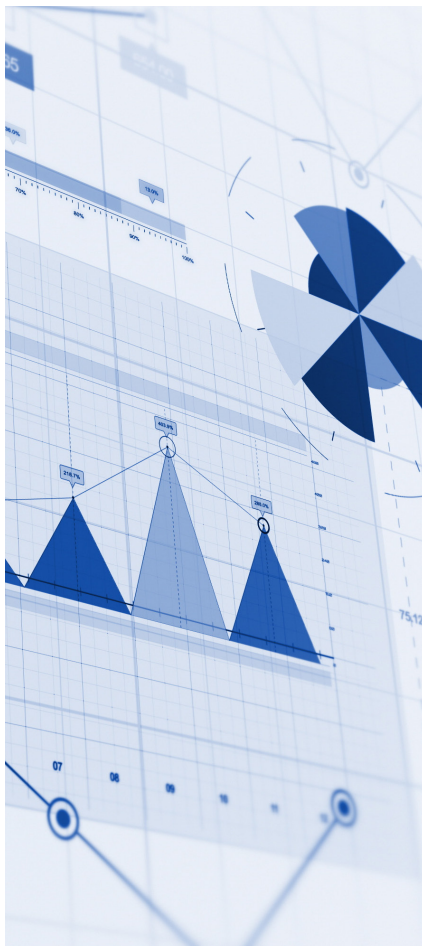




# The Role of Government Relations in 2024

## Providing Options for CEOs To Safeguard Their Businesses

In the course of human endeavour, the realm of business stands as a beacon of innovation, progress, and economic vitality and often as a driver of change. And like every part of a well-functioning organism, **business cannot thrive in isolation**. It is inextricably woven into the broader structure of society, its successes intricately linked to the political, social and economic currents that shape the world around us.



This became even more obvious as the business world emerged from the COVID-19 pandemic changed in its relations with the public sphere, **relying more than before on public spending, answering more than before to public scrutiny, adapting more than before to new expectations**.

In this context, the year 2024 stands poised to be a period of significant political, economic and societal upheaval with upcoming elections for half the world and heightened geopolitical tensions.

**But there has been other election years before, and other geopolitical turmoil before, why 2024 would be so full of dangers? Why is this year an outlier, and could very well be a tipping point for the world?**

A confluence of factors, like lingering economic instability with rising inflation, interest rates hike, supply chain disruptions, and geopolitical tensions, paints a complex and unpredictable landscape for businesses to navigate. These factors could dampen consumer spending, slow economic growth and create volatility in financial markets. (See our report: [What Major Financial Institutions Expect for 2024](#).)

Adding to this, the economic, social but also geopolitical consequences of the worldwide pandemic have spread fully four years after its occurrence. It emphasized dramatically the necessity for each major economic area to secure its self-ability to function through what is sometimes called “sovereignty”, and some other times “protectionism”, and challenged the benefits of globalization which were widely accepted before. Citizens and politicians started to shift slowly but surely towards an appetite for protecting themselves more than opening their doors.

And more elements accelerated the process:

- We went through the shock of understanding that a country mastering the atom was willing to attack a country next to the borders of the European Union,
- We went through a 22/23 winter where, for the first time since 1973 we had doubts about our ability to switch on the heating and the lights in our apartment,
- We went through a “cognitive monetary shock”, as we know understand that in our economic space, money is no longer cheap, and that, now, the European Central Bank ("ECB") sole nemesis is inflation, an economic phenomenon that nobody under 60 has clearly experienced in its lifetime.
- We went, and are still going through a complete change of our economy to face the climate and environmental challenges (from drought to shortage of most needed raw materials to build our resilience), and this transformation is going to be costly, also driving inflation, for companies and citizens,

What we could take for granted in 2019, which was an unchallenged globalization, a stable earth climate, an undisputed access to energy and cheap money, a belief in the resilience of our healthcare system and our ability to ensure personal security and safety.

### **All this is gone.**

And this will shape the mindset of voters in 2024, anywhere in the world during the plethora of crucial elections across the globe, from the United States presidential race to general and presidential elections in

Europe, Asia, Africa and Latin America. These elections have the potential to reshape political landscapes, alter policy directions, introduce new regulatory frameworks and transform trade balances between economic areas.

And businesses, which vastly originate their wealth from a liberal environment, will need to adapt. And to adapt, you need to be able to predict future business conditions.

A practical example of the difficulty to perform this exercise of prediction: numerous economists observe that the impact of this political and geopolitical instability is a challenge for predictive modelling which rely on historical data and statistical relationships to forecast future economic conditions. Forecasting models, from cash flows projections to GDP growth predictions, often hinge on the assumption of stable political and economic environments, a premise that has become increasingly tenuous in 2024.

The current political climate, marked by escalating tensions between major powers, ongoing trade wars, tariff disputes, military posturing, technological competition, disrupts econometric models' ability to provide reliable predictions. These models struggle to adequately account for the unpredictable nature of political developments and their far-reaching impact on trade, investment, and overall economic growth. Simply put, this makes impossible for businesses all over the world to assess the potential impact of these tensions on their supply chains, investments, and market access, and, even worse, impossible to take steps to mitigate risks and protect their organizations.





## This Is Where Government Relations, Public Affairs and Regulatory Affairs Come In.

In this context, it is our conviction that a course of action is possible. That chief executive officers ("CEOs") can take proactive steps to safeguard their organizations' interests and ensure long-term resilience by investing in government relations, public and regulatory affairs. This emerges as a high return-on-Investment and crucial strategic imperative for CEOs seeking to start 2024 in a winning position and make it last in 2025-2028.

### But what to do precisely? What are the options for CEOs?



**First, derisking from elections results.** CEOs should decide if they want to have the goal of being in a position where they are not exposed to any democratic decision. To give themselves the power to be agnostic players. If they plan carefully and are sufficiently informed of the electoral trends and well positioned, their business can sustain any political shift by minimizing its potential impact. Therefore, CEOs must inform their decisions based on the electoral developments to anticipate potential policy changes and adapt their business strategies accordingly.



**Second, understanding new potential policy shifts.** Thorough policy analysis is essential for CEOs to make informed decisions. By carefully evaluating policy proposals, analysing their potential impact on the business, and identifying potential risks and opportunities, businesses can develop strategic responses and adapt their operations accordingly for long-term changes being designed today in governmental and parliamentary cabinets.



**Third, partnering up with Governments.** CEOs should decide their level of investment and dedication to governmental goals in sustainable production, innovation, and workforce policies, by acting as potential allies for the public ecosystem, investing in R&D, and upskilling and reskilling their workers, staying abreast of emerging technologies to maintain their edge and show governments they are valuable partners in this endeavour.

**Government relations, public and regulatory affairs activities**, such as advocacy, stakeholder engagement, and policy analysis, provide businesses with a deeper understanding of political and regulatory landscapes, enabling them to anticipate and adapt to potential changes coming eventually. And this long-term resilience is built today.

In this dynamic and ever-changing landscape, the role of government relations, public and regulatory affairs emerges as a vital compass guiding businesses through the maze of public policy, regulatory frameworks, and stakeholder expectations. They enable companies to manage the delicate balance between the responsibility to contribute to the collective well-being and the long-term financial success of a company. It is the recognition that businesses are not merely entities driven by financial gain; they are integral members of the communities in which they operate, with a responsibility to contribute to the social fabric and the public good. Because of this, these disciplines are not a mere add-on; they are an integral part of the DNA of successful businesses in 2024, and beyond.

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