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Navigating strategy in an era of persistent conflict

Board Leadership Center (India)

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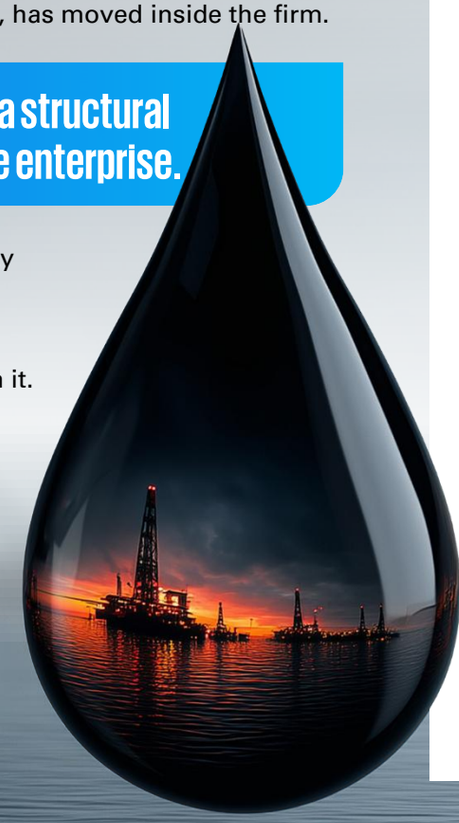
Conflict has moved inside the corporation. The boards that prevail in this decade are those that stop managing instability as a cyclical risk and start building for it as a permanent condition.

War has long been treated by the C-suite as force majeure—an external shock that disrupts markets but remains peripheral to the core mechanics of business. That framing is now obsolete. With active armed conflicts at their highest level since the second world war and unfolding simultaneously across Europe, Africa, the Middle East, and the Indo Pacific, war has become structural rather than episodic. Businesses built for frictionless globalisation are discovering that their operating models are now a liability. The impact is first felt in supply chains, but it runs much deeper: capital flows are constrained by sanctions and export controls, technology has become an instrument of statecraft, legal and regulatory regimes are fragmenting along geopolitical lines, financial systems are splintering, and workforce mobility is increasingly shaped by passport and domicile. War, in short, has moved inside the firm.

The 'geopolitical tax' is no longer a line item. It is a structural condition that now touches every function of the enterprise.

What distinguishes the current environment from past volatility is its permanence: the long-held assumption that markets are stable systems occasionally disrupted by shocks no longer holds. The challenge has shifted from managing instability to building organisations that can create and sustain value within it.



The structural rewiring of the global market

Geopolitical pressure on the enterprise unfolds in distinct phases rather than all at once, requiring boards to accurately diagnose where the organisation sits—and how rapidly it may be approaching stages where recovery becomes structurally difficult.

The phases of geopolitical impact on the enterprise

Phase	Nature of change	Enterprise consequence
Immediate disruption	Supply chains, logistics, energy flows	Operational interruptions; reactive, short-term response
Sustained volatility	Costs, demand patterns, currency, financing conditions	Margin pressure; misalignment between business models and price signals
Embedded fragmentation	Trade blocs, sanctions regimes, regulatory divergence	Interoperability erodes; regional silos form; market separation widens
Structural realignment	Competitive positioning, business models, access to capital and technology	Existential repositioning; strategic exclusion from core markets.

The critical inflection is the passage from sustained volatility into embedded fragmentation. Before that threshold, operational recalibration is generally sufficient. After it, the business model itself warrants redesign. A number of boards are still managing for the first two phases in conditions that have already entered the third.

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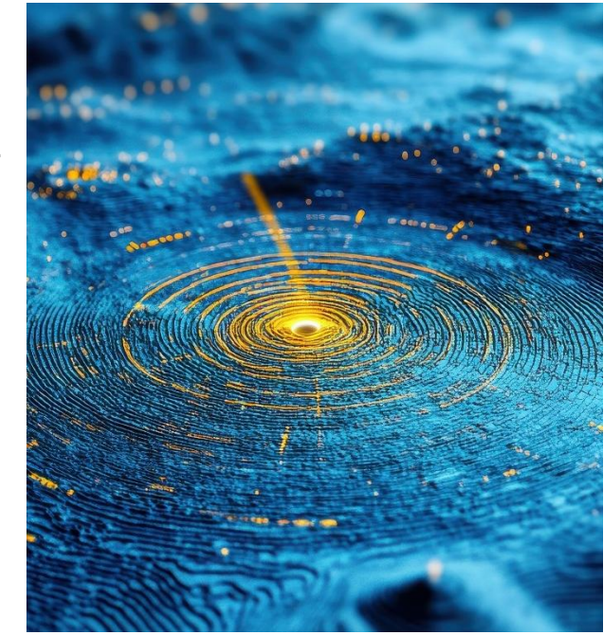
Board leaders should monitor potential triggers to assess whether a geopolitical event is moving from "sustained volatility" to "embedded fragmentation." For example, the imposition of tariffs that significantly alter trade costs, sudden restrictions on capital flows impacting investment activity, or regulatory changes that create conflicting compliance requirements across key regions could indicate deeper structural challenges. Other signals might include the formation of exclusive trade blocs influencing market access patterns or sanctions that expand to critical industries. Hypothetical metrics to track could include shifts in trade volumes within regional blocs, fluctuations in exchange rates beyond historical norms, or a doubling of compliance-related expenses due to regulatory divergence. Monitoring these types of developments can help boards determine whether the business requires operational adjustments or a fundamental strategic overhaul.

From exposure to strategic control

The strategic miscalculation of the past was equating global scale with resilience. What once provided diversification and growth also expanded exposure, turning scale from an advantage in a neutral global system into a source of vulnerability in an increasingly contested one.

	Focus	Model	Risk	Supply	Tech
Shift from: efficiency in boardroom	Cost and global scale	Just-in-time	Static heat maps	Global sourcing	Support function
To: strategic control in boardroom	Continuity and recoverability	Just-in-case and strategic control	Live geopolitical intelligence	Trusted corridors and domestic buffers	Backbone of operational visibility



A new logic is emerging in boardrooms—one that accepts higher costs in exchange for control over critical functions. The just in time model of global optimisation is giving way to just in case resilience, embedding redundancy and optionality to preserve decision making power under disruption. This marks an evolution in fiduciary judgment: shareholder value remains central, but it now sits alongside a more fundamental obligation—to ensure the firm retains the capacity to operate at all in an era of persistent conflict.

Food for thought - On currency, liquidity and financial resilience

As sanctions expand and financial systems fragment, currencies and settlement rails are no longer neutral infrastructure but strategic dependencies. Concentration in a narrow set of financial channels may become a source of fragility under geopolitical stress. Boards should therefore assess whether sufficient optionality exists—including regional, bilateral, or, where appropriate, crypto-enabled mechanisms—to ensure continuity of liquidity and settlement if primary channels are constrained. The core question is whether the organisation could continue to move capital if access to dominant systems were disrupted—and whether credible alternatives have already been identified and approved.

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The board's strategic commitments

Translating strategic intent into a functioning reality involves anchoring boardroom oversight in a set of considered commitments. These are not prescriptions; they are areas where boards may find it worthwhile to extend their oversight framework as the geopolitical environment continues to evolve.

Strategic commitments for board-level consideration

Strategic commitment	What it involves
Map the hidden	Shift from Tier-1 to deep-tier visibility across capital, technology, and critical global partnerships to surface concentrated exposures
Redundancy as strategy	Treat selective duplication as a hedge, accepting redundancy in supply, technology, and capital access as resilience, not inefficiency
Own the core	Embed live geopolitical sensing into board decision-making, moving beyond periodic risk reviews. Prioritise ownership or direct control of mission-critical capabilities over reliance on third-party licensing
Financial and digital fortification	Secure multi-rail access to capital and digital infrastructure to protect liquidity and operational continuity during systemic shocks
Agility as governance	Institutionalise scenario readiness, with boards testing management's ability to switch, reroute, and reposition before disruption occurs.

> **In a world of relentless geopolitical shifts, resilience is merely the baseline. Boards must cultivate antifragility, building organisations that leverage volatility to innovate, adapt, and grow stronger.**
>
> **By embedding flexibility, testing assumptions, and prioritising optionality, Boards can turn uncertainty into a strategic advantage, positioning their companies to thrive amidst disruption.**
>
> **Stefano Moritsch, Global Geopolitics Lead, KPMG International**

Each of these commitments involves trade-offs between efficiency, control, and cost. The appropriate balance will vary by organisation, sector, and geography. What is increasingly difficult to defer is the conversation itself. Importantly, Different companies have different exposures to the same set of risks, so any potential scenario has to be mapped to the specific risk exposures of the company.

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Indicative questions for boards to consider

Financial resilience

- How concentrated are our financial flows and settlement channels—and could liquidity be maintained if primary rails were constrained?
- Are our capital and treasury structures optimised for continuity under disruption, or efficiency in stable conditions?

Supply chain

- Where do deep-tier dependencies create systemic risk, and how confident are we in our visibility beyond Tier-1?
- How much of the business can be repositioned under disruption—and has that capability been tested?

Technology and IP

- Which mission-critical technologies, data, or IP are exposed to jurisdictional or regulatory restrictions?
- Where does third-party reliance materially limit control over continuity or competitive advantage?

Talent and workforce

- How exposed are we to talent and leadership concentration in geographies facing mobility or policy constraints?
- Do we have sufficient depth and succession to sustain decision-making under stress?

Governance and agility

- Are geopolitical risks embedded in strategic choices, or treated as external shocks to be managed?
- Have we explicitly assessed and accepted the trade-offs between efficiency, resilience, and control?

A more secure way forward

The ability to reposition quickly under constraint may be one of this decade's defining competitive advantages—yet few organisations have tested it. The globally integrated firm is not disappearing, but the terms of integration are being reshaped by geopolitics and conflict. Those that engage early, making deliberate choices about what to localise, protect, or keep globally optimised, retain far greater control than those forced to react. The board's question is not whether these shifts are immediately actionable, but whether they are being explored early enough for the organisation to remain the architect of its own future—rather than assuming parts of the business will remain insulated from disruption.

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