Recalibrating strategy amidst tariff upheaval

A boardroom perspective

Board Leadership Center (India)

August 2025

kpmg.com/in

KPMG. Make the Difference.

From global playbooks

We are witnessing a shift in the global trade architecture unlike any seen in recent decades. The world is becoming multipolar, protectionist, and less predictable. Trade relations that once thrived on openness and competitive advantages are increasingly shaped by prioritising domestic interests over global cooperation. The tariff landscape is no longer just a policy matter—it is now a boardroom concern, demanding strategic and operational recalibration.

In this context, boardrooms are grappling with a pressing question: **How should the corporate strategy evolve amidst growing tariff complexity and uncertainty?** For boards, this means abandoning the comfort of long-range, linear strategic plans and embracing adaptability. Trade policies may now shift faster than capital cycles. The challenge lies in preparing the organisation to pivot quickly, while maintaining resilience and continuity, and still keeping an eye on the long-term horizon.

Drawing from a recent roundtable with prominent board members, this paper outline's key themes and practical insights to guide companies and their boards in this evolving trade environment.

Get tactical before getting strategic

In times of upheaval, prudence lies in sailing with the wind, not against it. Several organisations have already responded by scaling down guidance to investors, pausing hiring plans, and holding back on expansion decisions.

Boards need to Recognise that this is not the time for long-term capital allocation or aggressive growth bets. Rather, it is a moment to protect the downside, preserve optionality, and remain agile. Tactical decisions—such as altering supply routes, building inventory buffers, and delaying discretionary spends—can create vital breathing space.

At the same time, this is also when strategic muscles must quietly build. As reflected in the session, '*We must go tactical now so we can go strategic later.*'

Rethinking the boardroom playbook: From oversight to orchestration

The traditional playbook for boards—anchored in periodic strategy reviews and governance compliance—is no longer fit for purpose in a world of rolling trade shocks and regulatory flux. Today's environment demands that boards not only guide the organisation through complexity but also curate a new rhythm of engagement, where oversight is complemented by orchestration and stewardship. A recalibrated boardroom playbook can rest on following pillars:

1 Trade-aware risk governance

Boards need to embed trade, geopolitical, and tariff risks into core governance frameworks. Traditional risk registers are backward-looking; the current environment demands anticipatory governance. This includes:

- **Mapping trade exposure**: Understand product-level and geography-level exposure to tariff volatility
- **Scenario planning**: Model tariff hikes, bilateral fallouts, or trade agreement collapses across key markets
- **Playbook development**: Ensure the business has predefined response mechanisms—not just crisis responses but operational workarounds.

This is no longer about 'discussing risk' but about institutionalising risk resilience at the board level.

2 From localisation to strategic self-sufficiency

The imperative to 'do more in India' or reduce dependency on single geographies is clear—but boards would need to go beyond operational localisation. They should consider evaluating whether the business is moving toward strategic self-sufficiency in core capabilities. This includes:

- **Dual-sourcing** critical components, even if at marginal cost disadvantage
- **Investing in domestic IP and innovation** hubs to reduce reliance on external ecosystems
- **Leveraging FTAs and trade corridors** proactively—not as policy instruments but as strategic enablers.

The board's role is to connect trade strategy with value creation, ensuring localisation is not reactive but future-fit.

3 Intelligent agility: Leveraging technology to enhance foresight

Boards need to embrace AI, analytics, and tech-enabled dashboards not just for efficiency but to enhance strategic foresight. The right digital architecture can help boards:

- Monitor policy movements in real-time
- Simulate trade disruptions or tariff hikes
- Understand dynamic supply chain risks.

However, a caution is warranted: **over-reliance on AI-generated outputs may create blind spots. It is critical to retain human judgment**, ask critical questions, and avoid echo chambers in decision-making.

4 ESG and reputation: A strategic shield, not a compliance burden

Tariff wars are increasingly tied to non-financial factors—carbon content, ESG disclosure, and even political alignment. Boards should consider recasting ESG not just as a compliance obligation, but as a hedge against future trade restrictions. Key board-level priorities can include:

- Decarbonisation accountability: Push for credible pathways to carbon neutrality to qualify for ESG-linked trade corridors (e.g., EU's Carbon Border Adjustment Mechanism)
- Reputation management: Consider reputational risks not only from operational failure but from misalignment with global policy narratives (e.g., resistance to ESG, over-dependence on high-risk corridors)
- Sustainability-informed M&A: Evaluate targets not just for financial synergy, but for ESG posture, supply chain resilience, and decarbonisation readiness.

In short, ESG is now a strategic lever to secure trade access and global legitimacy—organisations must treat it accordingly.

5 Shifting the strategic horizon: Matching decisions to lifecycle

Not all decisions are created equal. Boards should consider building fluency in matching strategic decisions with appropriate time horizons. A key message emerged: **'The life of a political decision is five years, a manufacturing asset is 15 years, and a trade agreement spans 30 years.'** This means:

- Boards need to stress-test long-term investments against short-cycle volatility
- Encourage capital frugality in times of flux—growth should follow visibility, not precede it
- Advocate for balance sheet resilience over aggressive expansion.

Strategy today must be modular, not monolithic. Boards should favor rolling strategies with pivot points over fixed five-year plans.

Tactical focus areas in the near term

Margin pressures and capital discipline

With rising input costs and tariff changes, many sectors—especially textiles, auto, and pharma—could face margin pressures in FY26. Boards need to tighten the lens on capital allocation and balance sheet resilience

Supply chain visibility and diversification

Boards should ask: How visible is our supply chain? Are we overexposed to any single country or corridor? Enhanced traceability, alternate routes, and inventory reshuffling are key

Hyper-personalisation and nano manufacturing

The emerging global model favors hyper-localised, micro-manufacturing setups that cater to regional markets while insulating from cross-border uncertainties. Manufacturing 6.0 smart, scalable, and decentralised—may be the way forward.

The path ahead: Resilience is the new strategy

The turbulence we are seeing is not transitory. It reflects a deeper recalibration of the global order. We cannot afford to wait for calm seas, Boards need to equip the organisation to navigate through storms, balancing agility with accountability, and tactical precision with long-term vision.

Each company's context is unique—hence, rigid playbooks won't work. Boards should encourage dynamic thinking, flexible frameworks, and continuous scenario planning. There might be merit in moving from quarterly oversight to real-time relevance, guiding and overseeing management in driving resilience.

The companies that emerge stronger from this phase could be those where boards stepped in not just to review, but to rethink, rebuild, and reinvigorate. Strategy, in this environment, is not about predicting the next disruption. It is about being prepared for it—tactically, operationally, and most importantly, structurally. Boards that adopt this evolved posture may not only weather the tariff upheaval—they are expected emerge as architects of a more resilient, responsive, and globally credible enterprise.

Considerations for boards:

- Moving from episodic engagement to continuous calibration
- Anchoring decisions in dynamic context, not static assumptions
- Balancing short-term resilience with long-term positioning.

KPMG in India contact:

Ritesh Tiwari
Partner
Board Leadership Center
E: riteshtiwari@kpmg.com

kpmg.com/in

Access our latest insights on KPMG Insights Edge

Follow us on:

kpmg.com/in/socialmedia

KPMG Assurance and Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai-400 011
Phone: +91 22 3989 6000, Fax: +91 22 3983 6000.