KPMG

Geopolitics and the board agenda

Board Leadership Center (India)

KPMG. Make the Difference.

Geopolitics has become a boardroom issue

For decades, businesses benefited from an increasingly globalised and interconnected world. Today, that environment is giving way to a more fragmented and uncertain geopolitical landscape. Geopolitical developments are no longer episodic risks; they have become structural forces shaping strategy, operations, investment decisions, and organisational resilience.

The scale of disruption is significant. In 2024, the economic impact of violence reached **11.6 percent of global GDP (approximately USD20 trillion),** while the number of global conflicts rose to **61** and forced displacement exceeded **122 million people** by mid-2025[1].

At the same time, governments are increasingly deploying tariffs, sanctions, export controls, investment restrictions, industrial policy, cyber operations, and technology regulations as tools of geopolitical competition.

As a result, resilience, adaptability, and strategic optionality are becoming as important as efficiency. For boards, the challenge is not simply managing geopolitical risk, but understanding how geopolitical shifts could reshape competitive dynamics, supply chains, capital flows, technology access, talent availability, and future growth opportunities.

The end of hyper-globalisation: Supply chain and strategic resilience

Geopolitical considerations are increasingly reshaping global supply chains, often taking precedence over pure economic efficiency. In response to disruptions ranging from the COVID-19 pandemic and the Russia–Ukraine conflict to tensions in the South China Sea and escalating U.S.–China competition, organisations are reassessing their dependence on single countries, critical trade routes, and strategically important suppliers.

As a result, companies are adopting strategies such as China+1, nearshoring, regionalisation, and friendshoring to reduce concentration risk and build greater resilience. Governments are similarly prioritising economic security, driving investments in trusted supply chains for semiconductors, pharmaceuticals, defense equipment, batteries, and other critical technologies.

These shifts are occurring alongside growing trade fragmentation. Nearly 3,000 trade-restrictive measures were implemented globally in 2025[2] , up from around 500 a decade ago, while tariffs in several major economies have reached levels not seen in decades. Together, these developments are creating new challenges around sourcing, costs, and market access.

1. Global Peace Index 2025, Institute for Economics & Peace, June 2025
2. Global Trade Alert, 2026

From a board perspective, supply chain discussions should no longer focus solely on cost optimisation. Directors should challenge management on:

- Geographic concentration risks across suppliers and customers
- Exposure to strategic chokepoints such as the Strait of Hormuz, the South China Sea, the Taiwan Strait, and the Suez Canal
- The resilience of critical suppliers and sub-tier vendors
- Business continuity plans under scenarios involving sanctions, conflict escalation, or trade restrictions
- The balance between efficiency, resilience, and strategic flexibility.

Leading organisations increasingly view supply chain diversification as a strategic investment rather than an operational expense.

A new economic order: Trade blocs and currency systems

Economic nationalism is re-emerging as a defining feature of the global landscape. Governments are increasingly pursuing industrial policies aimed at securing domestic capabilities in strategically important sectors such as semiconductors, clean energy, artificial intelligence, advanced manufacturing, critical minerals, and defense. As a result, globalisation is becoming more regionalised, with stronger trade blocs, regional supply chains, and overlapping economic partnerships creating a more complex operating environment for businesses.

At the same time, the global financial architecture is gradually evolving. While the U.S. dollar remains the dominant reserve and trade currency, several countries are exploring ways to reduce dependence on dollar-centric systems through local-currency trade arrangements, central bank digital currencies, and alternative cross-border payment networks. Although a fundamental shift away from the dollar remains unlikely in the near term, boards should closely monitor these developments as they could reshape cross-border transactions, capital flows, and financial risk management.

Boards should therefore ask:

- Is management monitoring exposure to geopolitical sanctions and financial restrictions?
- What would be the impact of payment system disruptions on operations?
- How resilient is treasury strategy under different currency scenarios?
- Are there opportunities to diversify funding sources and geographic exposures?

The effective boards are likely to treat geopolitical developments not merely as risks, but also as indicators of where future investment opportunities may emerge.

Geopolitical competition for critical resources and talent

Competition among nations is increasingly centered on strategic resources that may define future economic and technological leadership.

Critical minerals such as lithium, cobalt, nickel, copper, graphite, and rare earth elements are essential inputs for electric vehicles, renewable energy systems, defense equipment, semiconductors, and advanced electronics. Yet global extraction and processing of many of these materials remain highly concentrated in a small number of countries. This concentration creates supply vulnerabilities and has transformed access to these resources into a strategic issue rather than simply a commercial one.

Similarly, concerns around water, energy security, and data infrastructure are becoming increasingly geopolitical. Growing demand from artificial intelligence and data centers is intensifying competition for electricity and water resources, creating new regulatory and societal pressures.

Talent mobility is also being affected. Immigration policies, national security considerations, and geopolitical tensions are influencing the movement of skilled labor across borders. Restrictions on technology transfer, academic collaboration, and specialised workforce mobility may affect organisations' ability to access critical capabilities.

For boards, this raises several strategic questions:

- Which critical inputs are essential for long-term competitiveness?
- How dependent is the organisation on a limited number of countries for strategic resources?
- Are current workforce strategies aligned with a more fragmented talent landscape?
- What investments are needed to secure future resource availability and technological capabilities?

Organisations that proactively build resilience into resource, technology, and talent strategies are likely to enjoy a competitive advantage as geopolitical competition intensifies.

The rise of geopolitical cyber risk and technology fragmentation

Cybersecurity has evolved from an IT issue into a geopolitical risk management challenge. State-sponsored cyberattacks, cyber espionage, ransomware campaigns, and attacks on critical infrastructure are increasingly linked to geopolitical tensions.

Recent research suggests that organisations now face nearly 2,000 cyberattacks per week on average, while a majority of business leaders report increasing concerns regarding geopolitically motivated cyber activity. The global cost of cybercrime is estimated to exceed USD10 trillion annually[3].

At the same time, technology ecosystems themselves are fragmenting. Competition around artificial intelligence, semiconductors, cloud infrastructure, telecommunications networks, and quantum computing is reshaping international relationships. Export controls, technology sanctions, and regulatory restrictions are becoming common tools of geopolitical competition.

Organisations may face scenarios where access to technologies, vendors, markets, or intellectual property becomes constrained by geopolitical developments rather than commercial considerations.

Boards should therefore move beyond traditional cybersecurity oversight and consider:

- Whether cyber risk assessments incorporate geopolitical scenarios.
- Exposure to state-sponsored cyber threats.
- Dependencies on technology vendors concentrated in specific jurisdictions.
- Incident response readiness under conditions of geopolitical escalation.
- Governance mechanisms for AI, emerging technologies, and strategic data assets.

Cyber resilience increasingly serves as a proxy for overall enterprise resilience.

3. Cyber Security Report 2026, Check Point, Jan 2026

Board imperatives: What directors should do now

As geopolitical uncertainty becomes a permanent feature of the operating environment, boards should ensure that governance structures evolve accordingly. Five priorities deserve particular attention:

1. **Elevate geopolitics to a standing board agenda item:** Geopolitical developments should be discussed regularly alongside financial performance, strategy, cybersecurity, and risk.
2. **Strengthen scenario planning:** Management should model multiple geopolitical scenarios—including trade disputes, sanctions, military conflict, cyber incidents, supply disruptions, and regulatory fragmentation—and quantify potential impacts.
3. **Stress-test strategic dependencies:** Boards should understand their organisation's dependence on specific countries, suppliers, logistics routes, technologies, talent pools, and critical resources.
4. **Balance efficiency with resilience:** Investment decisions should reflect resilience considerations, even where they may increase short-term costs.
5. **Develop geopolitical intelligence capabilities:** Organisations need structured mechanisms to monitor geopolitical developments, assess implications, and support rapid decision-making.

Conclusion

Geopolitics has shifted from being an external contextual factor to a central determinant of business performance and strategic success. The defining feature of the next decade is likely to be increasing fragmentation—across trade, technology, capital flows, supply chains, and international relationships.

For boards, the key question is no longer whether geopolitical developments will affect the organisation, but whether the organisation is sufficiently prepared to navigate them. Those that build resilience, diversify dependencies, strengthen scenario planning, and integrate geopolitical considerations into corporate strategy may be better positioned not only to mitigate risks, but also to capture opportunities emerging from a rapidly changing global order.

KPMG in India contacts:

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

Stefano Moritsch
Global Geopolitics Lead
KPMG International
E: smoritsch@kpmg.com.au

Access our latest insights on KPMG Insights Edge

kpmg.com/in

Follow us on:
kpmg.com/in/socialmedia