

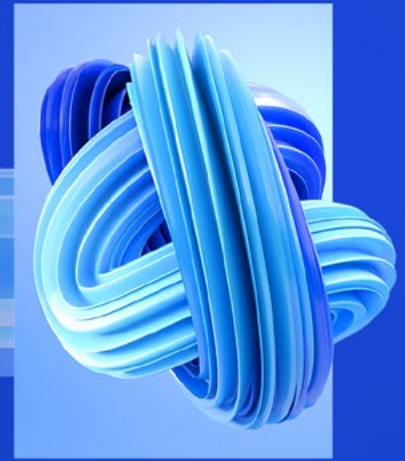


Board leadership during times of uncertainty

10 recommendations for board directors

KPMG Middle East Board Leadership Centre

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The conflict in the Middle East is causing unprecedented disruption to global energy flows, prompting governments to consider policies and measures they had previously ruled out. Fuel shortages and high crude prices are continuing to prompt petrochemical production cuts, raising key input costs and transmitting stress downstream – including fertilizer disruptions, shortages and price spikes in fuel costs resulting in inflation transmission and demand destruction. Higher inflation, tighter financial conditions, and increased logistics and insurance costs are feeding into lower growth expectations across exposed markets. Whilst the sectoral impacts are uneven however, they will significantly affect energy and utilities, financial services, contracting and housing, manufacturing, consumer, retail, hospitality, tourism, agriculture, fertilizer, food resulting in significant challenges to insurance, rerouting and travel. Accordingly, there are serious implications for businesses not only in the region but to the wider world.

This paper draws on private conversations with directors of organizations; people currently serving, or recently serving, on boards of businesses with significant cross-border exposure. We asked them, given the current environment, how the board of directors should respond and what should they be doing. What came back was candid, which we have summarized and structured in ten recommendations for boards of directors to respond and action.

1 | Keep strategy anchored in current assumptions, and review it more often

The most consistent observation across our conversations: boards that found themselves poorly positioned during disruption had almost always failed to ask, early enough, whether the assumptions underpinning their strategy still held. The questions a board of directors should press management to answer are specific. Customer behavior, input costs, market access, regulatory stability: each deserves a direct answer, not a general reassurance that the strategy is broadly intact.

The annual strategy cycle was calibrated for a world that moved more slowly. What directors recommended is not constant reinvention, but a standing habit at each board meeting of asking whether anything material has changed and what that means for the major choices the organization is currently committed to. Strategy that is not revisited tends to become self-reinforcing. The threshold for questioning the agreed plan rises quietly until an event forces a revision at the worst possible moment.

2 | Insist on scenario planning rigorous enough to answer the hard questions

Most organizations have scenario planning in place. What varies is whether it constitutes a genuine discipline or a presentation exercise. Directors can usually tell the difference. The version that is not worth much arrives as polished slides covering modest variations on the base case, with no commitments from management about what they would actually do if those scenarios materialized.

The test directors recommended applying directly: if a severe scenario arrived in the next six months, what would we do, specifically, in the first thirty days? If the answer is vague or not appropriately supported by underlying assumptions, the planning has not gone far enough.

3 | **Protect financial headroom, especially when it feels unnecessary**

This point came up in almost every conversation, and with more feeling than almost any other. Directors who had seen their organizations navigate genuinely difficult periods in good shape consistently attributed it to one thing above others: Financial headroom preserved when conditions were comfortable, often against pressure to return it to shareholders or deploy it in growth.

Liquidity and balance sheet quality determine whether, when conditions shift, the organization can make considered choices or is reduced to managing consequences. The pressure to distribute capital, increase leverage, or accelerate investment tends to be presented without adequate weight being given to the cost of losing that flexibility. Boards that have held this line, even when it attracted criticism, tend to look back on it with relief.

5 | **Ensure the board's oversight architecture keeps pace with the environment**

Geopolitical disruption produces consequences that travel across risk categories in ways that monitoring by function tends to miss. Trade policy changes affect procurement costs, which compress margins, which tighten covenant headroom, which complicates refinancing. The sequence arrives faster than the annual risk cycle can track. Cybersecurity risk rises when geopolitical tensions escalate, a connection that several directors noted had caught boards off-guard in recent years.

The same scrutiny applies to the board's own governance processes. In larger organizations, the machinery of approvals and committee structures can accumulate in ways that slow decision-making disproportionately to the control it provides. In stable conditions this is an irritant. When management needs to act quickly, it becomes a serious problem. Directors should periodically ask whether authorization thresholds reflect the actual risk profile of decisions and whether habits have accumulated that nobody has recently had reason to question.

4 | **Understand where the supply chain is genuinely exposed**

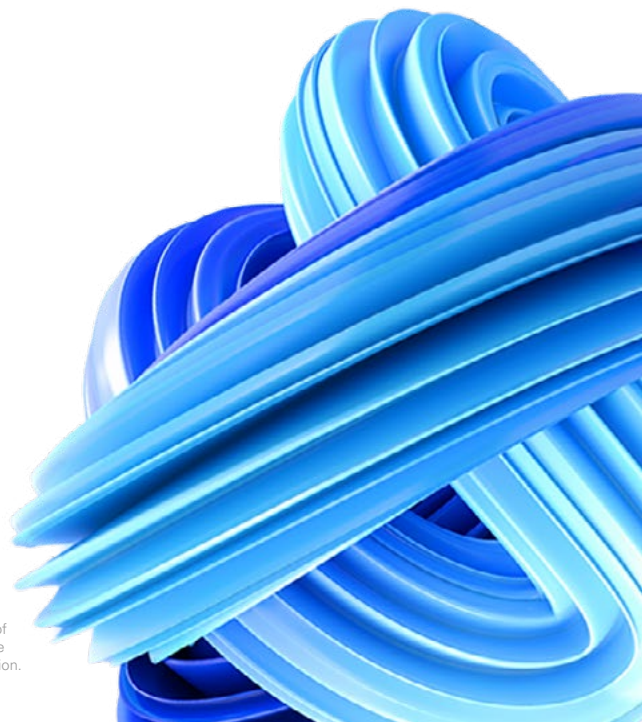
The pattern is common enough to state plainly: boards are regularly presented with characterizations of supply chain resilience that do not survive contact with reality. Covid-19 exposed this at scale. Tariff changes and the geopolitical rerouting of trade flows since 2022 have continued to surface the gap between what boards were told and what turned out to be true. Genuine exposure often sits several tiers below direct supplier relationships and requires deliberate effort to surface.

Directors should not accept summary assurances. The questions worth putting specifically are: Where are the single points of failure? What has actually been tested, rather than modelled? If a critical input or shipping route became unavailable in the next ninety days, what exactly would we do? That level of specificity tends to produce more useful answers than a general resilience review.

6 | **Be deliberate about the timing of major commitments**

When conditions are uncertain, boards face familiar pressure: management, and sometimes shareholders, want visible action. Acquisitions, restructurings, expansions, transformation programs become challenging questions. The pressure does not abate during difficult periods; disruption creates apparent opportunities and decisive leadership can feel important to signal.

A director's role here is sometimes to provide a check. That means pressing on whether the rationale for a major commitment is genuinely compelling at this moment, or whether timing is being driven by momentum rather than by the merits. Directors who have seen expensive decisions made under pressure, in conditions that subsequently changed, tend to be clear on this point: slowing things down, when the evidence supports it, is one of the more valuable contributions a board can make.



7 Support better information, and know how quickly you could see your exposure

When conditions are moving quickly, the speed and quality of management information become a direct operational variable. Several directors described their boards operating, particularly in the early stages of a significant disruption, with reporting that was too slow, too aggregated, or too backward-looking to support timely decisions. Investment in better data capabilities rarely features prominently in strategic discussions, but directors who had pushed for it reported a material difference in the board's ability to act in time.

One question worth asking directly: If a significant geopolitical event occurred tonight, how long would it take to get a clear and reliable picture of the organization's direct exposure? The answer is worth knowing before it becomes urgent.

9 Take responsibility for external communications rather than simply delegating it

In difficult conditions, the temptation felt by management and sometimes by directors is to say less and to frame things more optimistically than the facts support. Directors with long experience were consistent on this: positions that are not sustainable damage credibility when they are revised. Stakeholders who conclude they were not given an honest account become significantly less tolerant of subsequent difficulties.

A director's role is to press for communications the organization is prepared to stand behind, and to resist the pressure, sometimes commercial, sometimes personal, to present a more reassuring picture than the evidence warrants. This is not about pessimism. It is about the institutional trust that is very easy to erode and very slow to rebuild.

8 Pay genuine attention to how the organization's people are doing

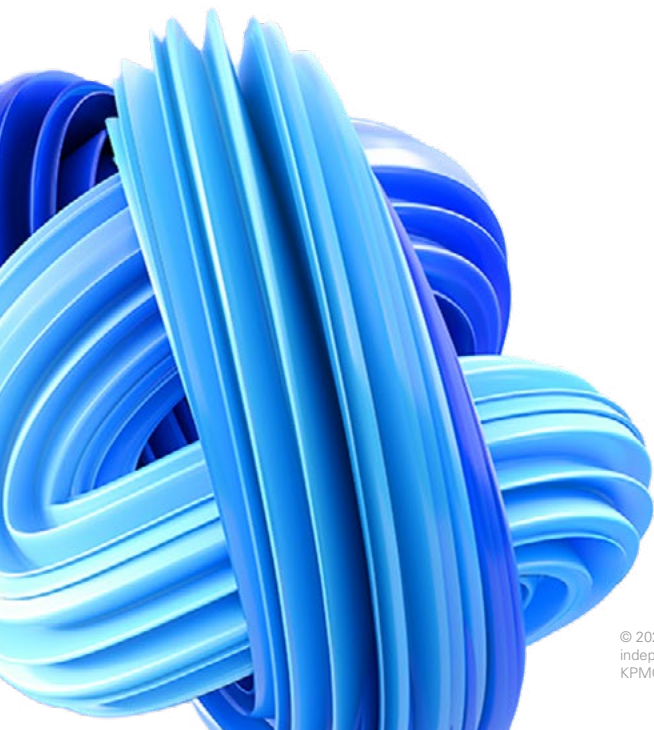
This dimension of board responsibility gets crowded out when strategic and financial pressures are most acute. Prolonged uncertainty affects people in ways that have direct operational consequences: decision-making slows; capable individuals begin quietly considering their options; the layer of management below the executive committee, which carries a disproportionate share of the operational load, loses confidence when it is most needed.

Directors should not rely on formal engagement metrics alone. The chairs and senior independent directors who were most effective in this area had maintained enough direct, informal contact with the organization to have an independent view of what was actually happening: genuine visibility into how people below the top team were thinking and feeling. That requires deliberate effort to build and maintain, and it is rarely built quickly.

10 Ask honestly whether the board has the right people and whether it is genuinely using the knowledge available to it

This is the hardest question on the list and, consistently, the one most systematically avoided. Board composition reviews tend to focus on formal criteria: tenure, independence classifications, skills matrices. These rarely surface the more direct question of whether the people currently around the table are genuinely equipped to interrogate the challenges the organization is now navigating. Geopolitical complexity, the growing significance of technology, the demands of operating across jurisdictions with increasingly divergent regulatory environments: each requires a level of direct knowledge that a skills matrix does not always accurately capture.

Directors recommended the use of external expertise. Several directors described bringing in regional specialists, former officials, or geopolitical analysts to inform specific board discussions, and more than one expressed genuine surprise at how long they had waited to do so. There is no virtue in a board relying solely on its existing knowledge when the questions before it extend beyond it. The nomination process, as it typically operates, does not naturally surface this kind of honest self-assessment. Arriving at it requires a conversation the chair and senior independent directors need to be willing to initiate and see through.



A closing observation

The time to develop these habits is not when a crisis is already under way. The pace at which external conditions have moved since 2022, through energy shocks, supply chain fractures, tariff escalations, and the continued reshaping of the geopolitical order, has narrowed the margin for boards that are still preparing.

What the more effective boards had in common was not a particular structure, committee arrangement, or reporting format. It was a willingness to ask difficult questions of management, of each other, and of themselves, and a chair and senior independent director who created the conditions in which that was genuinely possible, rather than formally encouraged but practically discouraged.

In summary, we recommend boards of directors to advise the management of the following:

Reset the baseline

Update all planning assumptions for a world of higher, more volatile energy and logistics costs as pre-war conditions are not expected to return quickly.

Embed scenario thinking in decision-making

Use structured scenarios to test exposures, stress-test financials, and set clear 'stop/go' triggers for major projects in sensitive geographies.

Rebuild resilience across the value chain

Diversify energy sources, redesign supply chains away from single chokepoints, and strengthen continuity measures across operations, technology, and infrastructure.

Reprioritize investments

Where it is feasible, shift capital toward efficiency, localization, resilience, and sovereign infrastructure.

Strengthen organizational readiness

Enhance cybersecurity, multi-region cloud architecture, workforce continuity plans, and governance mechanisms to ensure the organization can adapt quickly as conditions evolve.

Identify the relevant risks and uncertainties

Determine financial reporting impacts and tell all the stakeholders a clear and connected story.

Continue to look after your people

Last but not least.

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