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Board effectiveness focus: Boards in a geopolitical age: Moving from awareness to advantage

Boards can apply five tactics to ensure they integrate geopolitical considerations effectively into their decision making.

For most of the post-Cold War era, boards have been able to regard geopolitics as a background consideration rather than a strategic variable. Today, that is increasingly difficult to do. Once again, the global operating environment is leading to Great Power competition, market fragmentation, politicized supply chains, and the entanglement of national security with commercial activity. Company directors we surveyed late last year cited geopolitical uncertainty as a top concern—and more than half weren't particularly confident in their organization's ability to manage it.[1]

Directors now routinely ask us what boards should be doing as geopolitics becomes more important. The answer? They don't need to become foreign policy experts. But they do need to ensure that geopolitical considerations are integrated into governance, strategy, capital allocation, and risk oversight in a disciplined way.

Building geopolitical competence in the boardroom

It's worth considering who on the board actually understands these issues. When a director looks around the table and finds little practical experience with political risk, government decision making, and strategic competition, or in operating in unstable environments, these gaps need to be addressed.

Such capabilities should be part of the board skills matrix. If they are lacking, directors with relevant experience need to be recruited, or existing directors be exposed to outside expertise through regular briefings, exercises, and education. The goal is not to turn the board into a geopolitical forum but to ensure that when strategic assumptions are challenged by external developments, someone in the room has the confidence and experience to ask the right questions.[2]

Geopolitical developments can affect many of the board's functions—market access, technology strategy, mergers and acquisitions, supplier relationships, regulatory exposure, and long-term competitiveness—and boards must be able to navigate their way through the disruptions.

This requirement is becoming more acute as the boundary between national security and commercial activity blurs. Commercial outcomes are increasingly shaped by export controls, sanctions, and supply chain security, as well as by industrial policy, data governance, critical infrastructure protection, and investment screening. Decisions that once appeared purely economic can now carry geopolitical implications.

Making assumptions explicit

Perhaps the most important—and underappreciated—role for boards is to enforce clarity around assumptions. Every business strategy rests, implicitly or explicitly, on geopolitical assumptions: markets will remain open, supply chains will function, regulatory regimes will remain stable, and certain political relationships will hold, for example.

Management needs to make those assumptions explicit, particularly when involved in major investments, acquisitions, market-entry decisions, supply chain strategies, or increasingly, R&D and product-upgrade decisions. Assumptions are not about predicting the future; they ensure the company is not operating on unexamined or outdated premises.

1 For more, see "2026 CEO & Board Confidence Monitor," Heidrick & Struggles, February 12, 2026, heidrick.com.
2 For more on how US boards are considering their composition in the current environment, see "Board Monitor US 2026 | Future-focused boards: Linking renewal, alignment, and performance," Heidrick & Struggles, May 12, 2026, heidrick.com.

Creating a translation layer

Decisions around geopolitical situations are rarely held back by a lack of data; companies have access to enormous amounts of geopolitical information and analysis. The challenge is converting the data into actionable decision making; in other words, developing a translation layer. This is a set of people, processes, and decision mechanisms, either in-house or external, that can convert geopolitical developments into business implications.

The translation layer bridges the gap between external events and corporate action. Without it, companies risk overlooking or misinterpreting geopolitical signals, or treating them as distractions rather than strategic inputs.

Most companies can identify developments such as a new export control regime, a change in alliance relationships, rising tensions in a strategic waterway, or a shift in industrial policy. Fewer can consistently answer the questions that matter:

- What does this geopolitical shift mean for our business?
- What assumptions are affected?
- What decisions should change?
- What opportunities might emerge?

Boards should expect management to explain what geopolitical information they receive, and how that information is being evaluated, interpreted, and integrated into strategic decisions. Whether this capability resides within strategy, risk, government affairs, security, with external advisors, or in a cross-functional matrix matters less than making sure it exists and functions effectively.

Exercising the muscle

Geopolitical risk cannot be managed through static analysis alone, nor should it be addressed on a case-by-case basis. Organizations build capability through practice and repetition, and some of the most effective tools for boards and management are tabletop exercises and scenario-based planning. These needn't be elaborate but should instill a discipline of working through realistic scenarios. Such exercises help develop institutional agility and decision-making discipline to address unforeseen events.

A company may, for instance, examine how it would respond to various situations, such as sanctions affecting a major customer, conflict disrupting a critical supply chain, restrictions on technology transfers, or a sudden political crisis in a key market. It doesn't have to come up with an accurate forecast—it needs to be able to test assumptions, expose vulnerabilities, clarify decision authorities, and identify gaps before they become crises.

Boards should encourage these types of exercises and periodically review the results, assessing various issues that may have arisen: what surprised management, what capabilities proved inadequate, what gaps emerged between management and the board, and what investments or policy changes are warranted.

Defining the boundaries between efficiency and resilience

Current discussions often frame organizational efficiency and resilience as opposing choices. Yet, in practice, it is more nuanced. Both matter. The question is where the balance should lie.

Not every geopolitical disruption justifies costly restructuring. Some shocks can be absorbed, while others may threaten the viability of a business model, market position, or supply chain.

Boards play an important role in helping management define these boundaries and make informed trade-offs around which risks are acceptable, which require mitigation, and which demand structural change. Ensuring the leadership team is aligned on these decisions provides clarity and support, enabling decisive action when conditions change.

Organizations with the most redundancy may appear to be the most resilient, but in fact, it is often the ones that have thoughtfully determined where resilience creates strategic value and where efficiency remains the better choice, who are more resilient in practice.

From risk management to strategic positioning

Geopolitical change does not only have to be a source of volatility. It can be an opportunity for differentiation, too. Companies that understand the terrain—how markets are moving, where government priorities are shifting, and where supply chains can be secured—can identify what others miss.

The board's task in steering the organization through a period of geopolitical instability is to move beyond a purely defensive posture to ensure that the company is not merely reacting to the environment but positioning itself correctly within it. This is a higher bar than traditional risk oversight. It is also where the advantage lies.

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