analysis

4

Solutions

5

Conclusion

6

References



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