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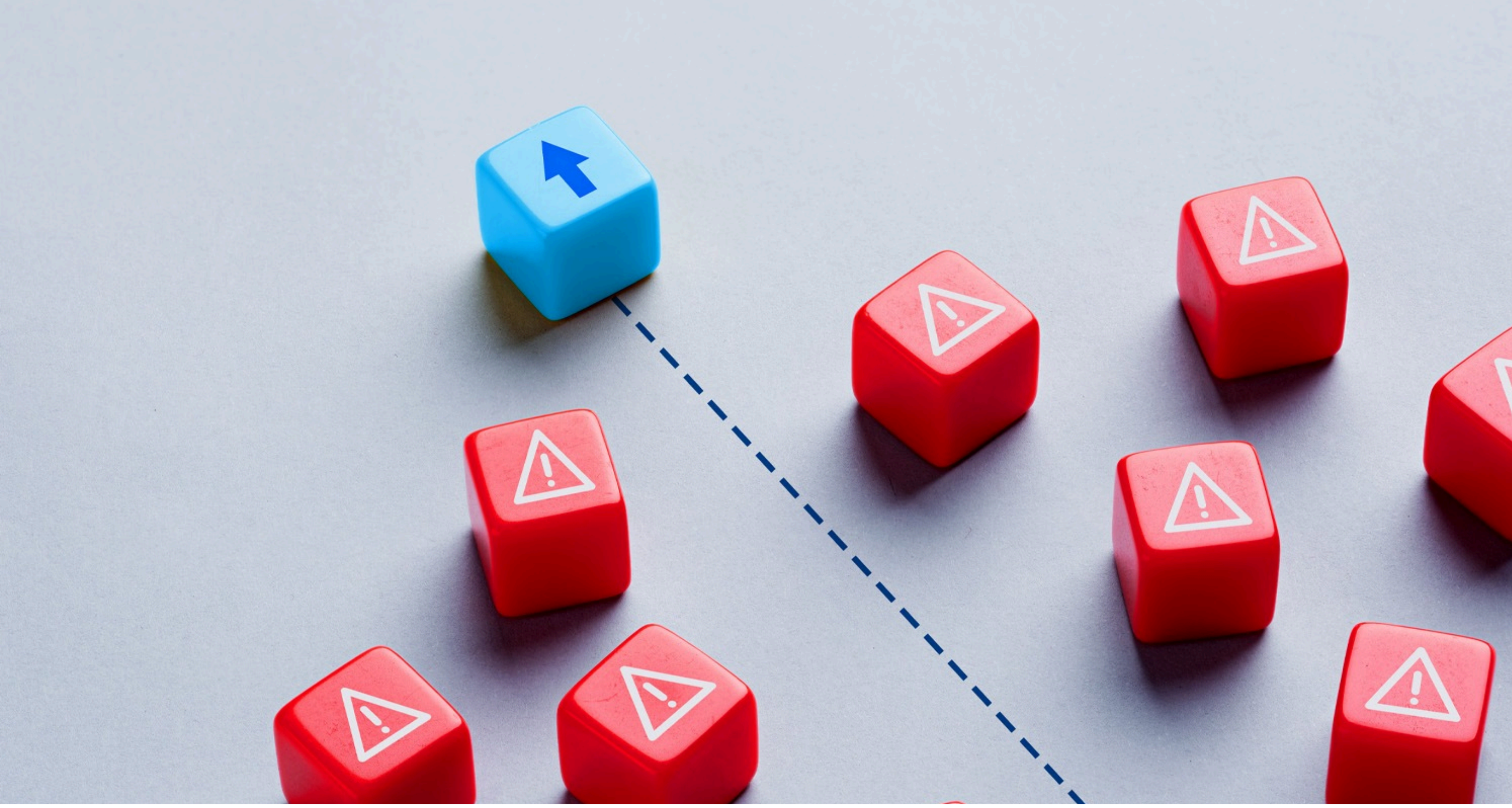
Geopolitics Practice

Leading amid geopolitical upheaval: Five imperatives for today's CEOs

Planning for "two worlds," establishing strong external relationships, and building resilient operations are key priorities for executives aiming to capture opportunities while mitigating risks.

This article is a collaborative effort by Cindy Levy, Kurt Strovink, Matt Waters, and Shubham Singhal, with Matthew Roberts, representing views from McKinsey's Geopolitics Practice.



November 2025

When it comes to geopolitics, today's CEOs are navigating rugged, unpredictable terrain. The imposition of new tariffs, export controls, investment restrictions, industrial policies, or sanctions is disrupting organizations' direction of travel and business executives' carefully laid plans. In fact, it is shifting the entire competitive landscape. The CEO's every decision, whether to push forward, change course, or retreat, must be carefully considered—and then reconsidered.

In McKinsey's most recent global survey on economic conditions,[1] geopolitical instability outranked macroeconomic volatility, cybersecurity, and even technological disruption as the chief risk to growth. Companies are already feeling the strain and are rerouting supply chains, absorbing higher costs, and confronting tighter talent pipelines.

These shifts aren't just temporary; they are likely to represent a permanent structural change in the global order. But only one-third of respondents say they are confident in their organizations' ability to manage trade policy changes. Board directors, too, are often unprepared: According to McKinsey research, most directors say they are ready to deal with challenges close to home but unprepared for major global crises, macroeconomic shocks, and other larger-scale forces that are "too ambiguous to understand fully."[2]

Modern CEOs—all reliably and technically proficient in finance, operations, engineering, and other traditional areas of business—now need to actively develop their geopolitical IQ. To start, they should recalibrate their corporate strategies to account for two likely but contrasting geopolitical scenarios: a diversified world in which trade is rebalanced but largely open, and a fragmented world in which regionalization dominates and trade restrictions expand.

Regardless of which world emerges, CEOs must use their unique skills, relationships, and opportunities to turn geopolitical uncertainty into competitive advantage—as we explore in this article. Their direct access to various scenarios, nerve centers, market indicators, and other sources of just-in-time business information gives them a platform for establishing and communicating the "house view" on geopolitics. That proprietary foresight can also drive CEOs' strategic decisions on all the small and large opportunities emerging from a changing world order. It's the CEO's input into budgets and allocation decisions that can determine whether organizations have the capabilities and resilience required to address and adapt to geopolitical disruption. And CEOs, of course, continue to play a central role in shaping external narratives—on Main Street, on Wall Street, and increasingly, in the geopolitical realm.

Given the reach and breadth of their expertise, public and private mandates, and global relationships, CEOs will need to get involved in situations and discussions they may not have participated in previously. But there is no avoiding it: CEOs can either help shape the geopolitics around them or be shaped by them.

[1] Sven Smit, Jeffrey Condon, and Krzysztof Kwiatkowski, "Economic conditions outlook, September 2025," McKinsey, September 29, 2025.
[2] Ziad Haider, Jon Huntsman Jr., and Chris Leech, "Geopolitical resilience: The new board imperative," McKinsey, August 8, 2023.

A period of intense geopolitical uncertainty

Regional conflicts and trade divergences have escalated, challenging multinational corporations everywhere. Since 2017, US–China tariffs have risen sixfold, and global trade interventions have grown 12-fold since 2010.[3] As a result, many companies, particularly in the technology sector, are considering ways to diversify their production. For instance, Samsung may shift part of its smartphone production from Vietnam to India to mitigate prospective US tariffs; about 60 percent of its phones are currently made in Vietnam.[4]

Simultaneously, governments are tightening export controls and regulating investment flows. As a result, industrial policy actions grew by nearly 390 percent between 2017 and 2024, primarily in sectors like defense, semiconductors, and advanced equipment.[5] Over the past few months, there have also been significant (and interdependent) geopolitical shifts in trade and economics and in security (see sidebar, "A closer look at several critical trends").

A closer look at several critical trends

Two of the most common—and most interdependent—geopolitical shifts lately are in trade and economics, and in security.

— *Geopolitical shifts in trade and economics* are reshaping global competition and adding complexity to supply chains. Regional and bilateral trade agreements have increased by nearly a third since 2017, creating new trade corridors but also complicating global commerce. Governments are doubling down on domestic industrial policies, such as the US Inflation Reduction Act and India's Make in India initiative, injecting trillions in subsidies and tax breaks to favor local players. Meanwhile, regulatory pressures are mounting, with more than 13,000 new EU trade and capital control regulations introduced over the past five years, forcing companies to rethink cost structures and investment flows.[1]

— *Security-driven shifts* are equally disruptive, with foreign investment restrictions and sanctions escalating rapidly. The US Committee on Foreign Investment issued more penalties in 2023–24 than in the previous five decades combined, while US sanctions in 2024 outpaced those of all other countries combined. Technology and cybersecurity have become critical battlegrounds, with semiconductor export controls in 2022–23 disrupting global supply chains. Rising geopolitical conflicts, at their highest levels since World War II, are straining energy, logistics, and talent markets.[2]

[1] 2024 national trade estimate report on foreign trade barriers, United States Trade Representative, 2024.
[2] Eleanor Hume and Kyle Rutter, "Sanctions by the numbers: 2024 year in review," Center for a New American Security, March 11, 2025; "With highest number of violent conflicts since Second World War, United Nations must rethink efforts to achieve, sustain peace, speakers tell security council," United Nations, January 26, 2023.

[3] Cindy Levy, Shubham Singhal, and Matt Watters, "A proactive approach to navigating geopolitics is essential to thrive," McKinsey, November 12, 2024.
[4] Heekyong Yang, Hyunjoo Jin, and Francesco Guarascio, "What Samsung and Vietnam stand to lose in Trump's tariff war," Reuters, April 12, 2025.
[5] Cindy Levy, Matt Watters, Shubham Singhal, and James Ivers, "From protection to promotion: The new age of industrial policy," McKinsey, May 16, 2025.

Finding calm in the geopolitical storm: An action plan for CEOs

Given the tumultuous geopolitical environment, CEOs will need to stay plugged into current events and use solid scenarios to inform their decision-making. A review of two potential worlds can help leaders find their strategic footing.

— *In a diversified world*,geopolitical frictions are limited to critical goods and technologies, immigration rules are eased, and investments flow across borders. Bold CEOs can seize opportunities in new trade corridors, talent pools, and industrial incentive programs.

— *In a fragmented world*, trade restrictions are implemented more broadly, labor mobility narrows, capital flows retreat, and technology transfer slows. In this scenario, CEOs face rising costs, regulatory dissolution, and sharper choices about where—and with whom—to do business.

CEOs can use this "two worlds" framework not just to mitigate risk but also to identify opportunities to create and capture more value. For instance, which businesses will thrive in a diversified world versus a fragmented world? How should CEOs allocate resources to seize new trade opportunities while hedging against restrictions? Additionally, CEOs may need to develop new core capabilities and rethink their organizational design to accommodate both worlds—for instance, making operations more flexible so they can react quickly when opportunities arise or retreat with minimal cost when markets close. Above all, CEOs must do these things quickly while preventing their teams from freezing in place.

Our research and experience point to five cross-cutting imperatives for CEOs seeking to create and sustain business opportunities amid geopolitical disruption:

1. build proprietary geopolitical foresight

2. capture opportunities and mitigate risks from geopolitical realignment

3. take an active role in shaping the external agenda

4. build organizational and operational resilience

5. transform regulatory change into competitive advantage

Build proprietary geopolitical foresight

Traditionally, CEOs have viewed geopolitics as a risk to be managed, not necessarily a vector of opportunity. But given the steady advance of globalization over the past three decades,[6] CEOs must now examine geopolitics through several lenses—strategy, planning, and foresight—and they must establish a clear, company-wide perspective on geopolitics, or the house view.

Doing so can be challenging, however: Geopolitical events unfold quickly, and public data alone is often insufficient for developing a deep corporate perspective. But even when data is incomplete or missing, teams need to act; they cannot simply observe and wait for events to unfold. The CEO will need to orchestrate the development of scenarios, such as the two-worlds framework, that can help teams make decisions while still accounting for potential first-, second-, and third-order effects of actions taken in response to geopolitical shifts. CEOs are uniquely suited to orchestrate this effort, given their direct and privileged access to just-in-time business information as well as the scope and number of relationships they have across the organization.

CEOs in the highest-performing organizations establish dedicated "nerve centers" and cross-functional foresight teams. Standing up a nerve center allows the CEO and leadership team to continually scan the geopolitical environment for general developments that may affect the organization. Pairing that nerve center with the cross-functional foresight team allows the CEO and leadership team to pressure test strategy, capital allocation, and other decisions against the scenarios they have developed. Shell's scenarios team, for instance, uses energy-transition and trade-flow modeling to develop a perspective on possible geopolitical and economic shifts and embeds those insights into its planning processes.[7] It uses these scenarios to inform major strategic choices and long-term portfolio decisions.

CEOs in high-performing organizations also use advanced analytics to help build the house view. This includes using AI tools to monitor regulatory filings, sanctions listings, and policy changes in real time. These CEOs also treat geopolitical scenarios in the same way they do economic or financial forecasts, considering them all at the same level. For instance, some CEOs in consumer-goods multinationals are now presenting to their boards estimates of how changes in the geopolitical landscape (such as tariffs) could affect their financials, alongside traditional financial projections.[8]

Meanwhile, other CEOs are relying more heavily on market-based indicators that summarize which risks markets are pricing, the triggers to watch, and the assets most exposed. Such tools can help CEOs provide structured input to the board and to strategic-planning and resource-allocation discussions.

In some cases, the CEO may choose to intervene directly to mitigate geopolitical risk. Apple's CEO, Tim Cook, anticipated increasing trade frictions between the United States and China and decided years ago to diversify from China. He and the leadership team sought new opportunities for the iPhone in India. By fiscal year 2024, roughly 14 percent of iPhones were assembled in India—about $14 billion in output—and the move was integrated into supply risk discussions

[6] "Why businesses need 'geopolitical muscle' in a multipolar world," World Economic Forum, January 14, 2025.
[7] Angela Wilkinson and Roland Kupers, "Living in the futures," *Harvard Business Review*, May 2013.
[8] "How boards can tackle geopolitical risk," McKinsey, May 6, 2025.

with the board.[9] This positioning has helped Apple mitigate its exposure to tariffs on US-bound devices and secure policy support under India's incentives—turning geopolitics into operational advantage.[10]

Capture opportunities and mitigate risks from geopolitical realignment

Geopolitical shifts in trade and economics not only create headwinds but also privileged access for those who act quickly. Once CEOs have institutionalized the practice of achieving geopolitical insight, they can help their organizations identify the biggest opportunities—whether in a diversified or fragmented world.

Specifically, CEOs should ask themselves and their leadership teams: Given what we've learned through our scenario planning and scan of the geopolitical landscape, which of our businesses are advantaged in a diversified world, and which in a fragmented one? It's important to note that while a lot of voices may be involved in allocation decisions and strategy setting, the CEO is the only leader with the mandate to establish or redirect resources toward opportunities resulting from geopolitical disruption.

The CEOs can set the ambition and direction for the company—that is, the three to five strategic moves it will make—and work with teams to allocate capital accordingly, pulling back in some areas, doubling down in others, while remaining committed to long-term bets even during turbulence. Indeed, McKinsey research has shown that companies that adopt a through-cycle mindset and continue to invest in growth even during volatility consistently outperform those that retrench.[11]

With the longer term in mind, the CEO could ask the cross-functional insights team to explore whether a planned factory expansion in, say, Southeast Asia would still be viable if new export controls or tariffs were introduced. The CEO, in turn, could incorporate this foresight directly into board and long-range planning discussions. In this way, the CEO can commit to "no regrets" moves—like supply chain diversification or tariff relief—while retaining the flexibility to pivot as conditions evolve.

Take an active role in shaping the external agenda

CEOs enjoy a powerful trust advantage over government leaders: According to Edelman, 67 percent of respondents trust "my chief executive officer," compared with just 47 percent who trust government leaders.[12] This credibility gives CEOs more than a license to respond; it grants them influence to actively shape the rules. Nvidia's CEO Jensen Huang, for example, repositioned the company from primarily a graphics chip designer to a broader AI infrastructure provider, advancing the concept of "AI factories" and engaging directly with governments on the idea of sovereign AI.[13]

The "how" involves engaging policymakers early, bringing data to regulatory debates, and forging coalitions with like-minded partners and even some nontraditional stakeholders—not just regulators but also chambers of commerce, ministry heads, labor unions, or business cooperatives in emerging markets.

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[9] "Apple's India iPhone output hits $14 bln, Bloomberg News reports," Reuters, April 10, 2024.

[10] Tripti Lahiri, Yang Jie, and Rolfe Winkler, "Apple got the jump on tariffs, deciding years ago to make iPhones in India," *Wall Street Journal*, August 7, 2025.

[11] Rebecca Doherty and Anna Koivuniemi, "Rev up your growth engine: Lessons from through-cycle outperformers," McKinsey, May 27, 2020.

[12] *2025 Edelman Trust Barometer: Trust and the crisis of grievance*, Edelman Trust Institute, 2025.

[13] Brian Caulfield, "NVIDIA CEO envisions AI infrastructure industry worth 'trillions of dollars,'" NVIDIA, May 18, 2025; "NVIDIA CEO Jensen Huang promotes AI in Washington, DC and China," NVIDIA, July 14, 2025.

Rasmus Errboe, CEO of Ørsted, has worked directly with European regulators to shape offshore wind frameworks. He and his team brought insights and a clear articulation of the potential effects of policy changes to regulators. That effort helped generate supportive policies that accelerated renewable deployment across the continent and unlocked new growth opportunities for Ørsted.[14]

CEOs should focus on the most strategically significant relationships, particularly those that involve governments or sensitive industries. These interactions can help deepen the CEO's understanding of local dynamics and uncover opportunities for collaboration that might otherwise be missed. During the US–Mexico CEO Dialogue hosted by the US Chamber of Commerce and Mexico's CCE (Business Coordinating Council) in 2023, executives from companies including 3M, Pfizer, and Walmart met directly with senior government officials and business associations. This allowed them to shape bilateral trade priorities—especially nearshoring incentives and regulatory clarity—ensuring stronger resilience in North American supply chains.[15]

CEOs have access to information that others don't, and while that privileged (and protected) access can make the CEO's role feel lonely at times, CEOs are not alone. They should tap into the knowledge of industry peers and those in other sectors, share best practices, and, most important, listen with empathy to absorb valuable lessons. CEOs can then bring that knowledge back behind their own walls. As Steve Collis, the former CEO of Cencora, notes, "I've been a beneficiary of amazing calls with other CEOs who have been willing to share their knowledge. This has been such a growing experience."[16]

Given their packed agendas, CEOs will need to rely on their policy teams for day-to-day monitoring of regulatory developments and broader stakeholder relationships. The chief legal officer, chief of corporate affairs, and other senior executives can credibly carry many conversations. But when it comes to discussions about market access, or national industrial policy, the CEO's direct involvement is essential. Knowing when to delegate and when to engage personally is itself a leadership choice, and in moments of geopolitical flux, silence from the top can be as consequential as action.[17]

Build organizational and operational resilience

Resilience is often described as the ability to withstand shocks. But in today's environment, it is equally about agility, or the capacity to pivot rapidly when situations change. CEOs sit at the nexus of strategy, finance, and operations, which makes them uniquely positioned to champion for and build resilience that can protect their companies from—and take advantage of—disruption. Whether they are operating in a diversified or fragmented world, CEOs should take the following steps to empower their teams and build greater organizational and operational resilience.

— *Take a "one company" approach.* Leaders should establish norms and processes that enable employees to work effectively across geographies even when governments are at

[14] "Offshore wind at a crossroads: Reviving the industry to secure Europe's energy future," Ørsted, April 2025.
[15] "U.S. Chamber co-hosts 13th U.S.- Mexico CEO Dialogue; calls for strong bilateral cooperation to seize nearshoring opportunity and boost North American competitiveness," US Chamber of Commerce, October 2, 2023.
[16] Carolyn Dewar, Scott Keller, Kevin Sneader, and Kurt Strovink, "The CEO moment: Leadership for a new era," *McKinsey Quarterly*, July 21, 2020.
[17] Carolyn Dewar, Kurt Strovink, Scott Keller, and Vikram Malhotra, *A CEO for All Seasons: Mastering the Cycles of Leadership*, Scribner, 2025.

odds. Some multinationals have adopted "one company" principles in their internal communications, explicitly stating that geopolitical disputes stop at the company's border. Some embed collaboration commitments into their codes of conduct and employee training, ensuring that staff in different markets feel part of the same enterprise mission regardless of political tensions.

— *Build geopolitical awareness into leadership development programs.* To build a culture of geopolitical intelligence, leaders should integrate geopolitical case studies, scenario planning, and risk exercises into their standard management and leadership training. Several global manufacturers now do this—running simulations in which country managers must respond to sudden tariff changes or export restrictions, training leaders to anticipate regulatory shifts and adapt in real time. The formal inclusion of geopolitics in such programs signals the importance of staying informed, engaging externally, and keeping an ear to the ground. It also encourages employees to anticipate and act quickly on the first-, second-, and even third-order effects that could materialize in a geopolitically volatile business environment.

— *Build resilient supply chains.* The CEO should set the expectation that supply chain resilience is a board-level priority, not just an operational cost, and they must be willing to underwrite buffers or multiregional sourcing—even when doing so carries short-term cost. During tariff changes in 2018, for instance, companies that had prequalified vendors in multiple regions were able to reroute production within weeks, avoiding major losses. Meanwhile, Toyota started requiring some suppliers to hold two to six months' worth of chips after the 2011 shortage and was able to outperform peers thanks to those buffers.[18]

— *Institutionalize agility in decision-making.* According to the latest Organizational Health Index research, those companies with leaders who act decisively—and who commit to the decisions made—are 4.2 times more likely than their peers to be healthy. CEOs must take thoughtful actions themselves and create mechanisms by which their teams can do the same. These might include standing forums and escalation channels that allow cross-functional teams to act within days, not months, while also assessing the longer-term impact of disruptive events. One large consumer-goods company set up a "geopolitics response council" that convenes legal, supply chain, and commercial leaders on 48 hours' notice to address sudden policy changes. Through the council, leaders can gain quick agreement on customer messaging, shifts in suppliers, and compliance moves.

Transform regulatory change into competitive advantage

Every geopolitical shift—whether a change in regulation or the introduction of new tariffs, export controls, and investment restrictions—must be addressed proactively, not as "a penalty to avoid" but as a chance to gain competitive advantage. And because, as previously noted, CEOs do carry such a large megaphone, with input and influence across a range of key constituent audiences, they must make geopolitical-driven regulatory change part of the strategic agenda. They must discuss it regularly in board and executive meetings, integrate it into performance targets, and frame it as a source of competitive differentiation rather than the cost of doing

[18] Norihiko Shirouzu, "How Toyota thrives when the chips are down," Reuters, March 9, 2021.

business. For example, several multinationals have built cross-functional "regulatory playbooks" that model tariff scenarios, pre-negotiate exemptions, and track exposure by product line and geography. CEOs must champion such playbooks and ensure that they are updated regularly and linked directly to capital-allocation decisions.

CEOs should also set the expectation that compliance will be treated as a source of competitive advantage and, accordingly, invest in advanced compliance technologies and platforms. In this way, they can automate the monitoring of regulatory changes, flag exemptions, and identify alternative supply or tariff codes in real time. The CEO will need to bring in others, such as the chief information officer, chief risk officer, and head of compliance, to help assess technologies, select tools, and drive integration. Without this senior-level sponsorship, tools and platforms risk becoming forgotten systems in compliance departments; *with* senior-level sponsorship, they can become engines of resilience.

We often say that leadership begins when individuals are responsible for what they cannot fully control. That statement is particularly apt in the current geopolitical moment. It demands that CEOs strengthen both individual and institutional capabilities—continuously adapting, recalibrating, and focusing sharply on what *only* they can do to help their teams and organizations weather the disruptions happening now and those to come. The imperatives we've outlined in this article—in summary, using a range of data sources and scenarios to inform strategy, shape internal and external agendas, and transform regulatory change into sources of competitive advantage—are not simply defenses against uncertainty. They are catalysts for innovation, improved effectiveness, and a higher standard of leadership.

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The authors wish to thank Abena Mensah, Alan Spadone, Astha Rajvanshi, Brian Wlcek, Caitlin Fitchett, Danny Jones, Eric Sherman, Julia Souba, Julius Ewungkem, Meg Conley, Mike Cooney, and Senem Bilir for their contributions to this article.

This article was edited by Roberta Fusaro, an editorial director in the Boston office.