

Contents

1	Introduction	1
1.1	Objective and Structure	4
1.2	Delimitation	5
	References	6
2	Overview of Political Risks	7
2.1	Definitions	8
2.1.1	Power, Politics, State, and Jurisdiction	8
2.1.2	Political Risks in the Narrower Sense	9
2.1.3	Risks from Unlawful Behavior by Political Actors	10
2.1.4	Political Changes as a Positive Value Driver	12
2.2	Emergence of Political Risks	12
2.3	Characteristics of Political Risks	14
2.3.1	Different Classifications in the Literature	14
2.3.2	Classification by Financial Value Drivers	16
2.4	Allocating Political Risks to the Investment Portfolio	20
2.5	Significance and Drivers of Political Risks	22
2.5.1	Economic Significance	23
2.5.2	Significance for a Specific Company	25
2.5.3	Drivers of Political Risks	26
	References	31

3 Methods of General Risk Management	33
3.1 Risk Identification and Description	34
3.2 Risk Assessment	38
3.3 Dealing with Risks	40
3.3.1 Step 1: Selecting the Course of Action	40
3.3.2 Step 2: Implementation	43
3.3.3 Step 3: Risk Control	43
3.4 Embedding in Corporate Organizations	44
3.5 Strategic Risk and Portfolio Management	46
References	49
4 Create Transparency About Political Risks	51
4.1 Identify and Describe Political Risks	51
4.2 Assess Political Risks	55
4.2.1 Evaluating a Single Risk	58
4.2.2 Evaluating Multiple Risks	62
4.3 Controlling and Monitoring	69
4.4 Distinction Between Tactical and Strategic Risks	73
4.4.1 Differentiation Based on Impact	74
4.4.2 Differentiation Based on Strategic Importance	74
References	77
5 Managing Tactical Political Risks	79
5.1 Ex Ante Options for Action	80
5.2 Ex Post Options for Action	83
5.2.1 Compliance	85
5.2.2 Dissuasion/Lobbying	87
5.2.3 Withdrawal	89
5.3 Synthesis of the Options for Action	90
5.4 Selecting the Course of Action	92
5.4.1 Selecting the Course of Action Ex Ante	92
5.4.2 Consideration of the Ex Post Options for Action	93
5.5 Implementation and Operationalization	95
5.5.1 Leadership and Culture	96
5.5.2 Organizational Structure	98

5.5.3	Operationalization in Processes and IT	99
References		102
6	Managing Strategic Political Risks	103
6.1	Strategic Risks as a Real Option	105
6.2	Strategic Competitive Advantages Versus Political Risks	107
6.2.1	Examine Political Risks for Potential Competitive Advantages	107
6.2.2	Investigate the Impact of Political Risks on Existing Competitive Advantages	112
6.3	Strategic Portfolio Management	117
6.4	Dealing with Risks that Endanger the Company's Existence	119
6.5	Integration of Political Risks into the Strategic Leadership Process	120
6.5.1	Analysis	121
6.5.2	Vision, Mission Statement, Positioning	122
6.5.3	Strategic Goals	122
6.5.4	Measures	122
6.5.5	Implementation/Control	123
6.6	Implementation and Operationalization	123
6.6.1	Leadership and Culture	123
6.6.2	Organizational Structure	124
6.6.3	Operationalization in Projects, Processes, and IT	125
References		128
7	Geographic Flexibility as a Key Strategy in Political Risk Management	131
7.1	Historical and Current Context of the Geographically Flexible Company	134
7.2	Overview of the Procedure and Decision Path	137
7.2.1	First Project Phase	137
7.2.2	Second Project Phase	138
7.2.3	Third Project Phase	140
7.2.4	Fourth and Fifth Project Phase	141

7.3	Geographical Flexibility of Assets	141
7.3.1	Digitize IP and Processes	144
7.3.2	Flexible Employees: Agile Organization, People Mobility, Work from Anywhere	146
7.3.3	Reduce Physical Assets in the Business Model or in the Value Chain	147
7.3.4	Deal with the Remaining Immobile Physical Assets	148
7.3.5	Structural Flexibilization	150
7.4	Selection of Target Jurisdictions	153
7.5	Perspective of the Jurisdiction and Its Defensive Measures	160
	References	163
8	Concluding Remarks	165
	Reference	168
Appendix A: Taxonomy of Human Actions		169
Appendix B: Tool to Support Scenario Analysis		173
References		178