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Five Questions Boards Should Be Asking Before Election Day

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As Election Day approaches, an enormous amount of money, expertise and attention is being devoted to predicting what will happen. Pollsters are updating models, pundits and political consultants are parsing individual races, donors are deciding where to put late money, and prediction markets are putting prices on possible outcomes.

For companies, the temptation between now and then is to ask the obvious political question: who is going to win, and by how much?

However, corporate boards should be asking a different question. Their fiduciary and oversight obligations require them to understand the material risks that could affect strategy, capital allocation and long-term enterprise value. With political and policy volatility affecting everything from taxes, trade and regulation to public investment, supply chains and reputation, boards and leadership teams should be asking not simply what the election will produce, but what changes in political conditions could mean for assumptions the company is already making.

In today's increasingly unpredictable environment, political risk assessments are taking on greater importance in corporate planning. In an election year, when formal authority, oversight priorities and political incentives can shift at the same time, they warrant particular attention. Even when the underlying law does not immediately change, the people with power to investigate, fund, enforce, implement, delay or reinterpret policy may have different priorities and incentives.

The period between Election Day and January matters as well. Outgoing majorities can move spending measures, nominations and other outstanding business before power changes hands, and incoming leaders begin signaling their priorities long before they are sworn in. A review that begins before the election and continues through the transition gives boards time to test assumptions, identify material exposures and decide where management may need to adjust its plans.

Five questions should be part of that review.

1. Which Assumptions in Our Strategy and Operating Plans Depend on the Current Political Environment?

Capital budgets, acquisitions, expansion plans, supply chain decisions and forecasts are built on assumptions about the environment in which the company expects to operate. Some depend directly or indirectly on the continuation of a particular tax treatment, trade

regime, regulatory interpretation, permitting timetable, government contract or public financing.

Companies routinely stress-test assumptions about interest rates, input costs, demand and other financial risk factors. Assumptions about the political economy deserve the same scrutiny when changes in government policy or political conditions could alter the economics of a project, transaction or investment.

Identifying which assumptions are material to investment and operating decisions, how vulnerable they are to political change, and what alternatives management has if they no longer hold gives leadership time to prepare before the election. Discovering those dependencies only after conditions change can turn a foreseeable political exposure into an avoidable business problem.

2. Which Public Commitments Are Durable, and Which Depend Heavily on Discretion or Favor?

Government commitments take different forms, with varying degrees of legal protection, institutional stability and political durability. Some rest on enacted law, executed contracts, appropriated funding, established regulatory processes or longstanding programs. Others depend more heavily on administrative interpretation, annual funding decisions, pending awards, waivers, exemptions or the continued willingness of particular officials to exercise discretion in a company's favor.

While no government commitment is guaranteed, established laws, institutions and processes provide a measure of predictability that allows businesses to assess risk and plan accordingly. Congress can change statutes, courts can invalidate rules and agencies can reinterpret their own guidance. A commitment that rests on a single official's judgment can change as quickly as that official's priorities, or as quickly as the official can be replaced.

Boards should understand how much enterprise value depends on the continuation of favorable government treatment. The more a business relies on discretionary decisions or favorable treatment rather than established rules and predictable processes, the more important it becomes to assess what happens when the people or institutions exercising that authority change.

3. Where Are Our Political Chokepoints?

Political and economic risks are often discussed as though government were a single source of exposure. In reality, consequential decisions are distributed across Congress, the executive branch, federal agencies, courts and state governments, each exercising different powers and subject to different constraints. Legislation, appropriations, oversight, administrative action and judicial review can shape the conditions under which companies operate, often through different processes and on different timetables.

For boards, the task is to identify the relatively small number of political or institutional decision points where government action could have a disproportionate impact on the business. These are the chokepoints capable of changing a major investment, disrupting a significant revenue stream, altering the economics of an important product or transaction, or creating substantial legal or reputational exposure.

Boards should understand where these decision points sit, who has authority over them, and which institutions can constrain, delay or reverse their actions. Changes in congressional control, committee leadership or oversight priorities can alter the political environment surrounding a consequential decision, even when the executive officials responsible for implementing it remain in place. Without that understanding, companies can devote considerable resources to monitoring political developments while still missing the decisions that matter most to enterprise value.

4. Is Our Organization Equipped to Manage the Full Range of Political Risk?

Government affairs has traditionally been treated as a specialized function responsible for monitoring legislation, maintaining relationships with decision-makers, advocating for the company's interests and helping management anticipate government action. Those capabilities remain essential, but the environment in which they operate has become considerably more complex and interconnected.

A single political development can now trigger legal, regulatory, financial and reputational consequences at once, and a response in one area can create exposure in another. A fragmented media environment compounds the problem. Political actors and advocacy groups can elevate an issue, frame it and mobilize pressure before a company has assessed its implications, turning a commercial or regulatory matter into a public controversy that changes both the stakes and the options.

These risks overlap too often to be managed in separate conversations. Companies need an integrated strategic approach that connects government affairs with legal, communications, finance, enterprise risk and business strategy. The board does not need to manage that process, but it should ensure someone in management is responsible for

seeing the whole risk, reconciling competing assessments and escalating material issues before decisions are made or circumstances limit the company's options.

5. Are Our Political Strategies Creating Dependencies That Could Undermine Long-Term Enterprise Value?

Working with power as it exists is part of operating in a political economy. Companies should pursue policies that improve their ability to compete, invest and grow, challenge regulations they believe are harmful, and negotiate with government to protect their interests and those of their employees, customers and shareholders.

Boards, however, should examine more than whether corporate advocacy efforts succeed. A favorable policy outcome, exemption or regulatory accommodation may deliver immediate financial benefits while creating longer-term dependencies that are less apparent. Furthermore, maintaining those benefits may require repeated government intervention, continued access to particular officials or the preservation of political relationships that can change.

The critical question for boards is what happens after the win. There may be compelling reasons to pursue near-term political or regulatory advantages, but those decisions should be evaluated against the company's longer-term interests. Management should be able to explain what the company gains, what new vulnerabilities the outcome may create, and whether those consequences strengthen its competitive position or leave it more exposed to political pressure. Directors need that assessment to determine whether the benefits of the company's political strategy justify the risks it carries.

From Prediction to Preparation

The 2026 midterm elections will change some elements of the political environment while leaving others untouched. Accurately predicting the results, however, offers little insight into how political leaders and institutions will wield their power. Formal authority provides a map of where decisions can be made, but political incentives, institutional constraints and events shape how that authority is exercised.

Political risk assessments provide directors with an important layer of information for exercising the rigorous oversight their responsibilities demand. They help boards challenge management's assumptions, identify dependencies that may have been overlooked and evaluate whether material political risks are adequately reflected in the company's strategy, capital allocation and long-term planning.

Once the results are in, attention will turn quickly to congressional leadership, oversight agendas and the 2028 presidential race. Those developments will continue to shape political incentives and the exercise of government authority, requiring companies to reassess their exposures well beyond Election Day.

There will be plenty of people predicting election outcomes. Boards have a different job: making sure their companies are prepared to operate once the ballots have been counted.
