

ACLN SUMMARY OF THEMES

# China, planning in the face of uncertainty, learning from failure, and extreme weather risks

March 2025



**On February 25 and 26, 2025, members of the Audit Committee Leadership Network (ACLN) met in Miami, Florida. Topics included:**

- **China’s strategic ambitions** with Evan Medeiros, Senior Advisor, The Asia Group, and Professor and Penner Family Chair in Asia Studies, Georgetown University
- **Planning in the face of uncertainty: the new US administration** with Steve Weber, Partner, Breakwater Strategy, and Professor, Graduate School, University of California, Berkeley
- **Learning from failure** (a members-only discussion)
- **Risks from extreme weather events** (a members-only discussion)

*For a list of meeting participants, see Appendix 1 (page 8).*

This *Summary of Themes*<sup>1</sup> provides an overview of the following discussions:

[China’s strategic ambitions](#)

[Planning in the face of uncertainty: the new US administration](#)

[Learning from failure](#)

[Risks from extreme weather events](#)

## China's strategic ambitions

China is a major global market for many companies yet doing business there poses significant risks. Export regulations, tariffs, supply chain uncertainties, and geopolitical tensions are driving companies to a “*Made in China for China*” strategy. “*Companies operating in China are not increasing their investment at any great rate,*” a member said.

Mr. Medeiros shared his perspectives on China's strategic direction:

- Economic fragmentation and strategic competition are the new norms.** Businesses are navigating a landscape shaped by trade barriers, protectionist policies, and industrial policy shifts. “*The post-Cold War era of accelerated globalization, open markets, and relative stability provided by US unipolar dominance is essentially over,*” Mr. Medeiros said.
- China aims to become the world's leading economic and technological powerhouse.** “*Xi Jinping's reforms are all about positioning China as a major manufacturing superpower and moving China up the manufacturing value chain,*” Mr. Medeiros said. The government has prioritized advanced manufacturing, technology leadership, and self-sufficiency; and it has an “*unparalleled ability to mobilize and invest resources*” to fuel its priorities. “*Ten years ago, they decided they wanted to dominate electric vehicles, batteries, clean energy, and other key industries. Because their banking system is largely state-owned, they poured money into those sectors, and now China dominates them.*” China seeks to position itself as a champion for multilateralism, in contrast to US protectionism.
- Economic headwinds could slow China's global goals.** “*China is dealing with a difficult combination of cyclical and structural economic challenges,*” Mr. Medeiros said. He cited overcapacity in key industries like electric vehicles; an aging workforce; regulatory moves that create an unpredictable business environment; and weak investor and consumer confidence.
- An outright invasion of Taiwan is unlikely.** While Xi prioritizes “*national unification,*” a direct assault struck Mr. Medeiros as unlikely. Instead, he expects China to “*boil the frog*”—gradually increasing its military presence, harassing Taiwan's forces, and undermining confidence in US support. China continues to monitor Russia's invasion of Ukraine, which Mr. Medeiros believes has been “*caution-inducing for them,*” and to assess President Trump's stance on Taiwan.
- China is expanding its territorial reach.** It has built artificial islands in the South China Sea to assert territorial and military control. “*The South China Sea is hugely consequential because of its geography and China's ability to disrupt major global trade routes,*” Mr. Medeiros said. At the same time, China is expanding influence in Europe, Latin America, and Africa through infrastructure and investments in prioritized industries.

## US-China relations: key signals to watch

Mr. Medeiros emphasized that *“making predictions is very difficult.”* Factions exist within the Trump administration, he said, ranging from globalizing business leaders to *“cold war hawks”* to economic nationalists pushing for reindustrialization. President Trump himself is not a *“hardliner on China,”* Mr. Medeiros said, noting *“we don’t yet know who will drive American policy toward China.”* A key question is whether President Trump will engage in direct negotiations with Xi to stabilize relations or if tensions will escalate. Export controls and tariffs will likely persist. He noted that the *“Chinese can be incredibly strategic when it comes to negotiations,”* including during times of heightened uncertainty. *“They will play for time and advantage. I think their approach to the US right now is very businesslike, and they will respond to each move by the US with an equivalent one.”*

He outlined key developments that could signal how US-China relations may evolve:

- **A Trump-Xi meeting.** Such an event could reveal the US administration’s path forward on China policy. However, Mr. Medeiros cautioned, *“We should still expect investment restrictions at the state level coming from Congress.”*
- **China’s National People’s Congress (NPC) announcements.** The policy announcements from the 2025 “third session” of the NPC highlighted key aspects of China’s economic strategy, including a targeted a 5% growth rate, reaffirmation of China’s intent to be a leader in multilateralism, reassertion of territorial claims, and signals of alignment with Russia and the Global South.
- **China-Europe trade relations.** China is eager to make long-term investments in Europe, particularly in industries like electric vehicles and clean energy. *“Europe is skeptical of China at the EU level, but more hospitable at the nation-state level,”* Mr. Medeiros said. Expanding production in Europe could ease China’s overcapacity pressures but strain US-Europe relations.
- **Taiwan’s leadership.** The actions of Taiwan’s pro-independence leader, combined with uncertainty about US support, could heighten tensions with China. Mr. Medeiros noted that geopolitical instability and anxious leaders can make *“things go very badly very quickly,”* and the situation requires close monitoring.

## Planning in the face of uncertainty: the new US administration

*“We are a little over one month into President Trump’s second term, and things are being remade really fast,”* Mr. Weber observed. The rapid pace of change and heightened uncertainty complicates corporate risk management and board oversight. He

warned that classic scenario planning in this environment can be *“irrelevant, possibly even misleading.”*

Mr. Weber shared perspectives on the Trump administration’s current strategy:

- **Engineered uncertainty is central.** *“The whole point of the numerous executive actions and other announcements is to create radical uncertainty,”* Mr. Weber said. The administration aims to use this strategy to generate bargaining leverage; counterparts are more likely to accept less favorable terms in an uncertain environment. He advised boards to avoid reacting impulsively to every headline.
- **Geopolitical relations have shifted.** *“The Trump administration doesn’t really distinguish between geopolitical adversaries or allies—they are all just bargaining partners,”* Mr. Weber said. Global relations are shifting from traditional geopolitical alliances to transactions driven by individual power, he said.
- **Trump is seeking deep cultural change within the federal government.** Initiatives like the new Department of Government Efficiency signal a Silicon Valley–style *“break-and-rebuild”* strategy aimed at dismantling bureaucracies and rebuilding them with lean, technology-driven processes, Mr. Weber said.
- **Regulatory burdens may ease but bargaining dynamics may still play a role.** *“A central narrative of the Trump administration is deregulation,”* Mr. Weber said. Members discussed how agencies like the US Securities and Exchange Commission, the Public Company Accounting Oversight Board, and the Federal Trade Commission may change. They expect some business-friendly shifts, such as cost-benefit approaches to regulation, but Mr. Weber cautioned that the environment could move toward the *“discretionary regulation model”* seen in the UK. *“I like the positive sound of that regulatory shift, but I’m concerned about it possibly being selective,”* a member said. Members noted that relationships with regulatory authorities become critical in such an environment.
- **Big Tech’s alliance with the Trump administration is powerful yet fragile.** Mr. Weber described the relationship as a *“marriage of convenience,”* noting it could unravel over issues like immigration, cultural differences, or competition fears.
- **Companies should track short-term developments within flexible, yet structured frameworks.** Mr. Weber stressed that disciplined awareness is essential in an environment of engineered uncertainty. He advised focusing on the *“central tendency”* of the Trump administration’s actions to better anticipate its future moves. Rather than traditional scenario planning, he recommended a *“landscape map”* that can help reveal trends. He shared a model that analyzed the Trump administration’s actions into various categories, such as maintaining versus breaking norms. *“This type of framework allows an organization to chart observations and create a shared conversation at the board and management levels about what is happening in this*

*shorter-term window*,” he said. By focusing on the broader picture, boards can anticipate how policy might evolve.

- **Boards should remain alert to systemic risks and maintain crisis playbooks.** Citing the 2008 financial crisis, Mr. Weber advised members to consider these *“just-below-the-radar”* systemic risks and maintain flexible crisis plans. *“You don’t have to get the crisis exactly right—you just have to be in the neighborhood in order to be better prepared for those kinds of systemic crises,”* he said.

## Learning from failure

Failure is inevitable in business, but how leaders and boards respond defines an organization’s resilience. Members discussed how to ensure setbacks lead to growth, rather than repeated mistakes. Several themes emerged:

- **Cultural behaviors impact outcomes.** Culture shapes how organizations approach risk, embrace new ideas, and adapt to setbacks. Members discussed how leaders must ensure that a company learns from failures and does not penalize them. *“If a company isn’t willing to change and invest in innovation, it’s a glaring issue,”* one said.
- **Boards must balance experience with openness to new perspectives.** Directors should trust their instincts—asking tough questions and pushing for deeper scrutiny when something *“feels off.”* They must also remain open to new perspectives and avoid a fixed mindset. A member noted that activist investors can force a board to reassess its approach: *“They make you get out of your current mindset. It can be healthy, though painful, for a company to go through.”*
- **Directors can help boards drive action.** When CEOs fail to tackle problems, experienced directors can help the board make tough decisions. Their perspective helps determine when to cut losses, divest from a failing strategy, or replace underperforming leaders. *“That’s where you need seasoned board members to see the issue and force a change,”* a member said.
- **Mergers and acquisitions (M&A) carry significant risks and require strong oversight.** Members shared lessons from M&A, including:
  - **Avoiding failure from cultural misalignment.** *“Don’t underestimate the social issues in transactions. Success is more than getting the numbers right—you have to get the culture right too,”* one member said. Integration issues and conflicts must be identified and tackled early.
  - **Making informed decisions.** *“As a board member, I get frustrated because too often we’re given a very high-level financial overview of the deal. There is so much risk. I want to see details and be more involved,”* one member said. Members also noted that bankers often present optimistic models and that more

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– ACLN member

scrutiny is needed to validate assumptions and risks.

- **Using post-mortems to improve future decision-making.** Members underscored the importance of conducting regular post-mortems. They discussed reviewing deals that did not close; one said, *“We passed on an acquisition because we thought it was getting too pricey. The deal went to a competitor, and they had astounding results. The lesson? If you really think it’s a good fit and you can make a go of it, don’t be so price sensitive.”*
- **Considering the value of spinoffs.** Some businesses perform better outside large companies. *“There is tremendous value in spinoffs,”* a member said.

### Differing perspectives on failure: US and Europe

How failure is perceived varies by region. One member noted that in Europe, failure can be a major setback: *“It’s very rare to get a second chance—if you fail, you lose trust.”* In contrast, in the US, some entrepreneurs are seen as less credible if they have not experienced failure.

*The European Audit Committee Leadership Network discussed how their boards and companies approach failure at its December 2024 meeting. [Read insights here.](#)*

## Risks from extreme weather events

Following a visit to the University of Miami’s hurricane simulator, members discussed how their boards incorporate extreme weather events in risk oversight and resiliency planning. Key insights included:

- **Boards view extreme weather events as a short-term disruption, not a long-term strategic risk.** Most companies focus more on resilience and quick adaptation than long-term planning. Members cited supply chain management: *“We are making sure more thought goes into alternative sources and ways of moving product; that is not just because of climate change but also geopolitical risk,”* one said.
- **Perspectives varied on climate risk as a board agenda item.** One member wondered whether climate issues deserve more attention: *“When companies are making decisions like where to locate a major facility, I’m not sure climate is given the prominence and decision-making it needs other than for sustainability reporting.”* Others felt climate risks are understood and adequately recognized in planning. As one said, *“If you’re going to put a manufacturing facility in the Caribbean, you know hurricanes are a risk. My boards are not talking about weather as a top issue when we build new facilities other than considering redundancy factors.”* Another said that climate-related risks affect everyone equally, rather than being a competitive risk. *“We don’t see it affecting us differently than others.”*

- **Public policy should be considered as part of disaster preparedness.** Members cited the recent Los Angeles wildfires. *“The talk among those affected by the fires is not about climate risk; it is more about what could have been done policy-wise to have mitigated or prevented the damage,”* one said. Local regulations, as well as infrastructure and disaster response capabilities may be an important consideration for companies assessing operational risks in high-risk areas.

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## Appendix 1: Participants

The following members participated in all or part of the meeting:

Fernando Aguirre, CVS Health  
 Judy Bruner, Applied Materials  
 Christine Catasta, Erste Group Bank (EACLN member)  
 Pam Craig, Merck  
 Charles Holley, Amgen and Carrier Global  
 Maria Pinelli, International Game Technology (ACN member)  
 Larry Quinlan, Jones Lang LaSalle  
 Tom Schoewe, General Motors and Northrop Grumman

The following members participated virtually in part of the meeting:

Janet Clark, Texas Instruments  
 Dave Dillon, 3M and Union Pacific  
 Anne Drinkwater, Equinor  
 Teresa García-Milá Lloveras, Repsol (EACLN member)  
 Bella Goren, GE Aerospace and Marriott International  
 Margarete Haase, ING (EACLN member)  
 Gretchen Haggerty, Johnson Controls  
 Akhil Johri, Cardinal Health  
 Pamela Knapp, Saint-Gobain (EACLN member)  
 John Lowe, Phillips 66  
 Benoît Maes, Bouygues (EACLN member)  
 Jim Turley, Citigroup  
 John Veihmeyer, Ford  
 Frank Witter, Deutsche Bank (EACLN member)

The following EY representatives participated in all or part of the meeting:

Julie Boland, EY Americas Area Managing Partner and EY US Managing Partner  
 Dante D'Egidio, Americas Vice Chair – Assurance EY  
 Pat Niemann, Partner, Americas Center for Board Matters

The following Tapestry Networks representatives participated in all or part of the meeting:

Beverley Bahlmann, Executive Director  
 Jonathan Day, Chief Executive  
 Kelly Gillen, Senior Associate  
 Laura Koski, Project and Event Manager  
 Todd Schwartz, Executive Director



## Endnotes

1 *Summary of Themes* reflects the network's use of a modified version of the Chatham House Rule whereby names of members and their company affiliations are a matter of public record, but comments are not attributed to individuals or corporations. Quotations in italics are drawn directly from members and guests in connection with the meeting but may be edited for clarity.