



Midyear observations on the 2026 board agenda

KPMG Board Leadership Center

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Low visibility, persistent uncertainty, and heightened volatility continue to define the global business environment. In the months since we published [On the 2026 board agenda](#), the convergence of macro risks and business challenges has become more evident, and more urgent, in boardroom conversations.

Economic fragility, geopolitical fragmentation, accelerating artificial intelligence (AI) deployment, rapid tariff and regulatory changes, cybersecurity threats, and workforce transformation are interacting and amplifying one another in significant ways. The Iran conflict has deepened this complexity, reshaping geopolitical and market assumptions across sectors. The resulting energy supply shock also serves as a reminder to stay focused on other critical choke points across a company's operating environment (e.g., access to key commodities/materials, capital and liquidity, supplier concentration, cybersecurity breaches, and availability of labor).

Some of this is heavy turbulence to be weathered, but deeper, structural change is also unfolding. Not surprisingly, 80 percent of directors we surveyed recently said their company's strategy will likely require a significant adjustment in the next 1-2 years.¹

For boards, the implication is clear: Macro uncertainty and change have become a full-on governance issue, not just a management challenge. Context, experience, and judgment—the distinct qualities directors bring to the boardroom—will be vital to effective oversight and leadership in the months ahead.

The following insights and observations—based on our ongoing work and discussions during the 2026 KPMG Board Leadership Conference—may be helpful as boards calibrate their agendas for the second half of the year.

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¹ Based on responses from nearly 700 directors surveyed online by the KPMG BLC in March–April 2026.



Geoeconomic outlook: Confrontation and fragmentation

The US and global outlook at the start of 2026 was one of moderate growth (with uncertainty), but the Iran conflict introduced a new and potent destabilizing factor. The direct impact of the conflict—and the risk that energy markets, supply chains, transport routes, inflation expectations, and public confidence all move together—are putting corporate strategy, risk, and resilience to the test.

For financial markets, the downside risk is significant if the conflict persists or spreads. Energy prices are especially important as they affect nearly every part of the economy: household budgets, business margins, airline and logistics pricing, freight costs, and inflation expectations. A sustained price shock would force companies to absorb higher input costs and/or raise prices, weakening demand. This comes at a time when the economy is already fragile. Growth has been concentrated in a narrow slice of households and sectors, while labor-market weakness has left many workers behind. In this environment, an energy shock is not just another macro variable, it is a force multiplier. Lower- and middle-income households would be hardest hit, as they spend a larger share of their income on gasoline, utilities, food, and transportation. That means the conflict could deepen the K-shaped pattern already visible in the economy—widening the gap between asset owners and wage earners.

Inflation is the second major threat. The US has spent years battling an inflation cycle, and many households still feel prices are outpacing income growth.² An Iran-driven energy shock risks reigniting inflation just as governments and regulators are trying to normalize conditions. That could complicate the Federal Reserve's path to respond to slower growth by easing interest rates. In practical terms, the conflict reduces flexibility in Fed policy, and it creates the risk of stagflation.

In the US, the domestic energy base helps cushion the blow. Globally, many Gulf, European, and Asian countries are more exposed. In this environment, boards should help ensure that management refreshes 2026 scenario planning with explicit Iran conflict cases; maps exposure to the Strait of Hormuz, Gulf ports, and regional suppliers; and elevates cyber and operational resilience—with a particular focus on energy and logistics infrastructure.

In short, the 2026 economic outlook now depends heavily on whether the Iran conflict persists and broadens, becoming a dominant force shaping inflation, growth, markets, and politics for the rest of the year.



Seeing AI as organizational capacity

As companies begin to see AI more as a “worker getting things done” than just a technology tool for saving time and increasing output, the search for return on AI investments—what does ROI look like and when will we see it?—is being met by the broader question of AI's transformational implications.

How will an organization need to change to effectively leverage a technology that has become ubiquitous, cheaply available to all, and radically disruptive, with no slowdown in sight? Pressure is mounting for companies to show a return on AI, but the initial allure of AI's capabilities and speed at completing tasks—in seconds versus hours—is giving way to the realization that more (a “treadmill of infinite productivity”) isn't necessarily better, and that AI agents raise fundamental questions about operating models, management structures, workflows, delegation, and talent—ultimately, all people issues.

For boards and management teams wrestling with the way forward on AI, imagination is now as important as implementation. Should the company delegate AI agents down and build a hierarchy, or spread agents across the organization? Where is it best to use specialized agents (for specific tasks) versus general agents as digital employees tackling multiple tasks? Recognizing AI as a powerful digital workforce to be integrated into the business, operating models will need to factor in a range of issues, including role design, delegation, supervision and accountability, workflows, performance metrics, risks, and controls.

² JD Power Banking and Payments Intelligence Report, March 30, 2026.

With AI-related productivity gains still difficult to measure and the transformative implications hard to discern, boards will play a vital role in helping companies push forward, including being alert to issues that could hamper the company's progress on AI, such as:

- Disengaging on AI in the face of its difficulty and uncertainty
- Treating AI as a "normal" technology rollout by the IT department
- Becoming complacent from a check-the-box rollout of AI tools to employees without meaningful innovation
- Underestimating the continued importance of human talent, judgment, and expertise for understanding what "good" AI output looks like
- Underappreciating the organizational challenges that AI raises.

Among the biggest factors in determining whether an AI transformation starts off on the right track is having a clear vision from the top and the CEO's willingness to take the transformation risks head-on. As one conference speaker noted, "There's a real tension between pressure to move fast and the urge to hold back because of the risks and uncertainty involved. But we're still at a point where essentially, 'nobody knows anything.' Now is the time to explore not just AI tools and pilots, but the implications for major organizational change."

AI governance and guardrails

AI's proliferation continues to elevate it to the status of an enterprise risk and intensify boardroom focus on formal AI risk management efforts. A more disciplined, risk-based approach is taking hold, from clear company principles and policies to AI risk classification matrices that identify the company's highest- to lowest-risk AI uses, and formal risk management frameworks or certifications (e.g., NIST, ISO/IEC 42001). "Empowering employees to experiment with AI is necessary, but that needs to be counterbalanced with strong governance and guardrails," said one conference speaker. "It's important to understand what AI tools are being used, where the greatest risks are, and what controls are in place." Considerations include:

- **Legal/regulatory compliance:** Determining the company's baseline standard given the evolving patchwork of laws and regulations across US, state, and country jurisdictions
- **Human in the loop:** Ensuring that judgment, accountability, and escalation remain with people, not ceded to automated decisions
- **Vendors and the supply chain:** Avoiding overreliance on one tool or provider and understanding how vendors and suppliers are using AI and the implications for the company's own liability, data privacy, and contract terms and conditions
- **Data security:** Understanding what company data can be accessed by AI, security and permission rights around the company's most valuable data—its "crown jewels"—and the cybersecurity implications of recent advancements in AI's ability to exploit software vulnerabilities
- **Brand and reputation:** How might the proliferation of AI and AI agents—and data-related errors—impact the company's reputation and relationships with customers and the marketplace? What is the risk of disintermediation?
- **Resilience:** Is the company table-topping AI risk scenarios and response strategies, and updating its response plans to reflect lessons learned from the exercises?

At the management level, addressing the company's AI risk profile calls for a multidisciplinary approach such as a cross-functional management committee or council comprising perspectives from legal, risk, finance, HR, technology, data, operations, etc., as well as input from key business units. For multinationals, the company's country and global entity views should also be factored in.



AI, cognitive laziness, and the future of judgment

The frictionless ease of AI, if unchecked, presents a hidden risk of eroding the cognitive muscles that drive decision-making and define leadership. Avoiding a slide into intellectual complacency is emerging as a critical governance issue, with implications not only for senior leadership, but also for the company's talent pipeline. Overreliance on AI for "junior tasks" may prevent entry- and mid-level employees from developing the "judgmental muscles" necessary to be effective in more senior roles.

To help minimize the impact of cognitive offloading—becoming "cognitively lazy," overtrusting tools, and weakening judgment—as AI use increases, boards can emphasize the importance of:

- **Treating the preservation of human judgment as a governance issue**, pushing management to design decision processes that keep humans meaningfully engaged rather than delegating thinking
- **Insisting on hybrid human+AI operating models**, focused on ensuring that AI is used for support (first pass, search, synthesis), while humans do the consequential judgment work
- **Requiring verification behaviors to counter overtrust, as AI** outputs can be confident but wrong (hallucinations, fabricated citations)
- **Building decision discipline that reduces bias and "story seduction"** to prevent relaxing into easy narratives (a form of cognitive offloading)
- **Countering "AI-as-sycophant" effects by designing AI to challenge, not flatter**, deliberately prompting AI to generate counterarguments
- **Protecting or rebuilding the leadership pipeline for judgment formation**, including apprenticeship-style development models (analogous to medicine: residency/fellowship) so the organization doesn't end up with a "missing middle"
- **Measuring and managing human cognitive-capacity impacts**, not just AI model performance, to understand whether AI use is eroding or building human capabilities (especially metacognition) across the workforce and to treat that as an organizational health signal
- **Exercising human judgment and accountability:** Directors and officers cannot delegate their duties to AI and need to use their judgment. AI may assist, but not replace, accountability.

Championing these disciplines is a direct investment in the quality and resilience of what is often an organization's most critical and enduring asset: sound, accountable human judgment.



In collaboration: AI and the workforce

Will AI be a tool of human empowerment or a driver for workforce replacement? The emerging consensus suggests the answer is complex: Jobs are not disappearing en masse overnight, but are becoming "porous" as tasks are automated. Many companies and their boards are increasingly focusing on workforce strategies that reinforce what AI cannot replicate: deeply human skills and organizational culture, including:

- **Nurturing uniquely human capabilities:** As one conference speaker noted, "AI may be good at everything that is not culture," suggesting that the relational aspects of an organization remain beyond the reach of automation. Management teams that can identify the uniquely human capabilities underpinning the company's core strategy—for example, "EPOCH" qualities identified by recent MIT research: empathy, presence, opinion, creativity, and hope³—are better positioned to assess the efficacy of investments in these critical skills.

³ Isabella Loaiza-Saa and Roberto Rigobon, "The EPOCH of AI: Human-Machine Complementarities at Work," MIT Sloan Research Paper No. 7236-24, Originally posted December 3, 2024. Last revised October 1, 2025.

- **Modernizing operating models:** Rigid, “balkanized” departments may become significant liabilities in a future where employees act as managers of their own teams of virtual agents. Organizations may already be experiencing the blurring of traditional swim lanes as AI enables various business functions, for example, to do their own marketing, financial scenarios, or (vibe) coding. A central question for leadership is whether the company’s operating model is evolving at the same pace as its technology.
- **Forging “crockpot capacities”:** The automation of junior-level tasks risks eroding the “productive friction” necessary to develop resilience and judgment. How is the company redesigning its talent development programs to intentionally preserve “productive friction, ensuring the next generation of leaders is forged through experience, not just simulation?”

Robust governance around AI’s role in human capital strategy, operating model design, and the leadership pipeline can help set organizations on a path of augmentation, where technology and talent evolve together.



Cyberthreats intensified by AI and quantum risk

The quality and effectiveness of AI-powered deepfakes is just one of the manifestations of the advancing sophistication of cyberthreats. Nation states and cybercriminals working in tandem, AI that is increasingly able to identify and exploit major vulnerabilities in widely used systems (potentially seen as “too dangerous to release to the public”⁴), and the shrinking timeline for the arrival of quantum computing are keeping cybersecurity at the top of boardroom agendas.

Risks now extend beyond direct network attacks and include, for example, supply chains, joint ventures, and contractors. Corporate cybersecurity continues to shift to resilience: AI-driven detection, zero-trust, continuous monitoring, and vendor diligence remain critical. Companies must reimagine resiliency, especially bolstering the ability to restore data and IT operations in the event there is a serious cyber event. And they need to understand where they have single points of failure in suppliers and architecture that pose too much risk.

Among the key questions for boardroom focus:

- How geopolitically exposed is the company, including its supply chain?
- What is the company’s incident response plan?
- Are the company’s AI defenses and third-party controls audited?
- Are cybersecurity-related metrics tied to resilience?
- Has the company established a trusted AI operating model?

Effective cyber defense requires close collaboration between government and the private sector, especially since most critical infrastructure is privately owned.

Companies should also be preparing now for the cyber threat posed by quantum computing. Recent quantum breakthroughs are accelerating the path to “Q-day,” when quantum computers undermine current encryption standards. As discussed in [Prepare Now for Quantum Cyber Risk](#), boards should encourage companies to prepare now: The “harvest now, decrypt-later” threat exists today, the transition to postquantum security is slow and complex, and regulators and investors are sharpening their focus on readiness.

⁴ Adriana Fallico, “Anthropic says new Claude Mythos AI is too risky for public use,” Global News, April 9, 2026.



Regulatory landscape: Fragmented and in flux

An increasingly fragmented and divergent regulatory landscape—from Securities and Exchange Commission (SEC) and Department of Justice (DOJ) priorities to the global reach of California and European Union (EU) regulatory activity—poses significant challenges for compliance, risk, and corporate strategy.

Regulatory fragmentation across federal, state, and global jurisdictions has become a defining feature of the global business environment, directly impacting decisions on where to grow, how to structure products and safeguard data, where to incorporate or reincorporate, and how to design governance and control frameworks to withstand shifting and misaligned rules and regulations.

Tariffs and trade policy as well as political volatility are also major amplifiers of today's regulatory unpredictability. Boards can help ensure that management treats regulatory risk as a strategic variable (versus a siloed compliance risk) and that “mission-critical” risks are explicitly integrated into risk and governance processes and frameworks.

SEC and DOJ priorities

In a February statement, the SEC Division of Corporation Finance outlined its regulatory agenda, identifying the Division's near-term priorities.⁵ The Division identified crypto assets as a leading priority. The SEC, together with the Commodity Futures Trading Commission, issued a March 17 interpretive release to provide a clear taxonomy for crypto assets and guidance on when a crypto asset is, or is no longer, part of an investment contract. The SEC has proposed a rule that would give companies the option to report on a semiannual basis rather than quarterly⁶ and is undertaking a comprehensive review of Regulation S-K, with the stated goal of refocusing disclosure requirements on material information and reducing immaterial or duplicative disclosures.

Given the implications for the company's earnings reports frequency, earnings releases, disclosure practices, internal controls, risk profile, compliance obligations, and shareholder engagement strategies, boards and audit committees should stay well-informed about the planned rulemakings and receive regular updates from management, legal counsel, and auditors.

The DOJ is zeroing-in on high-impact crime areas, such as violent crime, cartels and drug trafficking, immigration-related offenses, sanctions and national-security cases, and major white-collar fraud that harms US interests⁷—with a streamlined approach favoring quick resolutions. The approach offers a clear “path to no charges” for companies that self-disclose promptly, cooperate fully, and fix issues fast, while reserving criminal penalties and monitors for serious harm, executives involved, or repeat offenders.

California, EU, global divergence

Many US companies, including those whose core business is US-centric, will also be affected by global regulatory divergence and fragmentation in a number of key areas, including climate and other sustainability disclosures, data privacy and AI laws and regulations, and cybersecurity and infrastructure security and incident reporting requirements. In each of these three areas, many companies will be subject to divergent and often still evolving US federal, state, and global laws and regulations, with the EU and California often first movers.

In competition: Delaware, Texas, Nevada

Delaware—home to roughly 70 percent of the Fortune 500⁸—has long set the gold standard for corporate law, offering an extensive body of precedent, an expert Chancery Court that resolves business disputes efficiently and without juries, an up-to-date corporate statute, and a reputation for predictability. In 2024, however, several high-profile Chancery Court decisions unsettled that predictability, prompting some to reassess Delaware's advantages and to explore alternatives such as Texas and Nevada, sparking headlines about a possible Delaware exodus.

Decisions about where to incorporate (or reincorporate) take into account a number of factors, including legal predictability, cost, liability, and shareholder protections. Texas is emerging as a business-friendly option. Recent legislative reforms aim to enhance predictability, codify the business judgment rule, and allow companies to set an ownership threshold for certain shareholder suits—features that

⁵ Jim Moloney, “Coming Attractions From the Division of Corporation Finance,” US SEC, February 13, 2026.

⁶ Semiannual Reporting, Release No. 33-11414, US SEC, May 5, 2026.

⁷ “Significant Developments to DOJ Enforcement Priorities,” Cleary Gottlieb Steen & Hamilton LLP, January 15, 2026.

⁸ Delaware Division of Corporations website.

may appeal to boards seeking flexibility and reduced litigation exposure, particularly for firms with substantial Texas operations.

Nevada promotes itself as the most management-friendly jurisdiction. Its laws strongly protect directors and officers, emphasizing reduced liability and streamlined governance. This approach may appeal to founder-led or closely held companies that prioritize managerial control and lower legal risk.

Moves to Texas or Nevada could raise concerns over diminished investor protections. And current trends point not to a widespread departure from Delaware, but rather to selective repositioning by companies seeking legal environments that align more precisely with their ownership structure, governance philosophy, and strategic priorities.

A company considering reincorporation needs to do a careful analysis. And if a board decides to put reincorporation to a stockholder vote, the proxy needs to communicate a clear rationale. A number of companies that do not have a controlling stockholder are putting reincorporation proposals on the ballot during the 2026 proxy season. The outcome of those proposals will provide more insight into stockholder sentiment.



Understanding the activist investor mindset

Shareholder activism continues at record-high levels, prompting boards to routinely insist on up-to-date activist vulnerability studies and playbooks focused on perceived weak points. Boards are encouraging management to redouble efforts to understand the views of activists and ensure that the company's communications clearly tell the company's story—and the board's—regarding issues of concern. Boards are also examining their own composition, with a view toward any necessary refreshment.

Conference speakers noted that proxy fights are “usually value-destructive distractions.” The preferred path—working toward shared goals—is candid engagement, problem-solving, and finding the right mix of operational, strategic, and governance changes that can improve the business and add value.

Among the tips offered for when a company faces a shareholder activist:

- **Try to frame the issue as a shared attempt to maximize long-term shareholder value.** It's a mistake for management to assume they are entirely right and the activist is entirely wrong, or to allow the conversation to become personal rather than staying focused on decisions, strategy, and execution.
- **Recognize that a “good” activist usually has a research-based thesis** for creating long-term shareholder value and is willing to engage constructively with management and the board, rather than shooting from the hip and doing research later.
- **Good activists can make mistakes** because they are not in the boardroom. For example, an activist may make assessments of directors based on tenure. However, long-tenured directors may actually be the linchpin to “hold everything together,” according to conference speakers.
- **Boards can miss real investor sentiment** because investor relations reporting may not be transparent enough. Private board access to investor relations (in executive session, for example) may surface investor concerns earlier.



Resilient leadership and culture

In an era defined by uncertainty, change, and volatility, resilient leadership and culture have become the foundation for corporate success. Boards play a critical role in shaping that foundation—by challenging traditional notions of leadership, breaking the “club mentality” that stifles diverse thinking, fostering an environment where curiosity and dissent are valued as essential to sound judgment, and by examining incentives to understand true risk. Most importantly, the board can add value as the company's strategy evolves to address new risks, opportunities, and disruptions—particularly by avoiding cognitive biases and blind spots and helping to ensure alignment of strategy, risk, controls, talent, incentives, and culture.

The quality of the board-CEO relationship is critical, particularly as CEOs and management teams look to experienced board members for guidance navigating unprecedented uncertainty and uncharted terrain.

2026 Conference speakers (in order of appearance)

Timothy J. Walsh

Chair and Chief Executive Officer,
KPMG LLP

Diane Swonk

Chief Economist,
KPMG LLP

Rebecca Patterson

Senior Fellow, Council on Foreign
Relations
Director, Vanguard

Ethan Mollick

Associate Professor and
Co-Director, Generative AI Labs,
Wharton

Steve Chase

Global Head of AI and Digital
Innovation, KPMG LLP

Stephen L. Brown

Senior Advisor, Board Leadership
Center, KPMG LLP

Warren Hatch

CEO, Good Judgment Inc.
former Superforecaster

Nita Farahany

Director, Duke Initiative for
Science and Society

Aisha Tahirkheli

Principal, AI & Digital Innovation,
KPMG LLP

Christina Montgomery

Chief Privacy & Trust Officer,
General Motors

Samantha Kappagoda

Director, Credit Suisse Funds;
Chief Data Scientist, Numerati

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Kai Liekefett

Co-chair, Shareholder Activism &
Corporate Defense, Sidley Austin

Steven Barg

Global Head of Engagement,
Elliott Investment Management

Gracelin Baskaran

Director, Critical Minerals Security
Program, Center for Strategic and
International Studies

Christopher Wray

Former Director, Federal Bureau of
Investigation

Atif Zaim

Deputy Chair and Managing
Principal, KPMG LLP

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US Special Correspondent, BBC;
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Michael Lewis

Journalist and best-selling author

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Principal, Federal Legislative and
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Tiffany J. Smith

Partner; Co-chair, Blockchain and
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WilmerHale

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Jonathan Leiken

Chief Legal Officer,
Danaher Corporation

Sonia Gupta Barros

Partner, Sidley Austin LLP

Patrick McGee

Technology/business journalist and
author, *Apple in China*

Evan A. Feigenbaum

Senior Advisor, Eurasia Group

General John F. Kelly (Ret.)

Former Secretary, Department
of Homeland Security and White
House Chief of Staff

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CNN Senior Political Analyst,
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