How to stay global in a fracturing world

EY-Parthenon Geostrategy in Practice Study

September 2026

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The better the answer.
The better the world works.

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Contents

In brief

- More than 90% of companies are pursuing global growth strategies despite ongoing geopolitical turbulence, according to a new EY-Parthenon study.
- Our research highlights the five enduring habits that separate Geostrategists from their competitors.
- Geostrategists use scenarios, active preparation, "geotechnology" strategies, political risk diligence and cross-functional governance to adapt.

Introduction

How to stay global in a fracturing world

Five enduring habits in a Geostrategist's playbook to help build resilience and adapt to today's geopolitical realities

Across new research findings, external economic data and EY-Parthenon teams' hands-on work with senior executives, a consistent – if seemingly counterintuitive – theme emerges: Companies are overwhelmingly choosing to pursue global growth strategies even as geopolitical tensions rise.

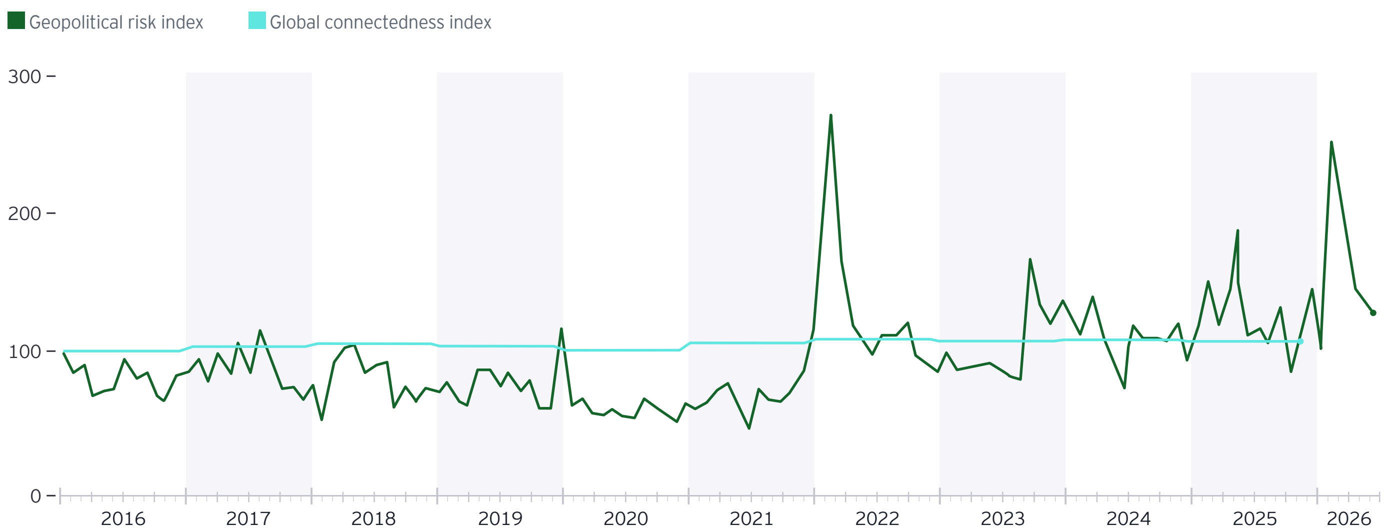
This theme surfaces across a variety of real-world strategy scenarios:

- An industrial company asked EY-Parthenon teams for an assessment of whether geopolitical dynamics might require changes to its operating model, governance structure, investment approach or potential ringfencing of assets in certain markets to help maintain its international footprint and support future growth opportunities.
- A Europe-based technology company that EYprofessionals supported balanced geopolitical risks by maintaining operations in China while also investing in manufacturing and suppliers in nearshoring geographies.
- EY teams facilitated a scenario-planning exercise for dozens of board directors in which all participants sought strategies to remain globalized – even in the most fragmented and isolationist geopolitical scenarios.

The findings of the EY-Parthenon Geostrategy in Practice 2026 study crystalize these examples. Almost half (46%) of companies are international realists – adapting their supply chains, footprint and operations to geopolitical realities while continuing to serve global markets. While only 18% are pursuing global maximalist strategies, 91% of companies are pursuing some sort of international growth strategy.

At the same time, geopolitical volatility has risen and overall risk levels remain elevated. This geopolitical environment has led to speculation about "de-globalization." But the DHL Global Connectedness Index points to stability, rather than deterioration, in the level of globalization. Companies' efforts to remain global amid geopolitical volatility help to explain how the level of globalization has remained consistent in recent years – even if its contours are changing due to geopolitical tensions.

The level of globalization has remained consistent amid geopolitical volatility



Sources: DHL Connectedness Report 2026; Caldara, Dario and Matteo Iacoviello (2022), "Measuring Geopolitical Risk," American Economic Review, April, 112(4), pp.1194-1225; EY Insights analysis.

Note: Both parameters are indexed to 100 (January 2016 = 100). DHL data is annual and applied uniformly across months within each year. The geopolitical risk index is monthly data based on automated analysis of 10 major international newspapers.

Executives recognize the structurally elevated geopolitical risk environment and the direct impact it has on their strategy and operations. Mentions of geopolitical risk in public financial filings have reached a record high in 2026, according to an EY analysis of company transcripts in AlphaSense, building on a sustained surge that began in 2022. And 52% of global executives in the Geostrategy in Practice 2026 study say geopolitical constraints have materially reduced their commercial viability in certain markets.

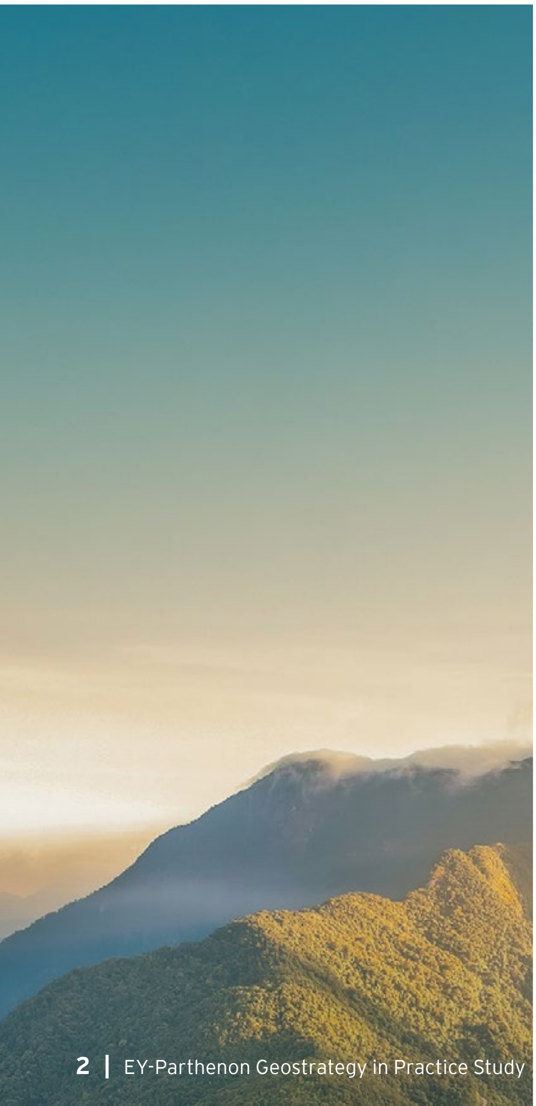
But rather than risk avoidance and retrenchment to domestic markets, executives are adapting their business and operating models to remain global. Across sectors and geographies, the most common shifts that organizations have made in response to geopolitics in the past 24 months have been in operations and supply chains (63%), risk management (57%) and strategy (53%). Three-quarters of executives say their organizations have changed four or more aspects of their business in response to political risks.

As one chief operating officer told us, "Our business has been impacted by geopolitical risks, whether Russia-Ukraine, the Middle East or US-China. Of course, it has a short-term impact and also a medium- to long-term impact. But one way or the other, we can still manage through these things and figure it out. The key is to focus on areas within the company's control, like diversification or customer strategies, and identify investment avenues and opportunities to grow the business."

How can executives successfully adapt their global growth strategies in a fractured world? Our experience working with clients, discussions with global executives and the Geostrategy in Practice 2026 study point to five geostrategic habits to enable the continued viability of international growth strategies:

1. Expect the unexpected.
2. Shift from risk monitoring to active preparation.
3. Adopt a "geo-technology" strategy.
4. Mandate political risk analysis for all investment decisions.
5. Get the right people around the geostrategy table – and empower action.

Many of these actions are consistent with those highlighted in the previous edition of this study: The five habits of successful geostrategists. This new EY-Parthenon research points to the enduring importance of these habits – strengthening the case for executives to invest in each of these areas to improve their organization's ability to navigate a changing world.



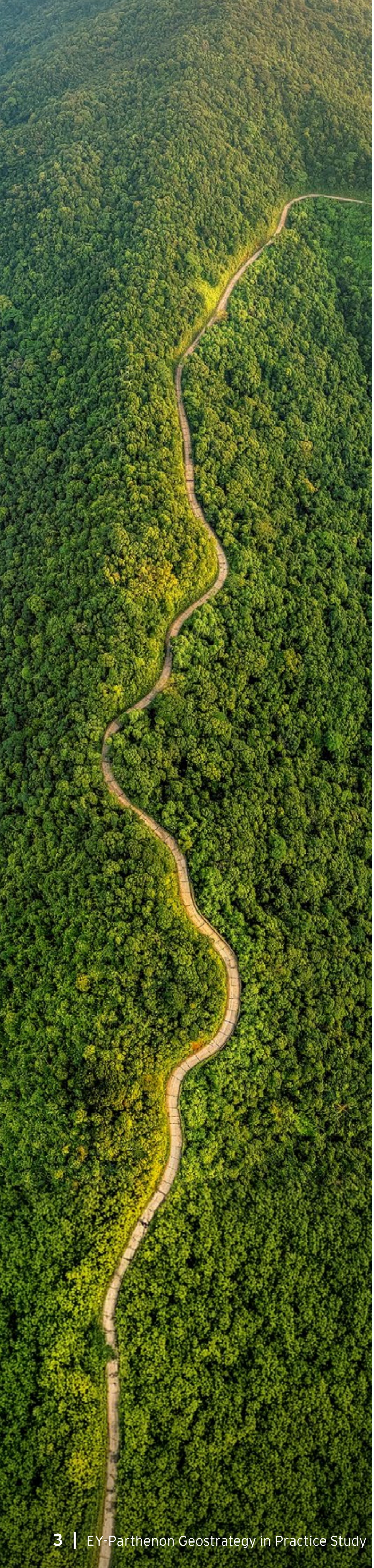
Geostrategic maturity is expanding

Adapting to geopolitical risk isn't just about making operational, financial and strategic shifts. Almost three-quarters of global executives view political risk management as an enabler of business growth rather than only a protective or compliance function. Companies are investing in more proactive geopolitical risk management, which is providing them with the confidence and tools to pursue global strategies amidst geopolitical disruption.

The share of Geostrategists – organizations that are the most proactive and comprehensive at managing political risk – jumped to 29% in the 2026 Geostrategy Index, up from just 19% last year. These findings show that more than 80% of companies are taking action across all five aspects of geostrategy in the Geostrategy Framework (via EY.com US).

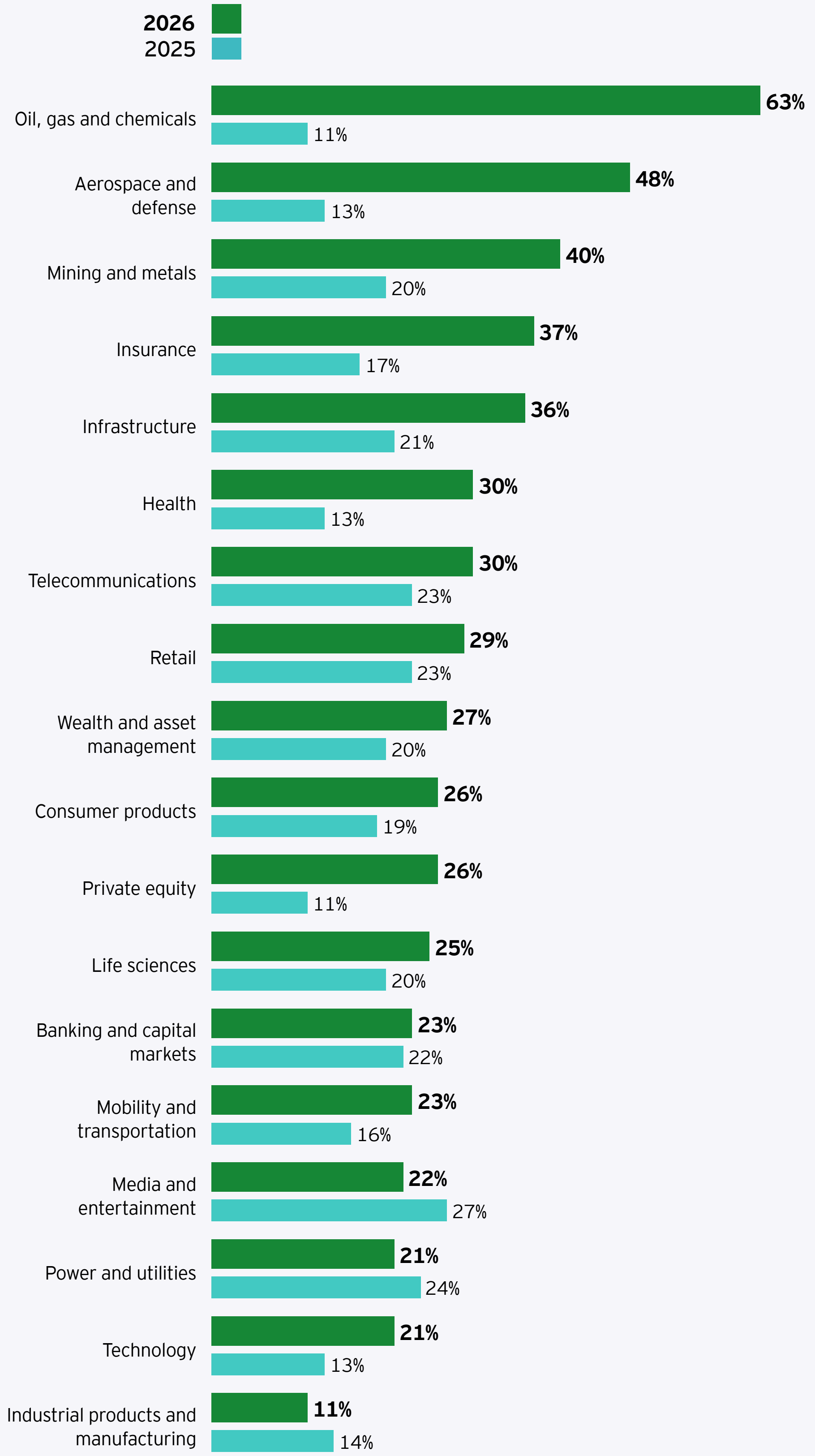
The percentage of companies rated as Geostrategist increased in almost every sector this year, led by a dramatic jump in oil, gas and chemicals (the only sector where most companies are Geostrategists), mining and metals, and aerospace and defense. The conflict in the Middle East is likely tied to these shifts, given the scale of both immediate and downstream impacts. And the percentage of companies headquartered in the Middle East that rate as Geostrategists more than tripled for similar reasons.

Geostrategic capabilities are increasingly critical as companies remain committed to international growth amid geopolitical tensions. In fact, organizations that rate as Geostrategists take each of the five actions outlined in this study on a more proactive basis than do other companies in the EY-Parthenon Geostrategy Index – enabling them to better position for resilience and growth in a volatile world.



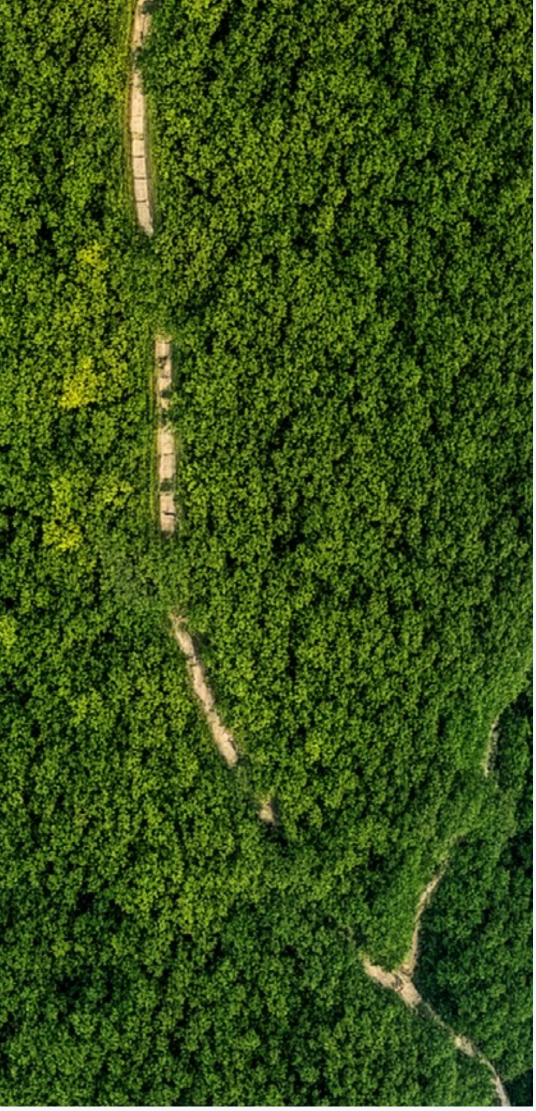
The share of Geostrategists increased in almost all sectors

Percent of organizations in each sector that scored as Geostrategists in the Geostrategy Index



Source: EY-Parthenon Geostrategy in Practice 2026 study.

Note: Each range shows the lowest-to-highest combined share selecting Yes – either ad hoc/reactive or regular/proactive – across the actions measured in that area (n = 1,200).



About the Geostrategy Index

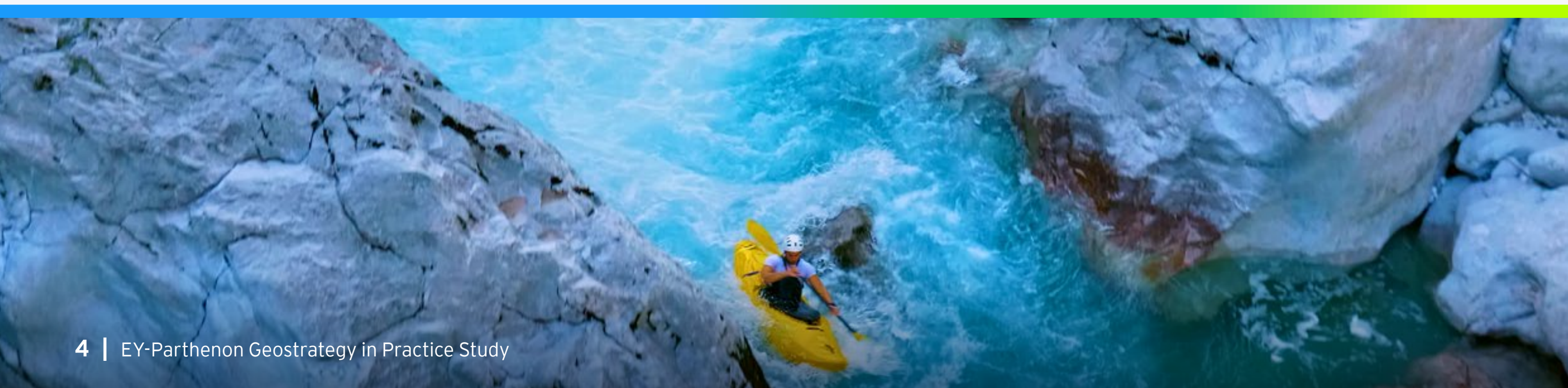
To better understand what organizations are doing to manage political risk, EY teams created a geostrategy index to measure companies' effectiveness across the five elements of the EY-Parthenon Geostrategy Framework (via ey.com US). Across these five areas, the EY-Parthenon Geostrategy Index scores are based on two dimensions:

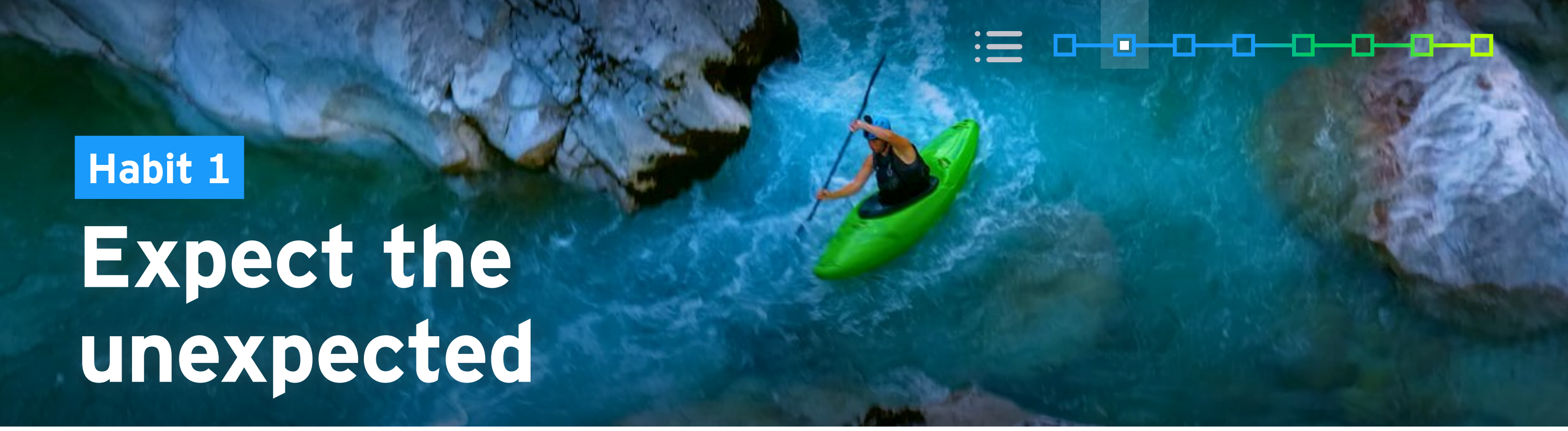
1. What actions companies are taking, and whether these actions are done proactively and regularly or reactively and ad hoc.
2. Whether these actions are carried out at the enterprise level; at the business unit, country or functional level; or at multiple levels.

These two factors were given equal weight and total scores were normalized to be on a scale of 0 to 100, with higher scores indicating stronger geostrategy capabilities.

Throughout the study, we refer to "Geostrategists," which are companies that represent the top 15% of scores. Those in the bottom 15% are referred to as "Observers" because they are less concerned about political risk, less actively managing it and less likely to incorporate it into their strategic decisions.

For consistency and comparison purposes, the EY-Parthenon Geostrategy Index scores from 2021 and 2025 were used to assign the cut-off values for top 15% and bottom 15% for the 2025 and 2026 data sets.





Habit 1

Expect the unexpected

Geostrategists use scenario analysis to position for unforeseen geopolitical events and strengthen resilience.

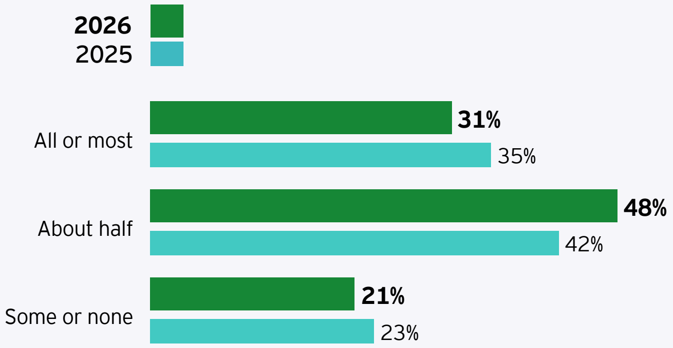
Geopolitical risks tend to surprise people. About one-third of executives report being surprised by political risk events or their impacts most or all of the time. Another 48% of executives were surprised about half of the time. This high share of unexpected risks is consistent with what executives told us last year.

Anticipating and preparing for such surprises is especially important as companies continue to pursue global growth strategies. An unexpected shock or disruption in one market can have ripple effects across an organization.

As EY Global Consulting Risk Markets Growth Leader Scott McCowan explains, "Geopolitical volatility is forcing a test that most risk functions haven't had to pass before: Can you prepare for systemic shocks ahead of time, or are you still scrambling to respond to events after the fact?"

The unexpected nature of political risk persists

Impactful political risk events that were unexpected in the past year



Source: EY-Parthenon Geostrategy in Practice 2026 study.

73%

of Geostrategists proactively use political risk scenario planning to design and test strategy, compared with just 35% of Observers.

The 2025 EY Global Risk Transformation Study shows that Risk Strategists – organizations that treat risk as a growth enabler rather than a compliance function – are 48% more likely to reduce their proportion of unexpected risks. Risk Strategists are using AI to model and prepare for tail risks at scale.

"Leading companies are converting political risk into a source of competitive advantage," according to McCowan. "Others are finding out how expensive backward-looking risk management really is."

Scenario analysis is the main tool in the Geostrategist's toolkit for preparing for the unexpected. While 62% of Geostrategists conduct scenario analysis on a proactive basis to identify risk mitigation measures, only 33% of Observer companies do so. Similarly, 73% of Geostrategists proactively use political risk scenario planning to design and test strategy, compared with just 35% of Observers.

One risk leader at a financial services firm stresses the importance of scenario planning: "The risk division used to spend its time as a data aggregator for exposure assessments. Now there's a lot more attention on tools to quantify risk from those exposures – especially scenario design to actually simulate what an event would look like in order to have a tangible P&L for it. We are happy that we had a Strait of Hormuz scenario a year before that actually played out."

91%

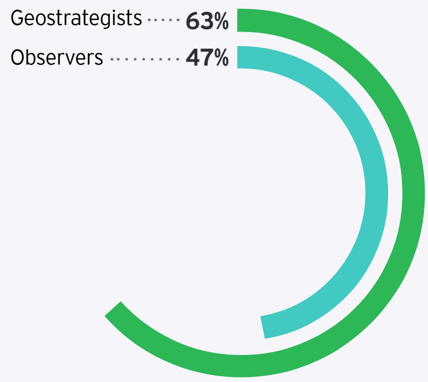
of companies continue to pursue international growth, despite continued geopolitical volatility.

Similarly, EY-Parthenon teams helped a C-suite stress-test responses to a custom geopolitical risk scenario. A facilitated tabletop exercise tested the leadership team's existing response plans and identified gaps that should be addressed. Perhaps even more important, it helped to build the "muscle memory" to act under pressure. The value wasn't in predicting the exact scenario; it was pressure-testing whether the company could respond to a geopolitical surprise.

The timeliness and effectiveness of responses are key. Geostrategists respond faster and adapt better when surprises happen. While 63% of Geostrategists report improved performance in their response time to political risk events, only 47% of Observer company executives say the same.

Geostrategists' response time to political risks has improved much more than Observers

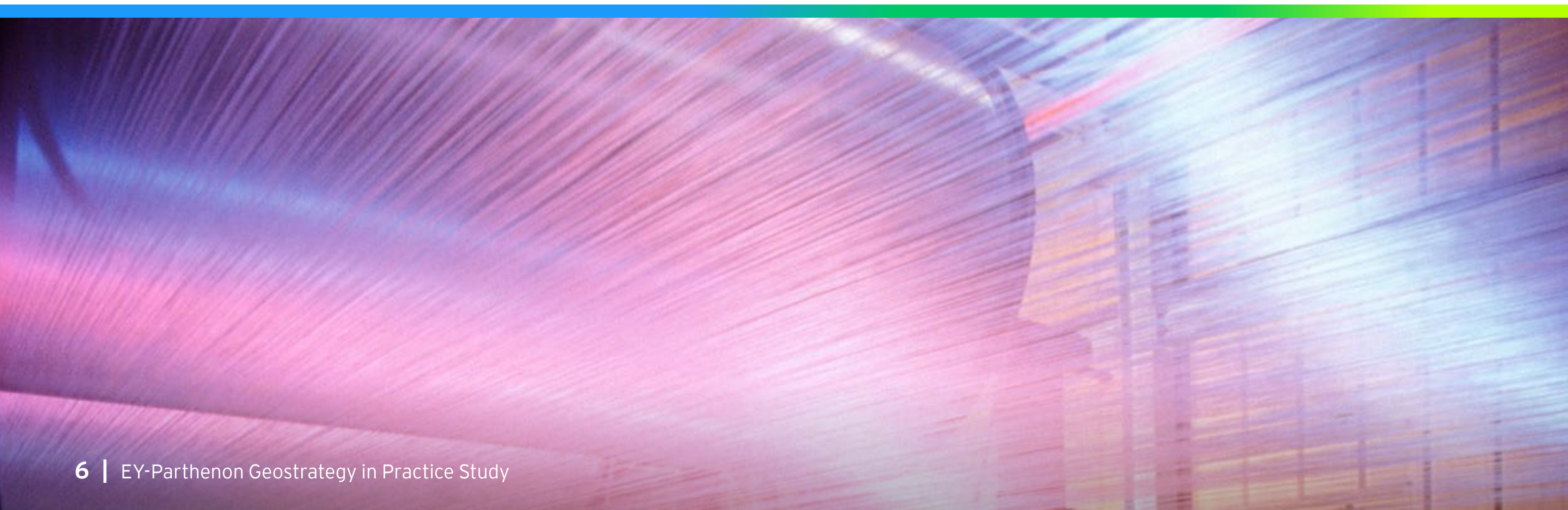
Percent of organizations reporting improved response to political risk events



Source: EY-Parthenon Geostrategy in Practice 2026 study.

How to expect the unexpected

- **Boards, CEOs, Chief Strategy Officers:** Challenge the assumptions underpinning strategy and verify that all risks are identified. Run scenarios on a full variety of geopolitical outcomes to challenge assumptions, stress-test existing plans, find gaps and adapt ahead of time.
- **CFOs, COOs:** Identify "no regrets" moves. Determine which financial and operational actions would help strengthen the organization across multiple scenarios and prioritize them.



Habit 2

Shift from risk monitoring to active preparation

The competitive edge now lies in translating geopolitical insights into preparation and action across organizations.

Despite the high frequency of unexpected risks, the EY-Parthenon Geostrategy in Practice 2026 study shows that, of all the geostrategy actions we recommend, companies have made the most improvement in identifying and monitoring political risks.

"The dynamics have accelerated a lot and we're continuously monitoring in new and current geographies to establish protectionary measures and negotiate prices and costs," one European executive notes.

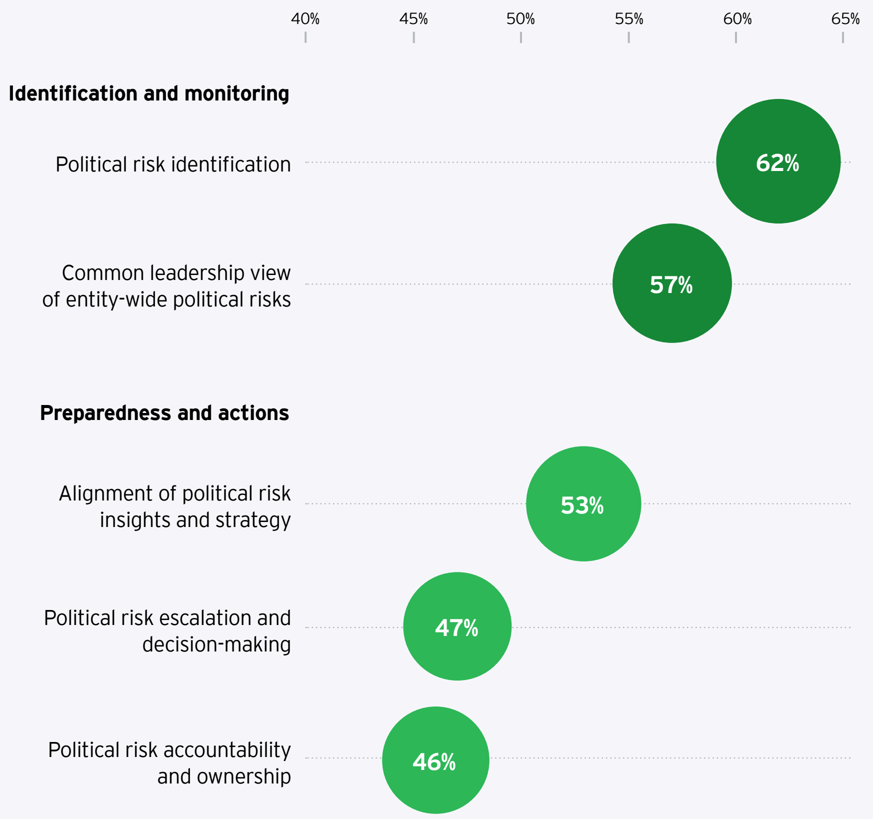
But executives have not seen similar progress on how to act on that intelligence. While 62% of global executives say their approach to political risk management has improved political risk identification, only 47% say it has improved escalation and decision-making related to those risks. The same pattern holds across other risk preparedness actions.

As Angelika Goliger, EY-Parthenon Africa Chief Economist, highlights, "Monitoring can be centralized. But deciding what to do in the midst of uncertainty is much harder."

An EY analysis of Fortune Global 2000 companies' transcripts supports these findings. It reveals that, despite identifying and monitoring a variety of political risks, companies often take no substantive response or action to manage them.

Risk monitoring needs to translate to risk preparedness and actions

Percent of executives who say their organization's approach to political risk management has improved performance in the following areas



Source: EY-Parthenon Geostrategy in Practice 2026 study.

One-third of identified political risks lack any substantive response or mitigating action

Source: AlphaSense; EY Insights analysis.

Note: The data is sourced by analyzing more than 900 earning call transcripts for companies on the Fortune Global 2000 list, from January 2025 through June 2026. The risk type and response type are aggregated based on semantic similarity.

Some companies are acting to close that gap. For instance, the business resilience team at a consumer products company recognized that geopolitical risk was in a high-likelihood, high-impact position on the risk register, but that it was not well understood by the business. EY-Parthenon teams helped identify likely geopolitical risks and develop tangible scenarios, enabling the business resilience team to assess stakeholders' understanding and preparedness across the company.

But AI could widen this gap further in the months and years ahead. While 53% of executives find AI to be effective or very effective at monitoring political risks, fewer executives say the same about the decisions that follow. For instance, AI has effectively integrated political risk into risk management systems at only 44% of companies. The divergence seems to be driven by where judgement and decision-making are required.

As one US-based executive notes, "Given all the geopolitical developments around the world, our inboxes are flooded with different news and analysis sources. AI is massively helpful in collating news and data and information. But in terms of risk management, we haven't incorporated AI into our models yet. We've tried some tests, but we have not been satisfied with the results yet."

With or without AI, the competitive edge now lies in translating geopolitical insights into timely, appropriate action across the enterprise. This requires moving beyond awareness, to incorporate geopolitical insights into risk management, strategy and business and operating models.

Geostrategists stand out on risk preparedness because of two key actions they take. First, 99% of these companies define trigger-based contingency plans for political risks establishing triggers, or red lines, before a risk occurs. And they pre-identify what the operational, financial and strategic responses should be if the red line is crossed. This enables executives to prepare for risks in a more systematic and tangible way.

Second, almost all (99%) Geostrategists use tabletop simulations of specific scenarios to test responses to political risk events (compared with just 66% of Observer companies). These exercises enable executives to create playbooks for crisis responses and determine actions across the organization that could be taken ahead of a political risk event to lessen any potential impacts.

For instance, a consumer products executive notes, "geopolitical crises have changed how we approach procurement and supplier contracts. We try to keep our contracts with suppliers flexible to allow us to act more agile. So, for example, we try not to engage in contracts longer than a year. We also try to make sure we shoulder the risk together with our suppliers. These structures enable us to be better able to respond to risks in a faster or more flexible way."

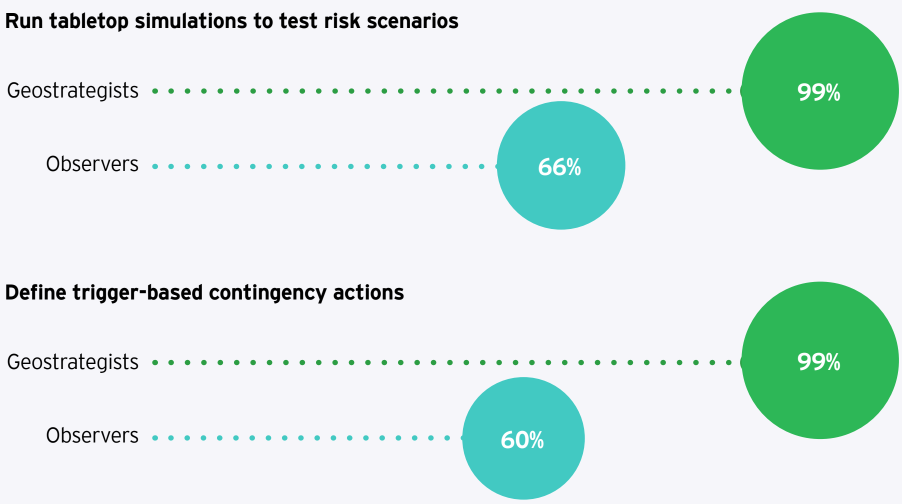
As companies retain international supply chains and operations amid geopolitical disruption, such flexibility and adaptability will become increasingly important.

How to shift from risk monitoring to active preparation

- **CEOs, COOs, CFOs:** Embed geopolitical indicators in business reviews. Integrate relevant risk signals, triggers and response options into forecasting, capital allocation, supply chain and market reviews.
- **Chief risk officers (CROs) and internal audit leaders:** Pre-determine triggers, red lines and response options. Coordinating with operational and financial teams across the organization, set risk appetites, red lines and response options before a crisis hits. Confirm that the surrounding decision infrastructure enables leadership to act quickly when needed.

Geostrategists are far more likely to turn political risk planning into action

Percent of executives who say their organization does each action on a regular or ad-hoc basis



Source: EY-Parthenon Geostrategy in Practice 2026 study.

Government and Public sector geostrategy

Government and public sector (GPS) organizations have been active in developing a foundation for managing political risk, but a gap remains between monitoring and preparedness.

Most GPS respondents in the Geostrategy in Practice 2026 study report collecting political risk data and monitoring those risks on an ongoing basis — although almost half of them do so only on a reactive basis. Despite these efforts, 77% of respondents indicate that half or more of the political risk events affecting them were unexpected.

The data also shows that political risk is more than a narrow risk management issue. Over the past 24 months, nearly 50% of respondents reported somewhat to significantly negative impacts across fiscal planning, procurement, digital infrastructure, workforce management and public service delivery. And almost 60% have changed strategy and policy planning in response. Organizations are adapting, but the findings show the real differentiator is how effectively governments connect geopolitical intelligence to decision-making.

Catherine Friday, EY Global Government & Infrastructure Industry Leader, highlights, "Awareness is not preparedness. The real test is whether governments can turn intelligence into timely, defensible action while they still have choices."

This suggests a gap between monitoring political risk and being prepared to act on it before it becomes a crisis, not after.

Addressing it will require organizations to adopt forward-looking frameworks needed to anticipate future risks, along with strengthening their institutional capacity to respond effectively. The goal is not simply to respond when disruption occurs, but to shape outcomes before events narrow available choices.

AI reinforces this point. Based on the study, technology is proving more useful for specific tasks than for managing the full political risk management process. Around half of the respondents believe it is effective for monitoring political risks, assessing their impact and supporting strategic decisions. However, only 31% say it is effective at integrating political risk into risk management systems, and 25% are not using it for this purpose at all. AI is strengthening governments' risk assessments, but many are still working to embed those insights within their internal processes.

The GPS sector is attentive to political risk, but fast-moving global developments are testing whether existing approaches are sufficient. Preparedness extends beyond monitoring, highlighting the need for more early indicators, scenario analysis and clear response protocols. AI can strengthen governments' assessments, but outcomes ultimately depend on human judgment and the governance structures that shape how organizations respond.

77%

of GPS respondents indicate that at least half of political risk events were unexpected.

Habit 3

Adopt a "geo-technology" strategy

Geostrategists are shifting their technology, data and intellectual property strategies to align with sovereign AI policies and other geopolitical dynamics.

Eighty percent of global CEOs say their companies are increasing their AI investments this year. At the same time, the entire AI value chain – and frontier technologies more broadly – are the focus of economic security policies and geopolitical competition. The rapid development and adoption of AI systems have accelerated the strategic importance of semiconductors, data centers and network infrastructure.

As a result, sovereign AI – defined as the ability of a government to exercise meaningful agency over critical AI capabilities, including data, infrastructure and governance, in order to strengthen security and support economic competitiveness – has become an increasingly important goal of governments around the world.

Sovereign AI policy tools vary across jurisdictions

Tool type	Example	Sovereignty-related objective
Public investment	**India** IndiaAI Compute Capacity	Democratize access to AI compute; support indigenous AI capabilities.
Strategy/ regulation/ governance	**European Union (EU)** EU Tech Sovereignty Package	Build regional AI and cloud infrastructure; reduce dependence on non-EU providers.
Industrial policy/ sovereign investment	**South Korea** Sovereign AI Foundation Model Project	Develop proprietary Korean foundation models; reduce dependence on global AI models.
Regional/ plurilateral coordination	**China** Big Fund III	Build domestic chip capacity and reduce dependence on foreign semiconductor inputs, especially under US-led export controls.
Export promotion/ economic diplomacy	**United States (US)** American AI Exports Program	Promote US-origin "full-stack" AI packages abroad; reduce allied dependence on adversarial AI ecosystems.

Sources: "Accelerating American AI across the world," American AI Exports Program website, https://aiexports.gov/, accessed August 2026.

"China's Big Fund 3.0: Xi's Boldest Gamble Yet for Chip Supremacy," The Diplomat website, https://thediplomat.com/2024/06/chinas-big-fund-3-0-xis-boldest-gamble-yet-for-chip-supremacy/, 6 June 2024.

"Strengthening Europe's Tech Sovereignty," European Commission Digital Strategy website, https://digital-strategy.ec.europa.eu/en/policies/eu-tech-sovereignty, accessed August 2026.

"Canadian Sovereign AI Compute Strategy," Innovation, Science and Economic Development Canada website, https://ised-isde.canada.ca/site/ised/en/canadian-sovereign-ai-compute-strategy, accessed August 2026.

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"'Proprietary AI Foundation Model' Project Enters Full-Scale Launch," Ministry of Science and ICT (Korea) website, https://www.msit.go.kr/eng/bbs/view.do?bbsSeqNo=42&mId=4&mPid=2&nttSeqNo=1131&sCode=eng, accessed August 2026.

"LatamGPT: A language model made in Latin America, for Latin America," LatamGPT website, https://www.latamgpt.org/en, accessed August 2026.

"Brazil: Launches the Brazilian Artificial Intelligence Plan 2024-2028," UN Trade and Development Investment Policy Hub website, https://investmentpolicy.unctad.org/investment-policy-monitor/measures/4930/launches-the-brazilian-artificialintelligence-plan-2024-2028, accessed August 2026.

"HUMAIN and NVIDIA Announce Strategic Partnership to Build AI Factories of the Future in Saudi Arabia," NVIDIA Newsroom website, https://nvidianews.nvidia.com/news/humain-and-nvidia-announce-strategic-partnership-to-build-ai-factories-of-the-future-in-saudi-arabia, 13 May 2025.

"G7 Critical Minerals Action Plan," Ministry of Foreign Affairs of Japan website, https://www.mofa.go.jp/files/100862251.pdf[BK1.1], 17 June 2025.

"National AI Strategy," Smart Nation Singapore website, https://www.smartnation.gov.sg/initiatives/national-ai-strategy/, accessed August 2026.

But sovereign AI is not just about AI. It's a dynamic that touches every sector of the economy because of the breadth of the AI supply chain, from critical minerals and semiconductors to power generation and physical infrastructure. Companies' technology strategies therefore need to incorporate how geopolitics affects the entire AI supply chain.

Lisa Bouari, EY Regional AI Leader, Oceania, highlights, "While organizations can now map Tier 2 supplier risk with remarkable precision, few can do the same for the jurisdictions that underpin their AI, data and digital operations. Until they can, geo-technology strategy remains a work in progress."

Companies across geographies and sectors increasingly wrestle with these choices as they continue to pursue global growth strategies. For instance, EY teams were asked to help a manufacturing company include political, regulatory and data localization factors as it considered how to organize its digital architecture and AI model access – the kind of choice that, a few years ago, would have been based largely on efficiency and cost.

Seventy-seven percent of executives in the 2026 EY Reimagining Industry Futures study say they are reassessing technology suppliers due to geopolitical risks, and nearly half of executives in this study (45%) say they have actually changed their company's technology, data, AI and intellectual property systems and strategies to adapt to geopolitical risks. For Geostrategists, the share rises to 51%.

Among those who have made such changes, enhanced cross-border controls and changes to AI governance are the most common responses. While such changes increased data or technology costs for 73% of companies, 70% of executives say they also heightened regulatory compliance readiness and 66% point to increased vendor diversification. This diversification may help to build resilience across markets as more governments enact sovereign AI policies – and it might not.

"Organizations are actively reducing dependency on individual technology vendors while becoming more dependent on a small number of hyperscale platforms. Leaders should be careful not to confuse supplier choice with strategic resilience; the underlying dependency may actually be increasing," according to Bouari.

This means that companies' choices around data infrastructure and AI have become strategic and cross-cutting, with geopolitical exposure increasingly central to the viability of technology strategies. Organizations should consider the scope of challenges for chief technology officers (CTOs), chief compliance officers and other business leaders around technological sovereignty: measuring exposure to foreign data laws, building jurisdiction-aware data governance, factoring extraterritorial risk into cloud and AI provider decisions, and stress-testing operations against divergent technology regimes.

"Geopolitics and AI are transforming the supply chain," says a Europe-based transactions executive. "A few years ago, we had to undertake a significant investment program to replace equipment sourced from one country with equipment from producers in less geopolitically sensitive countries. This was a substantial investment that we were effectively forced to make as a result of government policies. Now, demand for certain inputs from AI data centers and models is creating further supply chain disruptions. Data centers are absorbing a significant share of the available market capacity, making certain equipment increasingly difficult to source, with longer lead times and higher prices."

As companies remain global while the technology policy and regulatory environment fragments, it will become increasingly critical to incorporate geopolitics into companies' technology and AI strategies.

How to adopt a "geo-technology" strategy

- **CTOs, chief investment officers (CIOs) and general counsels:** Incorporate geopolitical and sovereignty considerations in your technology and AI strategy. It is increasingly important to assess where sovereignty measures, geopolitics and provider concentration pose the greatest risk – and where there are opportunities to diversify.
- **Chief information security officers, COOs, general counsels:** Reinforce security of critical data and infrastructure. Computing and telecom infrastructure is becoming a the strategic imperative, with increasing pressures to localize data and align with national or allied jurisdictions.

Supply chains remain the most impacted business function

Operations and supply chain is the business area that executives say is most affected by geopolitics: 80% of companies have been impacted in the past 24 months. Not surprisingly, it is also the area of the business that executives have most frequently changed in response to geopolitical risks over the past 24 months.

Tariff volatility has played a key role in driving those changes. Lynlee Brown, Partner – Global Trade at Ernst and Young LLP, points out how businesses are evolving to better handle tariffs: "With the usual customs planning levers rendered ineffective due to the breadth and scope of the tariffs, multinational companies with global supply chains have largely harnessed the power of tax and trade planning, such as optimizing transfer pricing. This produces additional compliance and governance benefits, as well."

Responding to tariffs and other supply chain disruptions – such as export controls on critical technologies or their components – may lead to other responses as well. These often require second- and third-order impact assessments. For instance, an executive at a consumer goods company related that rising risks in Chinese supply chains prompted an opportunity to move production to Southeast Asia. However, they discovered that this option still used Chinese components, complicating the ability to actually carry out a supply chain shift.

80%

of respondents report that operations and supply chain has been the area most impacted by geopolitics.

Habit 4

Mandate political risk analysis for all investment decisions

Geostrategists proactively assess how geopolitics will affect capital allocation and global growth strategies.

While geopolitics presents risks that need to be mitigated, it can also increasingly introduce factors that are critical to a company's growth strategy. Businesses should view capital allocation, market selection and the dependencies they are willing to take on through a geopolitical lens.

A key lesson from recent crises is that companies should avoid concentrating their investments and partnerships in one place. Instead, they should diversify across their global operations and industrial ecosystems – a strategy that may help explain why many companies are choosing to remain global.

Falco Weidemeyer, EY-Parthenon Global Strategic Transformation Leader, highlights the importance of geopolitics to corporate strategies: "Geopolitics has become a boardroom reality and resilience has become an imperative, sometimes superseding efficiency. Leaders now have to craft and adapt their strategies, transformation agendas and capital allocation amid geopolitical uncertainty. Waiting for more stability, clarity or less disruption unfortunately may not be viable today."

Indeed, two-thirds of executives say their companies have changed their strategy or their growth, investments and transactions in response to political risks in the past 24 months. These latter, more specific changes have had the most significant impact on companies' confidence to enter new markets – which is an important aspect of many companies' global growth strategies. These companies also appear to be more clear-eyed about how geopolitics could affect the value of their investments or transactions. By incorporating geopolitical insights into their decision-making in a realistic way, they are seeing increases in hurdle rates or risk premiums as well.

Of course, how geopolitical assessments are incorporated into those strategic decisions also matters. At the global level, more than 90% of executives say their company conducts political risk due diligence when evaluating a potential transaction, but only 54% do this on a regular or proactive basis. Geostrategists again stand out: All of these companies include political risk diligence in their transaction decisions and almost 70% of them do so on a proactive basis compared with 32% among Observers. And this pays off: Fewer Geostrategists report increases in capital costs and investment time horizons than do other companies that don't conduct such due diligence.

EY-Parthenon teams' work with clients shows the benefit of this incorporation of geopolitical analysis into investment decisions in practice. In one case, ahead of a potential cross-border transaction, corporate leadership had thought the potential transaction's small size would preclude any national security scrutiny. But a geostrategic analysis showed that, in fact, the potential investment in a strategically sensitive value chain was likely to draw attention regardless of its size.

Incorporating geopolitical risks into strategic decisions shifts how organizations approach transactions

Percent of executives that report increases in these metrics after adapting their organizations' growth, investments or transactions to geopolitical risks

Source: EY-Parthenon Geostrategy in Practice 2026 study.

This points to both upside and downside political risks – as policies such as industrial subsidies, tariffs and investment restrictions, can limit market access for some companies while generating growth opportunities for others.

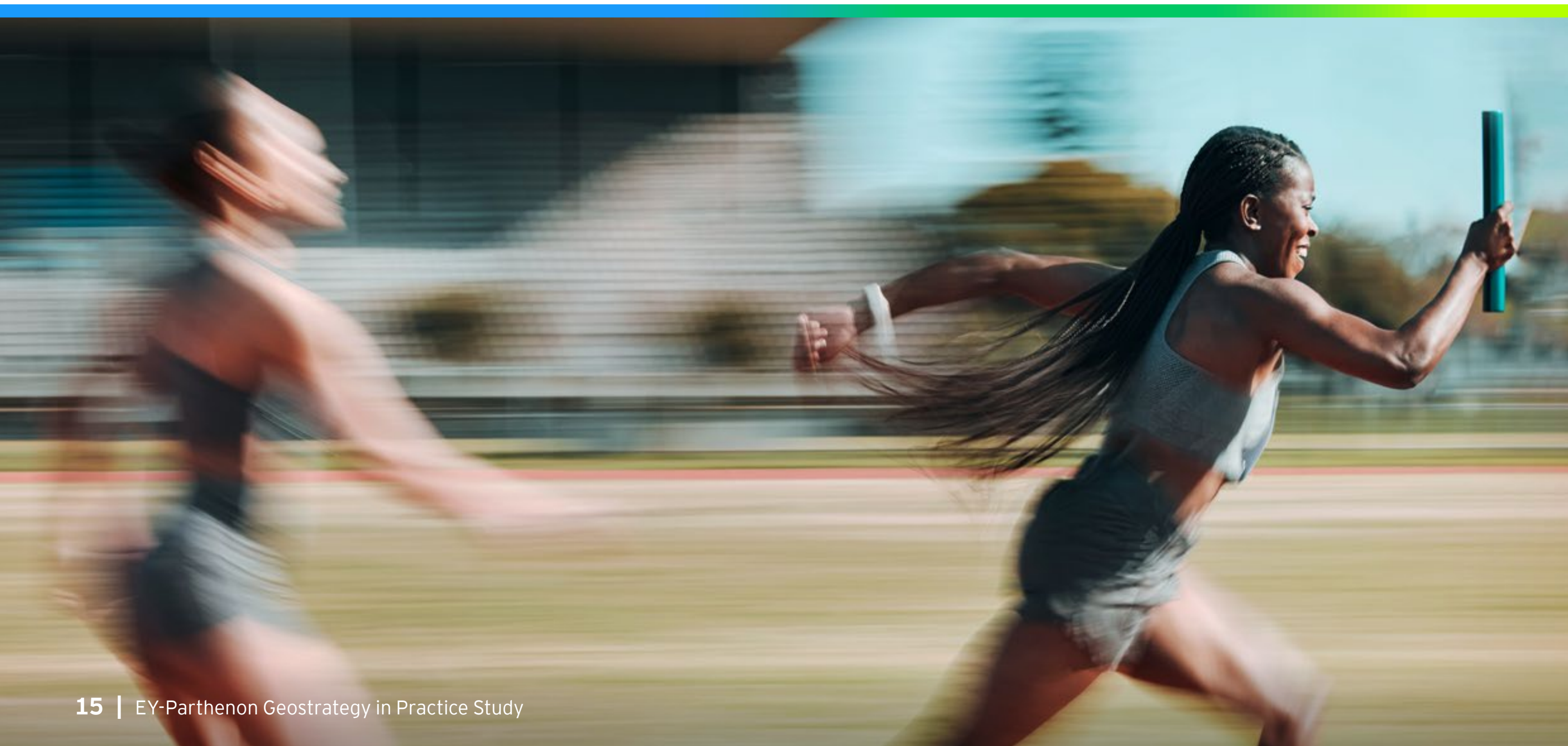
"In response to geopolitical exposures," one chief operations officer said, "the global team started to adjust its business forecasting profile to 'how can we be more aggressive?' How can we divert our investment toward countries which are more favorable, then reduce the investment in countries which are less favorable? We continue to double down on our investment into strategic areas. And that has also helped us to showcase some of the capabilities that otherwise would not have been possible had we not faced these geopolitical situations."

This stance highlights how geopolitics is not just an operational and strategic consideration, but also a financial one. "As organizations navigate an increasingly complex geopolitical environment, chief financial officers have an important role to play in evaluating trade-offs, strengthening resilience and supporting decisions about where to invest, grow and adapt," explains Myles Corson, EY Global Financial Accounting Advisory Services, Strategy and Markets Leader.

Executives involved in capital allocation, investments and transaction decisions need to make sure their global growth strategies are attuned to geopolitical dynamics.

How to mandate political risk analysis for all investment decisions

- **Chief strategy officers and corporate development leaders:** Mandate geopolitical diligence assessments. Before committing capital, insist on comprehensive geopolitical diligence – risk assessment, opportunity identification, potential scenarios – to improve investment outcomes.
- **CFOs, COOs and chief supply chain officers (CSCOs):** Diversify investments, partnerships and dependencies across your footprint. Identify concentration risks across markets, suppliers and partners. Weigh the trade-offs between resiliency and efficiency to determine which global strategy is most appropriate for your organization – and then diversify accordingly.



Habit 5

Get the right people around the geostrategy table – and empower action

Navigating geopolitical volatility requires coordinating geostrategy activities across functions, business units and geographies.

As the prior four habits have highlighted, geostrategy is a whole-of-organization responsibility. Effective geostrategy is cross-functional by nature, touching everything from strategy and risk to operations, technology and finance, working only when all functions are connected. For the 91% of companies that are pursuing global growth strategies, geopolitical tensions and regulatory fragmentation are also elevating the importance of having both enterprise and local business-unit leadership coordinating on geostrategy.

A Europe-based company, for instance, worked with EY-Parthenon teams to assign specific geostrategy roles and responsibilities to different functions, ranging from enterprise risk and corporate security to the strategy team. The leadership team, together with risk management, was responsible for cross-functional coordination, resulting in clear accountability and empowering faster, more effective action for future geopolitical crises.

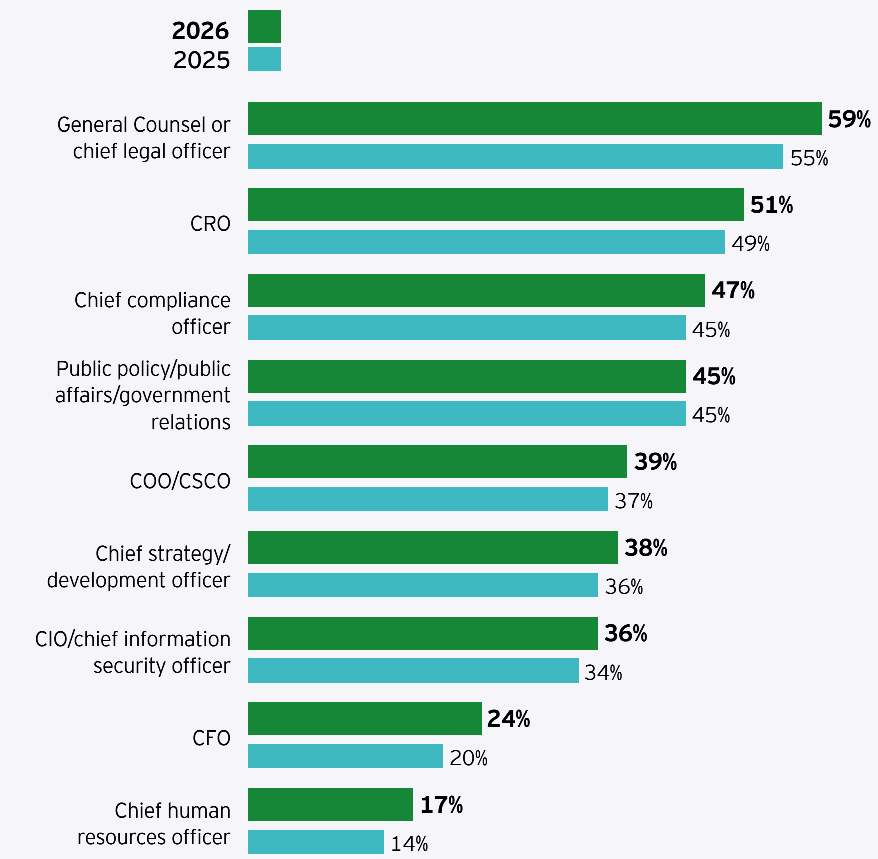
We find that teams can be reluctant to take responsibility by making a geostrategic call, especially when a volatile environment can quickly prove them wrong. Ownership is about giving people the authority, support and strategic clarity to decide.

Famke Krumbmüller, EY-Parthenon EMEIA Geostrategy Leader, frames this issue: "Companies that establish clear ownership, systematically analyze scenarios and prepare concrete response options cannot eliminate uncertainty, but they can significantly strengthen their resilience."

Without governance that enables action, this complexity can prohibit the effective implementation of geostrategy. There is a growing recognition of this challenge: 54% of companies have a committee responsible for geostrategy, compared with only 39% that assign responsibility to an individual function or business unit. And among EY-Parthenon geostrategy clients, demand for support around geopolitical governance has risen sharply in recent years, a recognition that earlier, sometimes ad hoc, arrangements are no longer suitable.

Geostrategy governance is increasingly cross-functional

Share of organizations in which each role has responsibility for geostrategy



Source: EY-Parthenon Geostrategy in Practice 2026 study.

As one COO summed up, "If you don't have solid governance to raise new issues and give you enough time to provide actions, you suffer the impact more than you already have."

There is evidence that companies are suffering such unnecessary impacts. Governance performance improvements lag behind other aspects of geostrategy. Less than half of executives point to improvements in political risk escalation and decision-making or in accountability and ownership. This disconnect could be due to who has responsibility for geostrategy. Ownership at the C-suite level still sits mostly with legal and risk functions, not the operational and financial leaders on the front lines.

Ownership also needs to start at the top. One telecoms executive explains that an effective response relies on clear direction from the board, empowering employees to make calls when necessary, and clear pathways to escalate and resolve risks under clear evidence.

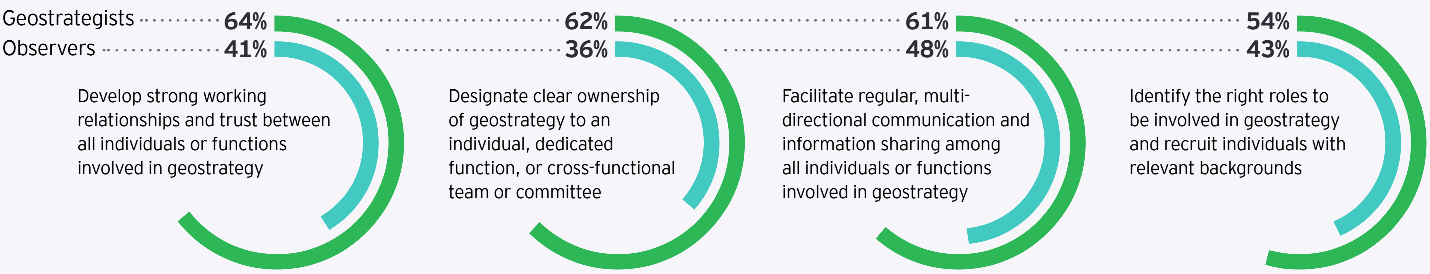
As another infrastructure company executive emphasized, "It's very important that political risk has to be at a high level of consideration at the board. In the past, risk was not a driver or a factor that the board had to manage. Now, political risk is part of strategic decisions, as well as daily operational activity."

EY-Parthenon Geostrategy Index results support this view. Geostrategists are 1.2 times to 1.5 times more likely to have a board that engages in a variety of geopolitical risk management activities. They are also more proactive across all governance actions – with the biggest gap between Geostrategists and Observers in assigning executive ownership.

Governance is arguably the most important aspect of geostrategy, particularly for companies that are pursuing global growth strategies. Coordinating geostrategy activities across functions, business units and geographies is critical to navigating today's geopolitical environment.

Geostrategists have stronger governance than Observers, particularly in terms of assigning ownership and building trust

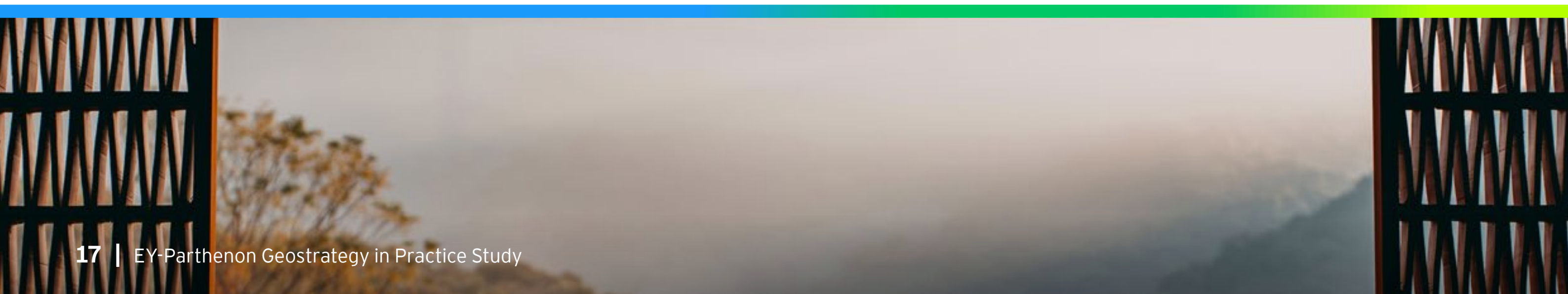
Share of executives who say their organization proactively takes each of these governance actions

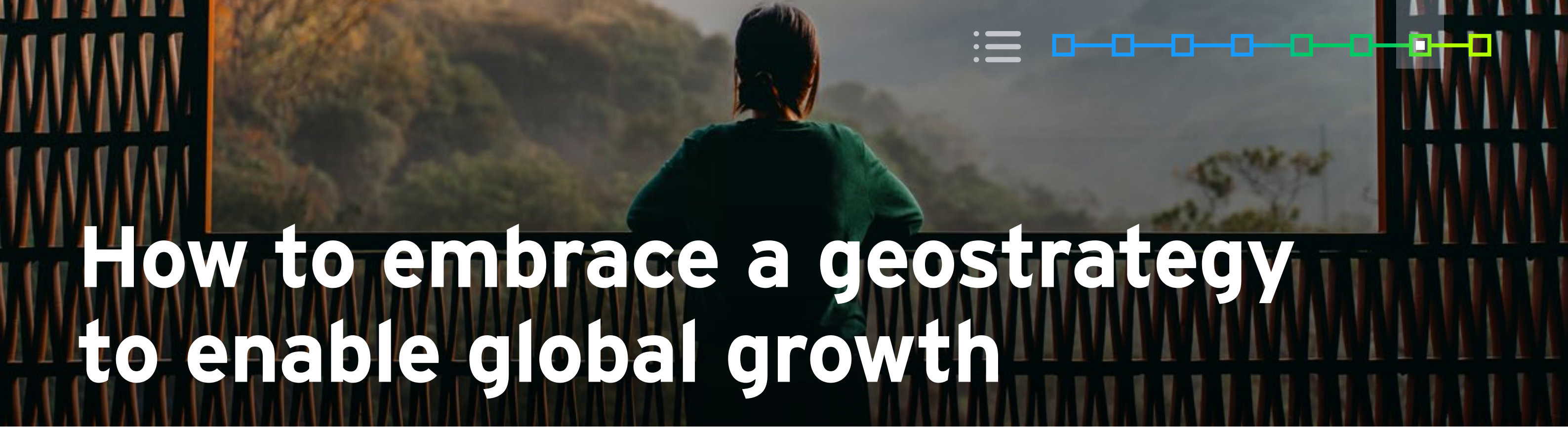


Source: EY-Parthenon Geostrategy in Practice 2026 study.

How to get the right people around the geostrategy table:

- **CEOs, boards:** Align functions and executives to each element of your geostrategy. Determine which roles and functions need to be represented, establishing coverage across all areas of geostrategy activity, from risk identification to strategic alignment.
- **CEOs, CROs:** Assign owners for material geopolitical risks. To make geopolitical monitoring and analysis actionable, assign ownership of risks to specific personnel, empower them with the authority to make decisions and clarify escalation paths.





How to embrace a geostrategy to enable global growth

Geostrategists can turn geopolitical risk management into a source of resilience, adaptability and growth.

As companies pursue global growth strategies amid heightened geopolitical tensions, it is increasingly important to view business decisions through a geostrategic lens. Executives navigating this environment need to have not only the best geopolitical intelligence, but also the capacity and willingness to turn that intelligence into operational, financial and strategic decisions.

Becoming a geostrategist often requires new investments in geostrategic capabilities. The improvement in EY-Parthenon Geostrategy Index scores demonstrate that companies have made significant progress in recent years, but more work remains to be done. For those unsure where to start, governance is usually the first step.

Geopolitical surprises are likely in the coming years, even for the most prepared companies. Having an effective geostrategy can enable executive teams to respond more quickly when political risk events – both foreseen and unforeseen – materialize, improve organizational resilience to geopolitical disruptions and support the viability of organizations' global growth strategies.

What is geopolitical risk management?
Geopolitical risk management is the process of identifying, assessing and responding to political events, government actions and geopolitical developments that could affect business performance. Leading organizations increasingly view geopolitical risk management as a driver of resilience and growth rather than solely a compliance or risk function.

Why is geostrategy important for global growth?
A geostrategy helps organizations adapt their business models, investments and operations to geopolitical realities while continuing to pursue international growth. Companies with stronger geostrategic capabilities are better positioned to improve resilience, respond faster to disruption and maintain the viability of global growth strategies.

How are companies responding to geopolitical disruption?
Most companies are adapting rather than retreating. EY-Parthenon research found that 91% of companies are still pursuing international growth strategies despite rising geopolitical tensions, with many changing their operations, supply chains, risk management processes and business strategies to remain competitive globally.

What is the EY-Parthenon Geostrategy Index?
The EY-Parthenon Geostrategy Index measures how effectively organizations manage political risk across five dimensions: identifying risks, assessing impacts, integrating risks into broader risk management practices, embedding geopolitical analysis into strategy, and establishing governance structures. Companies with the highest scores are classified as Geostrategists, while those with the lowest scores are classified as Observers.

What are the key habits of successful Geostrategists?
Our experience working with clients, discussions with global executives and the Geostrategy in Practice 2026 study point to five geostrategic actions to enable the continued viability of international growth strategies:

1. Expect the unexpected.
2. Shift from risk monitoring to active preparation.
3. Adopt a "geo-technology" strategy.
4. Mandate political risk analysis for all investment decisions.
5. Get the right people around the geostrategy table – and empower action.

About EY-Parthenon Geostrategy in Practice

EY-Parthenon Geostrategy in Practice is a longitudinal study that explores how executives of companies perceive, identify, assess and manage political risk – and how that affects their strategic decisions. EY-Parthenon defines political risk as the political decisions, events and conditions that might impact the performance of a company, market or economy.

This study is primarily informed by the geostrategy work that the EY-Parthenon Geostrategic Business Group and other EY teams deliver for clients, as well as by EY teams' ongoing conversations about geostrategy with board directors, C-suite executives and other leaders in private and public sector organizations.

Building upon the findings of previous studies in 2020, 2021 and 2025, this year's study includes two additional sources of primary research.

The first is a survey of 1,200 global executives from companies with more than $500 million in annual revenue across the largest economies in key regions around the world and 18 sectors across six industries. This iteration of the survey was in the field from mid-July to early August 2026. The previous edition of this survey was fielded in 2025, offering longitudinal comparisons. The survey focuses on how companies are currently managing political risk by exploring the five elements of the EY-Parthenon geostrategy framework (via EY.com US):

1. Scan – How political risks are identified and monitored
2. Focus – How political risk impacts are assessed
3. Manage – How political risk is integrated into connected risk approaches
4. Strategize – How political risk analysis is incorporated into strategic decisions
5. Govern – Who is involved and how they are organized

The second source is a set of qualitative interviews with executives from around the world. These executives represent companies across six industries: consumer products, financial services, infrastructure, private equity, telecommunications and transportation. These interviews focused on the strategic changes that companies have made in response to geopolitical developments, including shifting the location of operations and suppliers, investment decisions and market entry and exit. These interviews were conducted in August 2026.

These primary sources were supplemented by additional research and analysis, as well as by EY-Parthenon teams' experiences in the market.

Summary

Despite rising geopolitical tensions, most companies remain committed to international growth. The organizations pulling ahead are embedding geostrategy across decision-making, strengthening preparedness, technology resilience, investment discipline and governance to navigate uncertainty with greater confidence.

For a conversation about your growth strategy, please contact us:

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