



Midyear observations on the 2025 board agenda

KPMG Board Leadership Center

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Disruption, volatility, and uncertainty aren't new operating conditions by any means. But the assumptions that have long driven corporate thinking—the role of government, geopolitical norms, consistency in US policies as administrations change, and the speed of technological advances—are being upended. Few business leaders have experienced the scope, complexity, and combination of issues companies are facing today—and many will earn their stripes in the months ahead. As one director noted during the 2025 KPMG Board Leadership Conference, “It’s prime time for leaders to lead.”

Approaching midyear, post-election exuberance among business leaders has been overshadowed by a significant decline in confidence about the growth prospects for the US economy and the opportunities ahead for their companies. As one CEO noted, “High volatility and low visibility are difficult conditions.” Amid growing concern about tariffs and their inflationary effect, a near majority of CEOs anticipate a recession, price hikes, and potential job losses.¹ At the same time, the macro forces of generative artificial intelligence (GenAI), climate, and geopolitics are calling for deeper boardroom conversations about risk, resilience, strategy, and talent, and what the future will look like.

The following observations and insights from directors, business leaders, and luminaries—based on our ongoing work and discussions during the 2025 KPMG Board Leadership Conference²—may be helpful as boards calibrate their agendas for the second half of the year.

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¹ Dan Bigman and Melanie Nolen, “Tariffs Push CEO Confidence To Multi-Year Low In April Poll,” Chief Executive, April 14, 2025.

² Our observations include comments from directors and other business leaders under the Chatham House Rule.



Tariffs, policy uncertainty call for agility, scenario planning, engagement

With measures of economic uncertainty surpassing those of the pandemic,³ many consumers, large and small businesses, and investors are pausing spending and investment decisions. Amid concerns about inflation, job security, and compressed margins, betting markets have the risk of recession at 39%.⁴ As one panelist noted, “The business community has had to pull back, and boards need to think about what this means for earnings guidance.”

Global growth is projected at 2.8% for 2025, a sharp reduction from the International Monetary Fund’s previous January estimate of 3.3%, and the same report forecasts US GDP growth for the year at 1.8%, down from an earlier forecast of 2.7%.⁵ The Federal Reserve was expected to reduce interest rates three times in 2025, but now the expectation is for one rate decrease, if any at all. “There was post-election exuberance and expectations for de-regulation, lower interest rates, M&A, and IPOs, but that is gone.” As noted in the Federal Reserve’s *Beige Book* report, “Business leaders indicated recent strategy discussions shifted away from capital investments aimed at innovation and efficiency toward a focus almost entirely on mitigating tariff-related risks.”⁶

Frequent and unexpected US tariff policy changes as well as a lack of a clear end goal for tariff policy have led to much of this uncertainty. While some tariff measures have been imposed (and others removed or delayed), the risk of more tariffs could cause further disruption to companies’ operating environments. The frequent policy changes have led to greater volatility across global foreign exchange and financial markets. The impact on growth could be significant, with global levels of business investment potentially held back in the short to medium term—and perhaps longer term.

Supply chains—which absorbed two major impacts over the past six to seven years (tariffs during the first Trump administration and the pandemic)—are again under significant stress. Many companies adopted a “China-plus-one strategy,” shrinking their manufacturing positions in China and shifting more to Vietnam and Mexico. Yet, “multi-country sourcing complicates how companies build manufacturing supply chains. As we’ve learned, friend-shoring or nearshoring takes years to build.”

Many of the qualities and capabilities that proved pivotal during the pandemic may be key to weathering the current environment: Agility in decision-making (on pricing and sourcing); highly iterative scenario planning across multiple time horizons; proactive engagement with key policymakers, stakeholders, suppliers, and customers; and transparent communication with investors (including potentially rethinking the company’s approach to earnings guidance).



A new geopolitical landscape taking shape

The world is dramatically different from what it was even just one year ago, as geopolitical speakers at the conference noted. “US foreign policy has changed, and the global stage is even more unsettled.” The world continues to shift from an era of convergence—a coming-together on trade, capital and labor flows, and accounting standards—to one increasingly defined by fragmentation and tension. The “great power” competition that marked 20th century international relations has returned, with interactions ranging from cooperation to transactional to confrontational, most notably:

► **Russia and Ukraine in a new phase of the conflict.** “Getting a long-term agreement will be challenging, as Ukraine has said Russia should not benefit from the invasion, and there are growing concerns that Russia needs to be more accommodating to Ukraine’s minimum demands.” “We are at a delicate stage.”

► **The future of the transatlantic alliance and NATO in question.** The US plays a critical role as a supplier of weapons and orchestrating the 32 NATO countries to ensure coordination and communication among NATO forces. A critical question is whether the US will reduce its NATO commitments and influence.

³ International Monetary Fund, *World Economic Outlook* April 2025.

⁴ Polymarket, as of May 15, 2025.

⁵ International Monetary Fund, *World Economic Outlook*, April 2025.

⁶ Federal Reserve Bank of Kansas City, “Beige Book” report, April 2025.

► **The Middle East embroiled in a complex series of conflicts and heightened instability.** This crisis that began in 2023 following a Hamas-led attack on Israel has grown to involve multiple countries and factions. The ongoing conflicts have led to immense human suffering, with millions displaced and thousands killed across the region. The situation remains volatile, with no clear end to the conflicts in sight.

► **The impact of autocracies.** “Unlike democracies, which have guardrails, these autocracies are free to use any tool they have when engaging in international transactions and negotiations. But autocracies are dangerous to themselves—they have no feedback loop, and leaders are not required to listen to other views. We have a lot of work to do to strengthen democracies, but autocracies eventually fall. They’re stable, until they’re not—as we’ve seen in the Middle East—and the disruption can be extreme and far-reaching.”

► **Cyber terrorism as a growing geopolitical threat.** “GenAI and quantum computing at scale will challenge current cryptography, and the race between the US and China is on.” A key question is whether and how governments can work with the private sector to protect the systems and critical infrastructure that economies and societies depend on.

In short, “the global geopolitical chessboard has been upended by the Trump administration’s new approach.” The US is “using its muscle to force solutions and many are questioning whether the international community can trust that the US will honor previous commitments when there is a change in administration.”



Navigating the US policy agenda: Twists and turns ahead

Heading into the 2024 US elections, we were already seeing a sharp focus on tariffs, tax cuts, and fiscal policy. The Trump administration’s policy agenda—from infrastructure investments and business incentives to tax and regulatory priorities—may reshape the business environment for years to come. Tariffs and trade agreements will trigger supply chain reconfiguration and increased costs. Curbs on immigration have implications for talent pools and labor, and may mean slower growth. It remains to be seen whether the easing of certain regulatory burdens will boost M&A activity later in the year, although activity to date has been subdued.

With \$4 trillion in tax cuts from the 2017 Tax Cuts and Jobs Act set to expire at the end of 2025, tax legislation remains front and center as Congress negotiates proposals extending some provisions.

Many observers anticipated policy changes and deregulation in areas such as finance, crypto, the environment, and fossil fuels, yet as one speaker noted, “the speed, quantity, and breadth of executive orders and other executive actions has been eye-opening, as have the emerging knock-on effects.” Many of the orders and actions—covering a range of topics including the federal government, the economy, immigration, national security, climate and energy, foreign policy, health, and education—have been challenged in court, in some cases resulting in injunctions, leaving corporations facing additional uncertainty about how to proceed.

Climate regulation is also rife with uncertainty. Despite the SEC’s determination not to defend its challenged climate rule,⁷ many companies may need to make disclosures under state laws or international disclosure requirements. Companies must also consider whether customers who may be required to report Scope 3 emissions will require climate disclosure from the company, whether some investors will continue to demand disclosure, and whether climate issues are material to the company.

As they determine how to proceed, companies will need to balance competing demands on climate. Notwithstanding the US pullback on climate, as one director noted, “Many industries are environmentally sensitive, and we want to make sure that we do the right thing as well—which means preparing for new climate laws.” Another said, “Most managements and boards weren’t focused on ESG just because it was politically correct. It made good business sense.”

⁷ KPMG Board Leadership Center, Directors Quarterly: April 2025, p. 3.



Scenario planning, strategic forecasting take center stage

The unprecedented level of uncertainty—economic, geopolitical, and policy uncertainty—has highlighted the importance of scenario planning and strategic forecasting to help companies prepare for potential disruptions.

Directors emphasized that boards need to help ensure that scenario planning and strategic forecasting processes are resourced with the right expertise, management's aperture is wide enough to capture various scenarios, the context is correct, the process is iterative, and third-party voices are being heard.

One boardroom challenge is that scenario planning can get too theoretical. Having a dialogue around what-ifs in a more focused and urgent way is helpful. Since black swan events are always possible, low-probability/high-impact scenario discussions should be required, rather than optional.

Another challenge is cutting through the noise—information overload, too many scenarios, and poor information quality. Data are the starting point for scenario planning and strategic forecasting, but context is critical. Putting the data that's relevant to the business and industry together with the plain-English narrative about the scenario or forecast is imperative. GenAI can be an important tool in this process, but management's judgment is essential.

When the current disruptions play out, companies should not lose sight of the lessons learned. A post-mortem of the company's scenario planning and forecasting efforts—factoring in what *actually* occurred—should provide valuable data points and firsthand experience going forward.



AI: Looking for ROI, moving toward agency

GenAI has continued to capture the attention and imagination of companies, policymakers, and society at a remarkable pace. At the February 2025 AI Action Summit in Paris, technology leaders proclaimed that "AI will be the most profound shift of our lifetimes,"⁸ and that AI could lead to the "largest change to the global labor market in human history."⁹

As one GenAI expert observed, "We're at the turning point of the J-curve, where companies are expecting to get some benefit."¹⁰ While safety rightfully remains a key discussion point, boards are also asking how their companies can "lean in, accelerate, and gain some of the trillions in potential benefits."

More than three-quarters of respondents to our 2025 [survey](#) of US board members said that the top benefit of the company's adoption and leveraging GenAI is the optimization of the company's operations—including efficiency, productivity, and cost savings.¹¹ To realize the benefits of GenAI, in addition to making those tools available to employees, directors and experts underscored the importance of driving employee adoption of the tools and viewing them as digital assistants that can augment human work and free up time, rather than simply replacing people.

Another takeaway is that AI has not been a leveler of the playing field, as initially predicted. Experts said that leading firms are pulling away in almost every industry because they are using the technology differently. Companies and their boards should expand the focus on GenAI beyond how the technology can help cut costs to consider how it may be used as a force amplifier, for example, to help expand the company's market.¹²

Many companies are exploring adoption of emerging forms of AI to automate and re-engineer workflows. In our survey, 23% of respondents said the adoption of emerging forms of AI, including agentic AI, was a strategic priority for their companies for 2025, and another 30% said their companies were actively exploring emerging forms of AI for adoption over the next two to three years. While agentic AI is tailored to specific workflows and operates largely autonomously, directors and experts underscored the importance of human oversight: "We're talking about a human 'on' the loop, not 'in' the loop" overseeing the agents, much like a new team member would require guidance.

⁸ Investing.com, "Google CEO says biggest risk in AI is 'missing out,'" Yahoo Finance, February 10, 2025.

⁹ "How AI will divide the best from the rest," The Economist, February 13, 2025.

¹⁰ Patrick A. Lee, "Seeking ROI on GenAI," NACDonline.org, April 22, 2025.

¹¹ KPMG Board Leadership Center, [2025 Survey: Boardroom Lens on Generative AI](#), March 2025.

¹² KPMG Board Leadership Center webcast, [State of AI: A Boardroom Perspective](#), March 20, 2025.

One expert described progress in the use of AI for cognitive tasks in terms of “leaps and bounds” but predicted physical intelligence as the next frontier after agentic AI. The same tools that help with cognitive tasks are turbo-charging the ability of robots to do many physical tasks, eliminating the need to build special equipment for every task.¹³

For many companies, access to company data is a major bottleneck to scaling the benefits of GenAI, according to experts. “Being able to pipe the data out of the company’s ‘basement’ and into these models to make them more powerful and save more time for the employees is ... the biggest perceived impediment to the next step.” To help their companies prepare for the next wave of adoption, board members should focus on privacy, governance, and security of the company’s data.

“The nine biggest questions in tech”

At the KPMG Board Leadership Conference, *The Atlantic* CEO Nicholas Thompson posed what he sees as pivotal questions shaping the direction of AI—adoption and innovation, guardrails and governance, policy and regulation—and impacting technology more broadly. The questions could also inform boardroom conversations about strategy, risk, and the future:

01

How powerful will AI get?

06

Are we about to make climate change much better—or much worse?

02

Are we getting closer to, or further from, understanding how it all works?

07

Will human biology move as fast as generative AI?

03

Will AI make us smarter or dumber?

08

Will we ever be able to know who is real?

04

Will AI make us more equal?

09

Will it break democracy?

05

Are we going to break or enhance the arts?

Source: “The Nine Biggest Questions in Tech,” Nicholas Thompson, CEO, *The Atlantic*, April 2, 2025, presentation at the KPMG Board Leadership Conference, April 2, 2025.

While the US appears to be taking a light-touch approach, the AI regulatory landscape is developing at a brisk pace. Perhaps most notably, the European Union’s (EU) AI Act is the first comprehensive attempt to regulate AI. It has broad, extraterritorial reach, covering any entity that is “placing on the market” or “putting into service” an AI system in the EU.¹⁴ There is also a proliferation and patchwork of state laws governing AI and data privacy, with states taking proactive steps to regulate these areas in the absence of federal guidance. Businesses must remain vigilant in monitoring these developments and should adapt their practices to comply with the evolving regulatory landscape.

¹³ KPMG BLC webcast, March 2025.

¹⁴ KPMG Board Leadership Center, “[Oversight of data-related risks](#),” November 2024.



Access and security: Cybersecurity balancing act gets harder

Many companies and their boards have devoted substantial time and resources to understanding cybersecurity risk and making sure the company has the right governance, technology, and leadership in place to manage and mitigate it. In light of the growing cybersecurity risks posed by GenAI, conference speakers suggested that boards review with the chief information security officer (CISO), or other senior cybersecurity executive, the steps being taken to help ensure that the company's cybersecurity risk management practices are keeping pace with increasingly sophisticated threats.

GenAI can write code used to hack and to create more realistic and sophisticated deep fakes and phishing scams, substantially increasing threats and cyber risk exposure. As a result, experts note that GenAI may enable cybercriminals to scale their attacks in terms of speed, volume, and variety, heightening the risk of data breaches, malware attacks, and phishing attacks. To counter these risks, cybersecurity teams should review their security postures, including assessing current systems, identifying vulnerabilities, and making adjustments to enhance protection as needed. The results of this review should be shared with the board.

Periodically reviewing management's cybersecurity risk assessment, taking a hard look at supply chain and other third-party risks, and understanding and periodically reassessing the company's cyber incident response plan continue to be essential. The CISO's reporting relationship should also be on the board's radar: "The CISO role has matured. Many CISOs report in a direct line or dotted line to the CEO or CFO, rather than to the CIO or CTO," one director observed, noting the inherent tension between leveraging technology and data to the company's full advantage while protecting systems and limiting risk. "There needs to be a high level of coordination among the CISO, CIO, and CTO, but it's important that each role is able to advocate for and achieve its specific objectives given the company's overall strategy and risk profile."



Data analytics gains traction in assessing CEO performance

Gut feeling is important, but the role that data is playing in monitoring CEO performance and driving CEO compensation and succession planning is gaining more airtime in boardroom conversations.

Experts note that data is helping to improve objectivity and reduce bias in succession planning. For example, AI may help boards identify and weigh key performance measures and skills that may be industry-specific, helping them answer the question, "What moves the needle?" Data and platforms that help visualize and analyze CEO performance across a range of metrics (beyond financial results), using AI to identify leadership patterns and future potential, and peer benchmarking data are supporting richer conversations about CEO performance.

That said, the board needs to provide judgment regarding the selection and weighting of these measures and skills—with a recognition that performance evaluation, compensation, and succession can be emotional decisions as well. As one speaker said, "You still need to make sure there is an executive team that wants to be there. That does not always show up in the data."



Macro matters: Maintaining a wide aperture in the boardroom

While the impact of US tariffs policy and the upending of the post–World War II international order is unfolding in real time, keeping sight of slower-moving, high-impact macro trends is vital. Climate severity, AI's march toward artificial general intelligence, game-changing implications of breakthroughs in quantum computing and biotech/life sciences, the rise of data centers and their energy use, and how technologies are shaping generational differences all stand to fundamentally change the norms and assumptions that have driven corporate strategy for decades.

As corporate America and the country work through the near-term disruptions and dislocations, directors and business leaders should expect—and insist—that discussions of scenarios and the future get more agenda time in the boardroom.

2025 Conference speakers (in order of appearance)

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Chair and Chief Executive Officer, KPMG LLP

Diane Swonk

Chief Economist, KPMG LLP

Douglas L. Peterson

Director and Senior Advisor, S&P Global

John H. Rodi

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Former Director, Central Intelligence Agency

Michael Froman

President, Council on Foreign Relations

Peter Ceretti

Director, Global Macro-Geostrategy, Eurasia Group

Christine Hilt

Senior Analyst, Global Macro-Geopolitics,
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Miriam Vogel

President and CEO, EqualAI

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Advisory Lead for Generative AI, KPMG LLP

Kemba Walden

President, Paladin Global Institute; Former Acting
US National Cyber Director; DHS

Myrna Soto

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Chef, restaurateur, and humanitarian

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Chief Data & Analytics Officer, Starbucks

Aalap Shah

Managing Director, Pearl Meyer

Nicholas Thompson

CEO, *The Atlantic*

George Stephanopoulos

Anchor, "Good Morning America," and "This Week,"
ABC News

John Kerry

68th US Secretary of State, Former Senator (MA)
and Special Presidential Envoy for Climate

Richard Haass

President Emeritus, Council on Foreign Relations;
Senior Counselor, Centerview Partners

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