REPORT

Navigating Uncertainty

The geopolitical impact on manufacturing trends in 2025

Manufacturers ALLIANCE FOUNDATION

Roland Berger

Executive summary

The geopolitical tension of 2025 is stalling investment and strategic development in manufacturing. Whereas manufacturers expressed a strong appetite to drive change and make long-term investments in 2023, two years later they are in a holding pattern. According to this study conducted by Manufacturers Alliance and Roland Berger, nearly all respondents (94%) say uncertainty around tariff policies is impacting their ability to make decisions.

The relevance of localization continues to grow, and self-identified leaders are more bullish on pursuing a local-for-local or, perhaps more specifically, a region-for-region strategy than their peers. While the majority in 2023 were planning to build new facilities in the United States as part of their relocation strategy, the climate of uncertainty in 2025 prompts manufacturers to seek "capex-light" approaches to localization, such as repurposing existing facilities or partnering with other manufacturers.

There has also been a shift in sentiment in favor of lower-risk countries (e.g., UK, Japan) as opposed to purely lower-cost countries (e.g., China, Mexico) as attractive locations for production going forward. Many executives we interviewed cited the importance of modern infrastructure, political stability and commitment to the rule of law in their site selection process.

Skilled talent shortages will be exacerbated by geopolitical risk requiring manufacturers to increase their focus on training and technology. Well over three-quarters of manufacturers (83%) expect workforce challenges to worsen due to geopolitical risk over the next five years. Manufacturers will pursue talent pool development as well as digitalization and automation to remedy the problem.

Manufacturers are highly motivated to accelerate their digitalization strategies. Industry leaders are more than twice as likely to focus on digitalization as a solution. There is an increased reliance on augmented operations in 2025 compared to 2023, reflecting the improved price points and capabilities of these solutions as well as manufacturers' appetite for less capital-intensive solutions.

Customization is expected to grow. Just as manufacturing becomes more targeted to match local or regional demand, nearly three-quarters (72%) of manufacturers expect to increase their focus on market-specific or bespoke product development over the next five years.

Sustainability is considered more relevant than ever, but investments are expected to be scrutinized. While most manufacturers expect geopolitical risk to depress sustainability programs and investments, those with sustainability at the core of their product and services offering remain fully committed to existing goals.

Well-positioned manufacturers can use this time of uncertainty to gain a competitive edge. Three winning strategies include building flexibility into the product portfolio and capacity, aligning production and demand and investing in technology to de-risk an array of challenges.

Contents

Page		
4	1	A volatile climate
5	2	Geopolitical headwinds: Stalling decision making
9	3	Localization of production: More important than ever
12	4	Talent: Rising geopolitical uncertainty amplifies challenges
14	5	Digitalization: Geopolitical risk underlines its importance
17	6	Customization: Enables cost-effective local market product differentiation
18	7	Sustainability: In it for the long haul but investments will tighten
19	8	Conclusion

Fast facts

Uncertainty is at an all-time high—more than twice the level observed during the Great Recession

90%

believe geopolitical risk stalls strategic development

80%

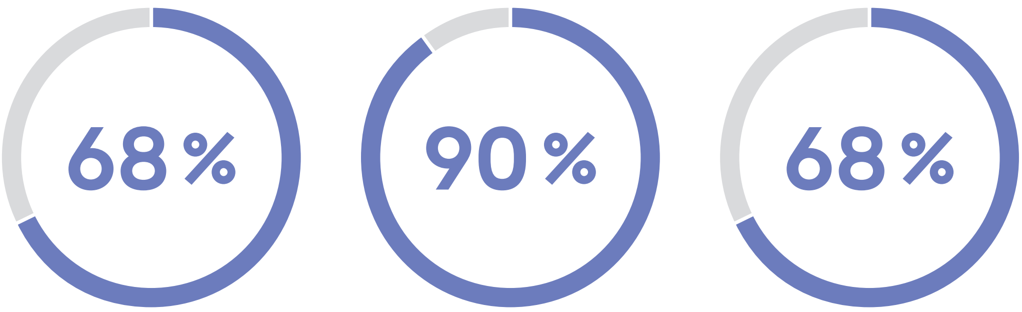
agree that geopolitical risk presents an opportunity for organizations to gain competitive advantage

1 A volatile climate

Manufacturers face a 2025 that offers lots of sound and fury but little indication of what it all signifies for next week, never mind next year. The hoped for post-pandemic return to predictability has not materialized. Instead, long-simmering tensions between the United States and China are giving way to full-fledged economic rivalry. Trade alliances are being questioned. Cordial but frayed trade relationships between the United States and its traditional partners in Canada, Mexico and Europe have been bumped and bruised by new tariffs and tariff threats. The schism in global supply flow that decades ago moved its headwaters to China combines with US reindustrialization investment, breakthroughs in digital transformation and the unresolved path toward global environmental sustainability to create planning chaos for manufacturing leaders.

Faced with these challenges, many manufacturers are pulling back on capital investment and adopting a cautious approach. A striking 90% of manufacturers report that geopolitical risk is stalling strategic development. As one corporate strategy leader from a diversified industrial company put it, "We're kind of in paralysis mode at this point because of the uncertainty around global trade." ▶ A

A Geopolitical risks are greatly impacting the industry



... believe **geopolitical risk has a high impact** on the manufacturing industry

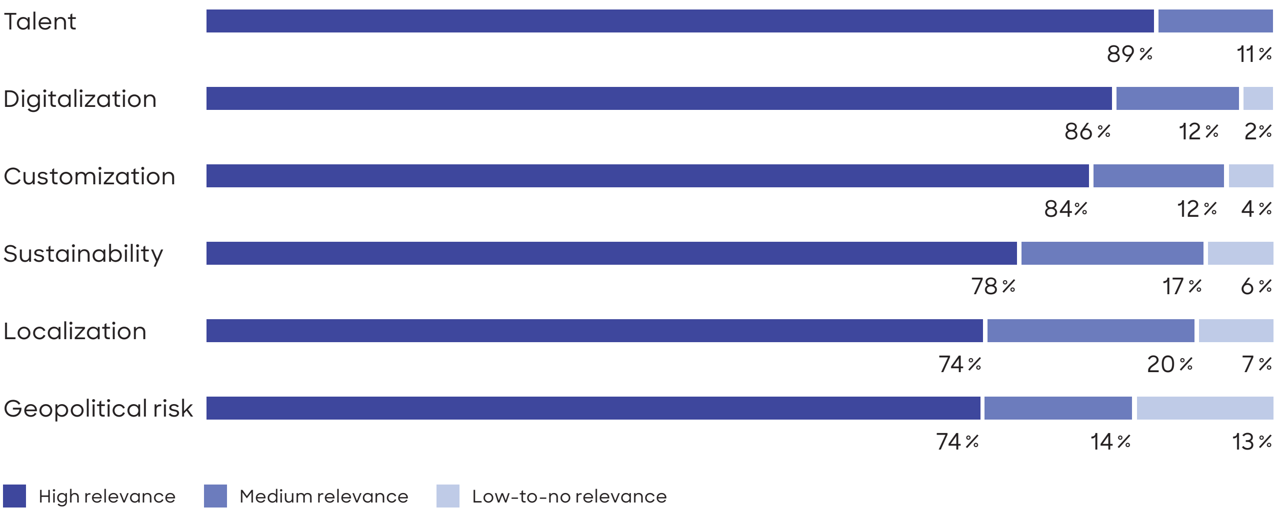
... agree that geopolitical risk **stalls strategic development**

... anticipate geopolitical risk to **slow down the industry's growth** in the next five years

Source: "Manufacturers Alliance CEO Quarterly Outlook" May 2025, "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

To better understand how companies are addressing the upheaval, Manufacturers Alliance Foundation and Roland Berger partnered for our second installment of research into the most consequential trends in manufacturing. Our research draws on a survey of more than 150 US-based industry leaders, as well as personal interviews with nearly two dozen manufacturing CEOs and senior leaders. From localization and digitalization to talent and sustainability, we explored how the current climate of uncertainty affects these trends. Importantly, we explore how leaders in the sector are moving beyond stasis. ▶ B

B Highly relevant trends in today's manufacturing environment

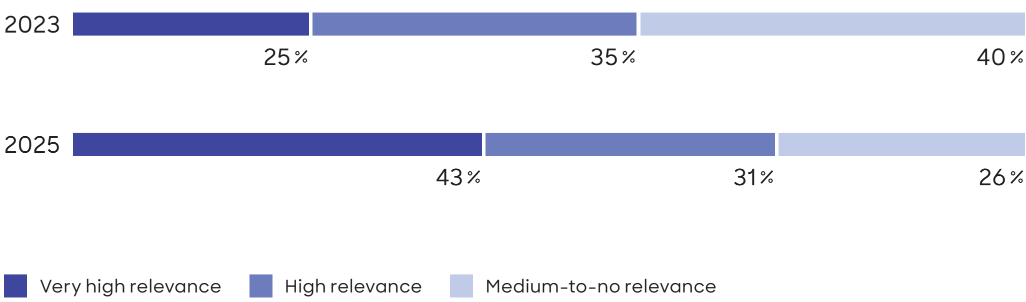


Source: "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

2 Geopolitical headwinds: Stalling decision making

Geopolitical risk has taken on a new degree of criticality. Those who say "rising geopolitical risk has very high relevance to our manufacturing operations" increased significantly since our survey in 2023. Some executives we interviewed talked about the "destruction of value" which is being caused by chaotic trade policies. There are also concerns about the destruction of brand value for American companies as a result of the current climate. One CEO referred to a "negative halo effect" over US companies as they try to do business abroad due to the volatility of the US government's policy agenda. ▶ C

C Concern about geopolitical risk surges in manufacturing



Source: "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

The situation is especially painful for companies doing business in the US, Mexico and Canada, where a new trade agreement (USMCA)—which was signed in 2018 and went into force in 2020— is being re-evaluated. The frustration of one CEO was palpable: "Geopolitics is my biggest worry because the only plant I have servicing North and South America happens to sit in Canada. The product is USMCA-compliant, but it is on that side of the border. So if we live by USMCA rules, I'm fine. If not, I need to move those operations to the United States for no marginal advantage whatsoever. Closing a plant and opening a new one for no gain is just like lighting money on fire."

Even before the April 2nd, 2025 tariff announcements, the St. Louis Federal Reserve Bank's Global Economic Policy Uncertainty Index hit its highest level in its almost 30 years of tracking this metric. It topped peaks for the terrorist attacks on September 11, 2001, the Great Recession of 2008/9, and the COVID-19 pandemic and continues to rise, reflecting the magnitude of uncertainty affecting all parts of the global economy in the first part of 2025. ▶ D

Manufacturing leaders are grappling with the entire range of geopolitical issues from market volatility, tariffs and regulations to natural disasters, cyber threats and restrictive immigration. Their concerns are pronounced, and they do not expect relief any time soon. ▶ E

Manufacturing leaders rank their level of progress in dealing with geopolitical risk dead last

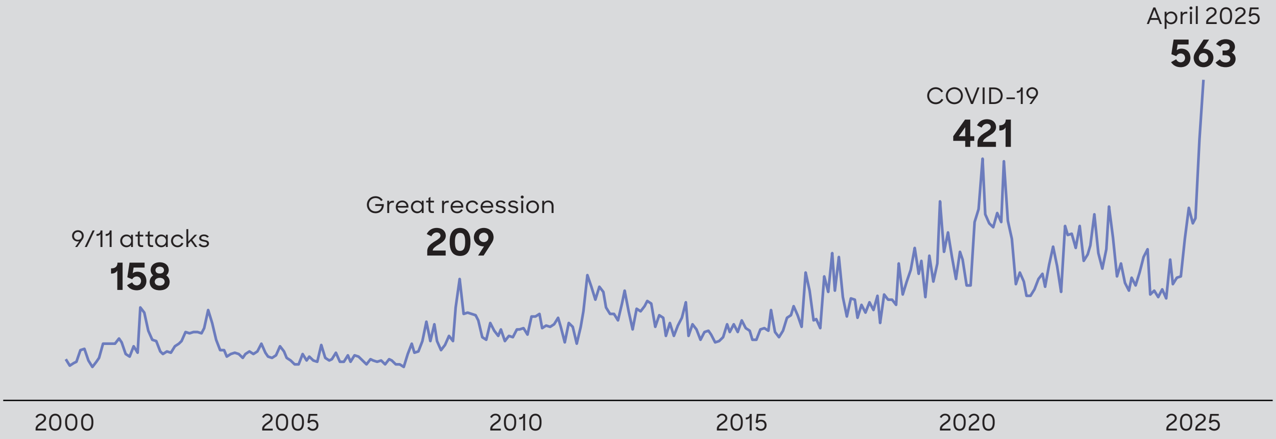
Compared to other operational challenges that have been top-of-mind for manufacturing until recently, such as the skilled talent shortage and digitalization, manufacturing leaders rank their level of progress in dealing with geopolitical risk dead last. While presidential candidate Trump openly discussed his desire to dramatically increase tariffs, the sudden and unpredictable nature of the tariff policy shift from the Trump Administration caught many manufacturers on the wrong foot and caused supply chain paralysis.

The overwhelming sense of volatility has forced companies into wait-and-see mode in terms of capital investment. Some manufacturers have delayed issuing profit guidance until the contours of the trade agreements take shape and others have already lowered their earnings projections for the year. Large companies expect tariff impacts to run in the hundreds of millions—if not billions—of dollars. When Manufacturers Alliance polled CEOs in May 2025 about their business outlook for the year, the share that predicted contraction rose to 30%, up from 15% according to our pulse check conducted in January. Similar sentiments were recorded in the Institute for Supply Management's Spring 2025 report. Manufacturers expect capital expenditures to decrease 1.3% in 2025, a significant drop from the 5.2% increase forecast by ISM's panel in December 2024. As one CEO in the construction materials space put it, "We are trying to make significant investments in places like Mexico, but 90% of what we make there comes into the United States. With tariffs it could become 25% more expensive. Should we be tapping the brakes on our investments there until we know for sure? These are the kinds of discussions my teams are having."

The sheer complexity of dealing with so many issues at once adds to an already frenetic pace of change since the pandemic. As one CEO of an industrial technology company put it, "There are more black swan events occurring more rapidly than ever before." With so many open questions, their attention is on controlling what they can based on the variables that are clear. Companies are shifting their emphasis from a focus on low-cost options to a focus on low-risk options.

D Economic policy uncertainty spiked in early 2025

Global Economic Policy Uncertainty Index:
PPP-Adjusted GDP (as of June 3, 2025[1])

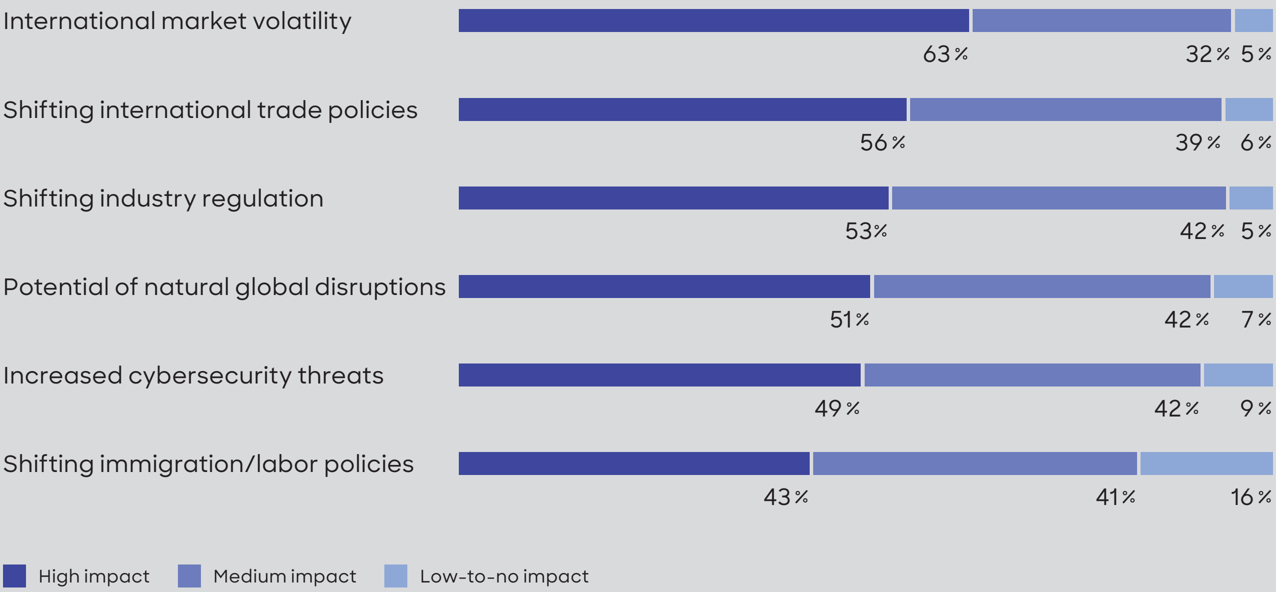


1 Global Economic Policy Uncertainty Index is subject to retroactive data changes due to revision of underlying sources—See FRED for additional details

Source: Federal Reserve Bank of St. Louis, Roland Berger

E Bracing for high impact

Rate the level of impact you anticipate the following geopolitical trends will have on your organization's strategic operations in the next five years



Source: "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

90 % say geopolitical risk stalls strategic development, as organizations play a wait-and-see game on policy

Manufacturers largely agree with the policy goals of leveling the playing field in trade, but they dislike the haphazard way those goals were being handled in the first part of 2025. "We have gone through many decades of intentionally integrating the trade of the entire world, and now we're going in the opposite direction, so we have to re-orient how we operate as organizations," one heavy industrial CEO told us. "To make matters worse, there's not a 12-month timeframe to ramp up to high tariffs. It's happening very quickly and that's really playing with everybody's heads. It's going to be wild to see how this plays out over the next few years," he continued. No matter how nimble operations might be, no manufacturer can reconfigure complex supply chains on a dime, much less build new US capacity quickly.

Nearly all say the current level of volatility is stalling decision making on key projects, investment decisions and long-term planning. When asked if geopolitical risk stalls strategic development, 90 % said yes. This sentiment from a CEO in construction and building materials was typical of many: "Just tell us what the end game is, and we'll adjust. The uncertainty and the fact that plans are changing every 30 minutes are just really difficult to manage."

Many in the manufacturing community expressed frustration with the fact that they are spending what is ultimately unnecessary time and effort to deal with mercurial policies. One CEO in the automotive sector explained, "These geopolitical tensions, tariffs and trade policy are impacting global economic stability. This creates more work and more cost for me in terms of footprint realignment. There is no upside."

68 % anticipate geopolitical risk to slow down the industry's growth in the next five years compared to 55 % two years ago

In addition to the financial impact on their own operations, 68 % of manufacturers anticipate that geopolitical instability will slow the industry's growth over the next five years, up from 55 % in our 2023 survey. Many mentioned concerns that the price increases caused by tariffs will result in end market erosion and lead to a recession, echoing the increasing share of economists predicting a tariff-induced downturn. "We're no worse off than any of our competitors, but we're more concerned about the demand destruction in the overall market being caused by this uncertainty," said one CEO in the construction materials industry. A CEO in the automotive space said, "Tariffs can create demand instability that impacts demand in a long cycle. It is a manufactured crisis."

3

Localization of production: More important than ever

To de-risk their operations, manufacturers are focused on optimizing their geographic footprint to align product with end market. We saw a significant uptick in the share of manufacturers who say localization—that is, producing in a region, for a region—is "highly relevant" to their operations, rising to 74% in 2025 from 61% in 2023. Companies that consider themselves industry leaders are more than twice as likely to prioritize localization up front.

Share of manufacturers who say localization is "highly relevant" to their operations rose from 61% in 2023 to 74% in 2025

Companies that have already made the shift are well positioned for the current volatility. Karin De Bondt, SVP and Chief Strategy Officer at Trane Technologies told us, "We made the choice of an in-region, for-region manufacturing strategy decades ago, and it has worked well for us and our customers."

Hexagon's region-for-region strategy is roughly 90% complete according to Will Durfee, their SVP of Global Operations. "We have been working on this for years, not only the manufacturing footprint of the product we're making, but also our sourcing strategy," Durfee said. "It seems to us that the best strategy is to try to be in a position where you can counter almost anything that comes along with either localized production or production in a country that is not affected," he continued.

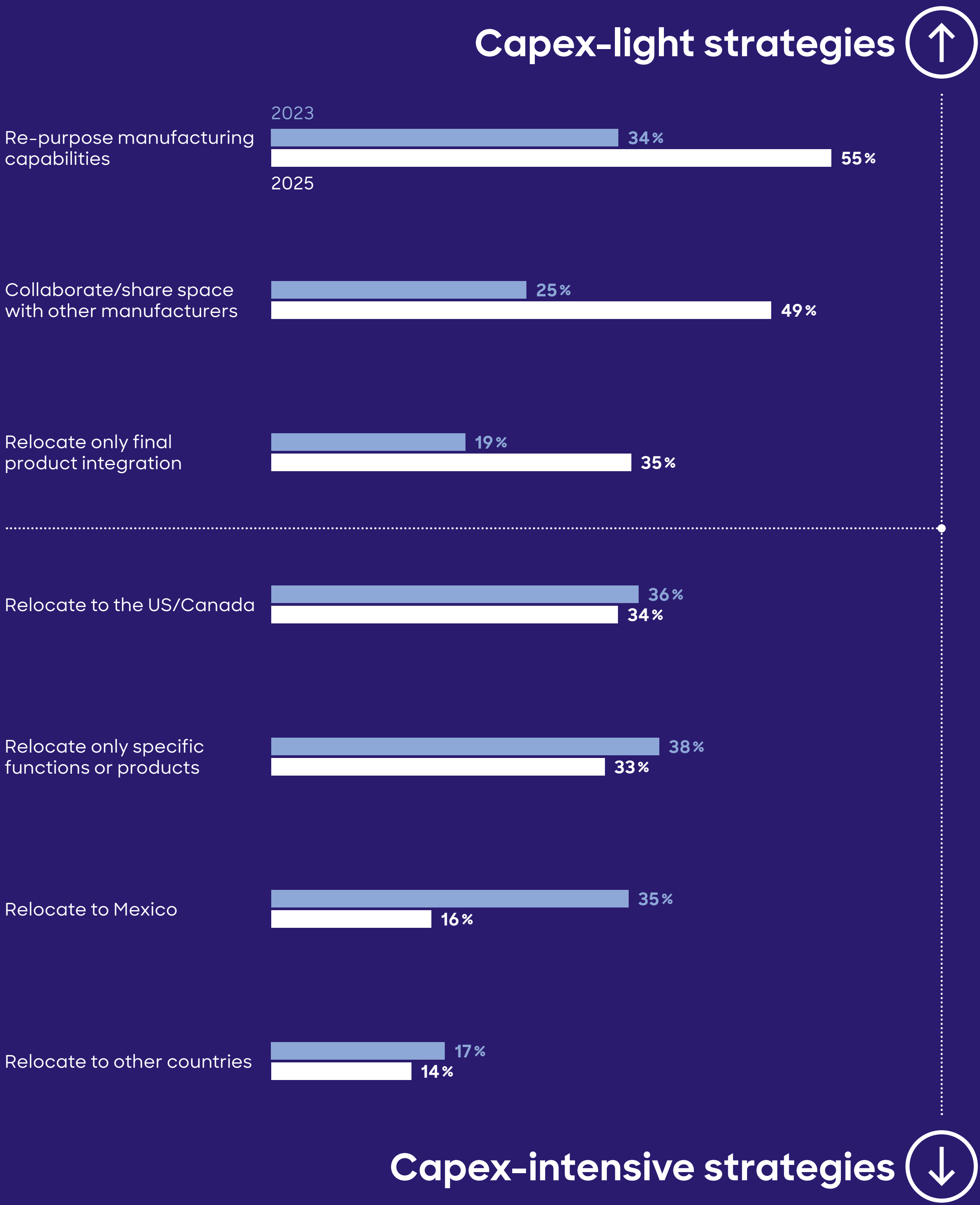
Methods of localization have shifted in telling ways between 2023 and 2025. In 2023, manufacturers were more bullish on relocating production. In 2025, localization focuses on repurposing manufacturing capabilities, collaborating and/or sharing space with other manufacturers and relocating only final product integration. This reflects a shift toward "capex-light" localization strategies over big ticket investments. As one executive described it, "We're looking at our existing footprint, but we're not ready to make a decision on new countries where we'll put steel on the ground because of the current uncertainty." ▶ F

There have also been substantial changes in country priorities since our 2023 survey. Far fewer are planning to relocate to Mexico—35% in our 2023 survey versus 16% in 2025. Reflecting a trend that is years in the making, China is also becoming less attractive as a manufacturing location. When asked which countries would be most attractive for their geographical footprint in 2030, China ranked sixth after the United States, UK, Japan, Mexico and Germany, according to our 2025 survey, falling from the number two position in 2023. India ranked fourth in 2023 but dropped to ninth place in 2025.

Conversely, the United Kingdom and Japan entered the top five in 2025 after ranking significantly lower in 2023. The UK has secured the largest number of new foreign direct investment projects in Europe for the past five years, outpacing Germany, and Japan is known for its commitment to intellectual property protection. The shift in location sentiment underscores the fact that manufacturers are valuing low-risk low-risk plays over low-cost plays. Countries enjoying mature institutions with a track record of stability are more attractive. "We chose to locate in Singapore for stability reasons and customer requirements that we operate outside of China," one manufacturing executive shared.

Kevin Wheeler, Chairman and CEO of A.O. Smith explained: "From a geopolitical standpoint, it is really important to control what you can control. Don't make things worse. Don't complicate your supply chain by chasing a penny here or a nickel there."

F Organizational approaches to localization of manufacturing



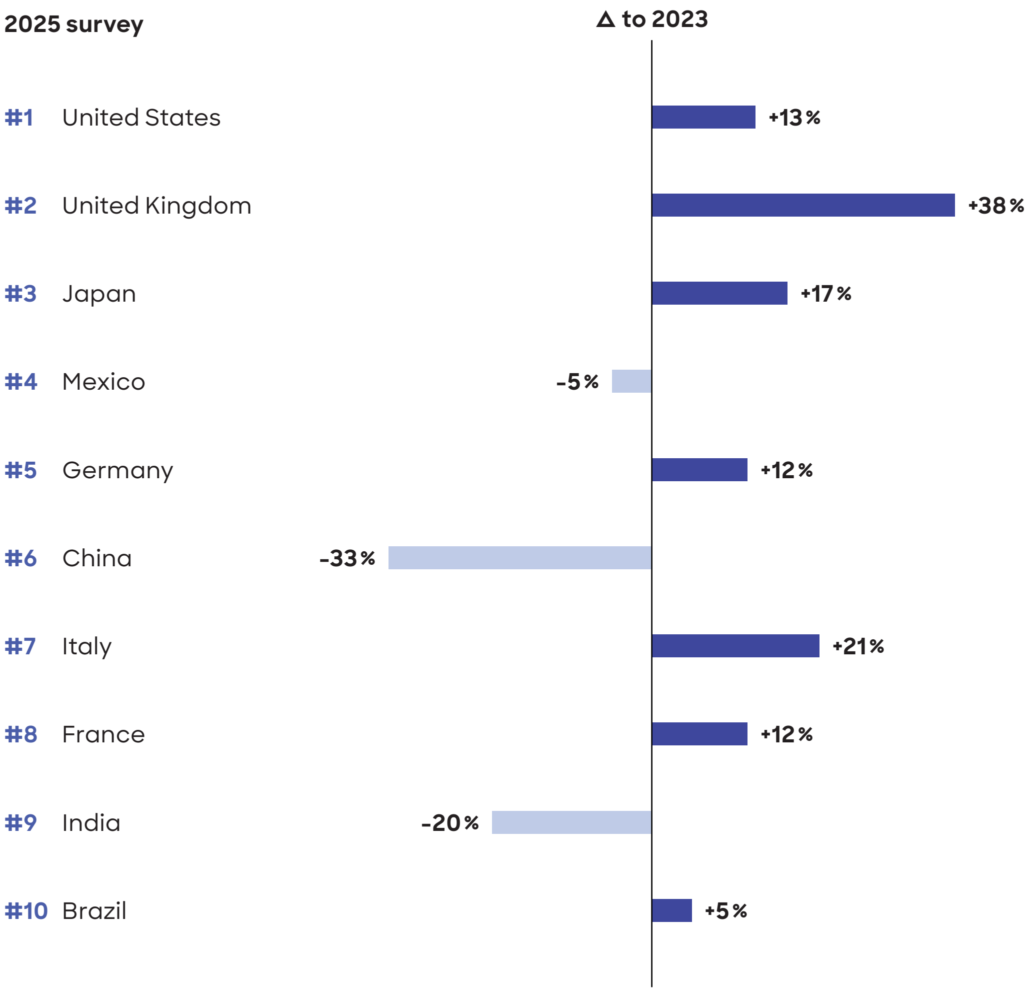
Source: "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

The overwhelming top location for the manufacturers we surveyed continues to be the United States, which is not surprising since most of the companies we surveyed are headquartered here. But for many US manufacturers, the question of adding capacity in the United States is not taken lightly due to high labor costs, the shortage of skilled talent, regulatory and fiscal uncertainty, supply chain constraints and the need to add more capacity in the power grid. ▶ G

While reindustrialization is, in many ways, at the heart of the current administration's trade reset, manufacturers require more lead time and policy clarity to determine whether such moves will deliver growth and competitiveness in the long-term. One CEO in primary metal manufacturing described their quandary: "It's fortress America versus fortress balance sheet."

G Ranking of countries that will be the most attractive in 2030

Select the top five countries that will be the most attractive for your organization's footprint in 2030



Source: "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

4 Talent: Rising geopolitical uncertainty amplifies challenges

Finding qualified individuals to run existing operations is already difficult, and adding more capacity to US manufacturing will tighten the labor market even more. Currently, 64% of manufacturers say the deficit of skilled workers is impacting their operations frequently or occasionally. "This is going to be a huge problem with everyone trying to put factories up and fighting for the exact same people in business-friendly states like Texas," a CEO of a manufacturing conglomerate told us.

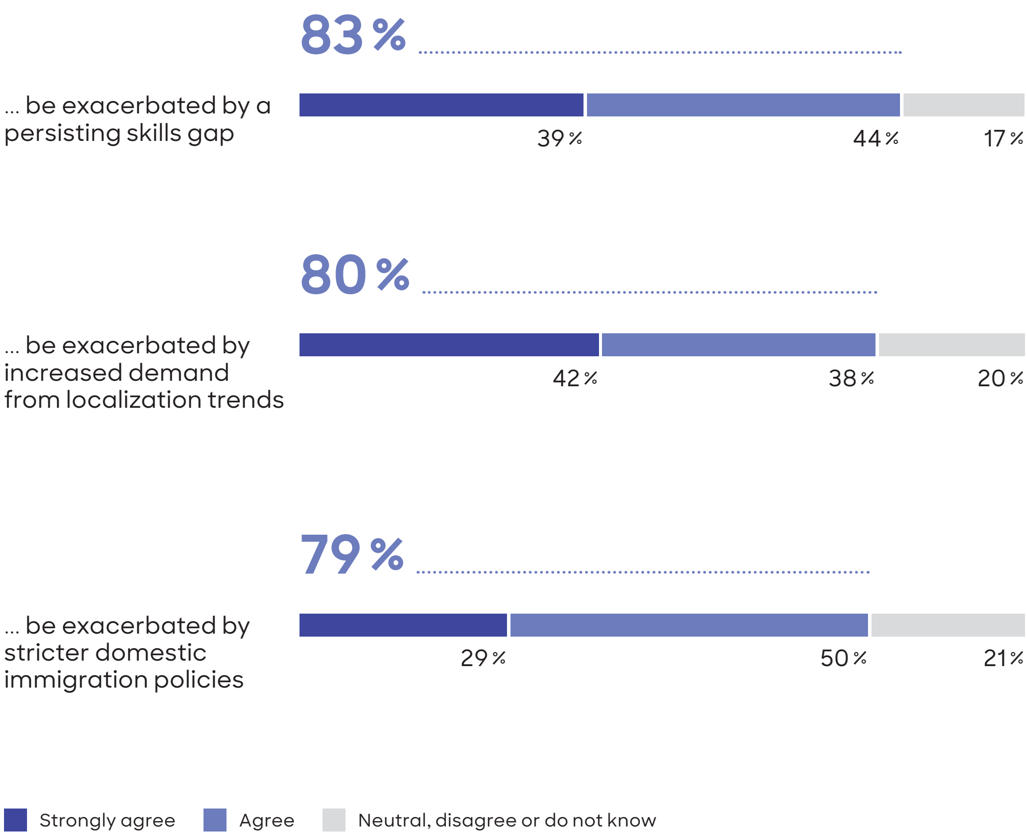
Over the next five years, 83% believe that geopolitical risk will make the skills shortage worse. "The number one challenge is people, and it's been that way for years," Nik Endrud, CEO at Veoneer said adding, "I think the idea of strengthening the US domestic manufacturing base is great. But the challenge is, you can't get the people." ▶ H

For jobs requiring fewer skills, manufacturers may find themselves competing with minimum wage employers in retail or hospitality. Here the impact of

83% anticipate geopolitical risk to increase workforce challenge in the next five years

H **Talent shortage expected to worsen**

In the next five years, the local manufacturing labor shortage will ...



Source: "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

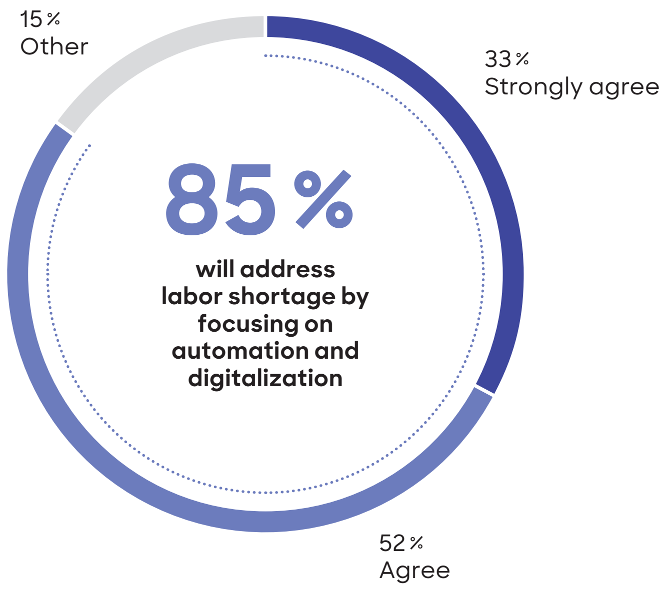
restricted immigration also comes into play because it has a second order impact on the larger talent pool. Stricter domestic immigration policies in the US will make the manufacturing labor shortage worse over the next five years, according to 79% of the companies we surveyed.

For those jobs requiring fewer skills, even manufacturers paying more than minimum wage find themselves competing with minimum wage employers in the service sector. Christopher Griffin, CEO at USG shared, "When the minimum wage went up in California a few years ago, we didn't expect it to affect us much because we pay well above minimum wage. Unfortunately, that change had a huge impact on us because people had more options, and we saw a shift in preferences – not just around pay, but also around work environments, schedules, and job expectations. It reminded us why we focus on creating an environment where employees feel at home, earn a good living, and know there's a future for them here."

Nearly all (94%) companies are building talent development programs into their workforce strategies. Denise Quarles, head of Strategy at Siemens USA, talked about the company's focus on lifelong learning and its investment of nearly USD 500 million globally on employee learning and development in 2024 alone. But many manufacturers experience high turnover, especially among hourly employees. This means seemingly endless cycles of onboarding, training and retraining. Here, artificial intelligence tools are showing promise, as discussed in the Manufacturers Alliance Foundation's May 2025 report, Keeping HR Human in the Age of AI.

Digitalization and automation are considered durable solutions to the talent shortage, according to 85% of manufacturers. "We have to figure out how we lower the intensity of our demand for labor, and we do that by using all the digital tools," said Nik Endrud of Veoneer.

Solutions to labor shortage



Source: "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

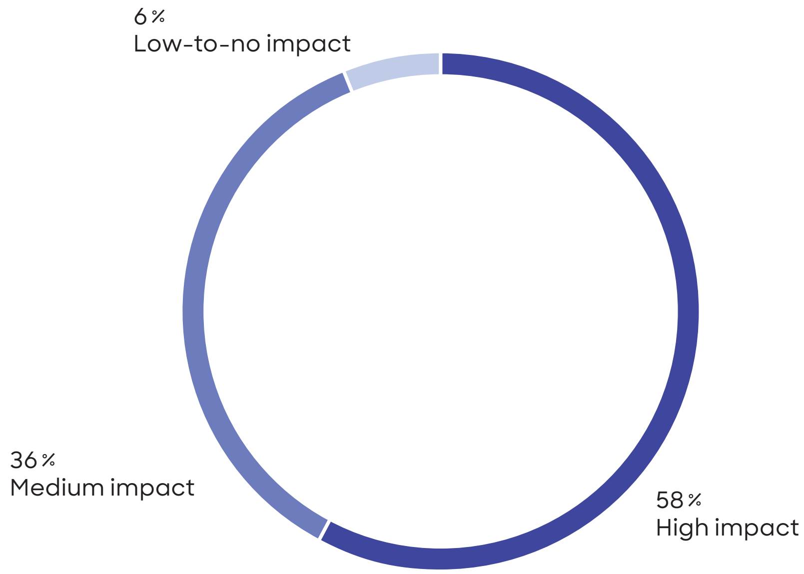
This is especially important as more firms relocate to places such as the United States where skilled talent is in high demand. Another CEO in the machinery manufacturing space talked about how a wave of reshoring to the United States will present a major challenge even after adding more automation, quipping "someone has to maintain the robots." ▶ I

Upskilling employees through automation is another important aspect. One manufacturing executive shared, "We've been focused for a long time on eliminating the dull, dirty and dangerous type of work that our team members have to do and elevating the content of work that they do. As a result, we've got to have a certain amount of expertise to work with, more of that expertise than we've had in the past." It is clear that training and development plus advanced automation and digitalization are two sides of the same coin and must be pursued in tandem.

5 Digitalization: Geopolitical risk underlines its importance

When it comes to digitalization and advanced automation, 94% of manufacturers say that the current geopolitical situation will have a high or medium impact on their digitalization strategy. This reflects the snowballing effects of tariffs, localization and restrictive immigration. As geopolitical risk increases, nearly two out of three (61%) say they will be more motivated to mitigate that risk through digital strategies. Among participants who identified their company as industry leaders, the ratio becomes even more pronounced with three out of four reaching for digital solutions to mitigate geopolitical risk. ▶ J

J Impact of geopolitical risk on digitalization strategy



Source: "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

Across the board, executives we interviewed indicated that digitalization would at least continue pace and likely accelerate. "I think the current geopolitical landscape has likely influenced our digitalization programs to move faster rather than slower," Elizabeth Hoegeman, Executive Director of Global Manufacturing at Cummins told us.

Companies are also reviewing how they calculate a return on investment (ROI) of digitalization. "At USD 22 an hour, it is difficult to justify automation based only on the cost of labor," Christopher Griffin of USG told us. "But it's different in an environment where we need to keep production running and can not hire people to fill essential roles. So instead, we calculate margin loss in the event that we can't run production for 24 hours. This allows us to think about automating jobs that nobody should be doing or wants to do anymore," Griffin continued.

Coping with relatively high US labor costs requires cranking up productivity through digitalization and AI. "AI, robotics, and automation are transforming manufacturing by enhancing efficiency, quality, and safety. These technologies can improve precision, speed, and consistency, leading to reduced costs, optimized production processes, improved decision-making and happier customers. The result is more manufacturing growth, investment and job opportunities. It can be a win for companies, employees and customers alike," Karin De Bondt at Trane Technologies pointed out.

Supercharging efficiency is top-of-mind as tariffs become more of a factor. Steve Blanco, President and CEO of MSA Safety stressed the importance of offsetting costs with productivity: "For industries that won't be able to pass higher tariffs directly to the customer, it will be necessary to really lean in on fairly significant productivity improvements."

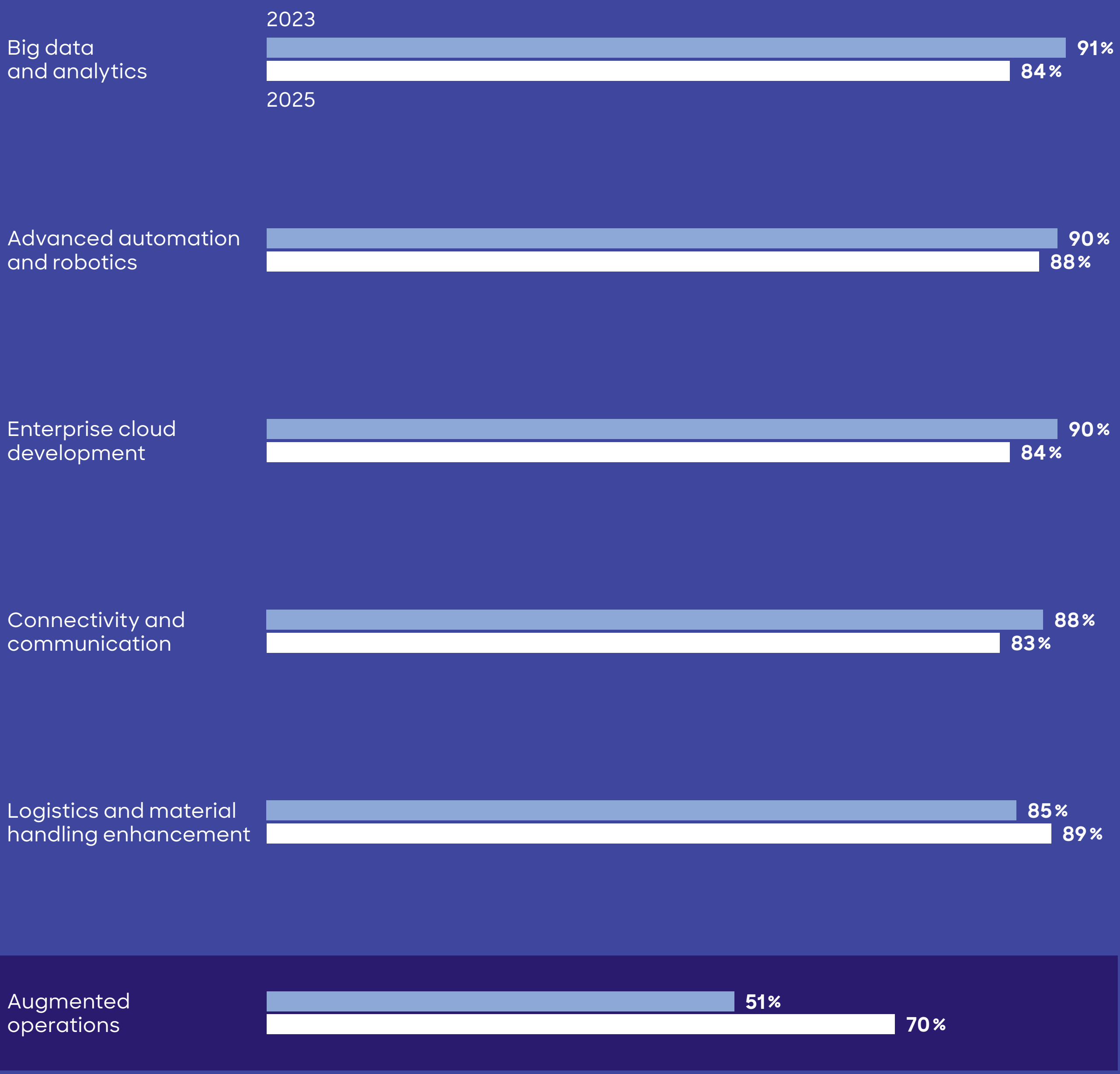
In a climate of uncertainty and rapidly fluctuating policy, digitalization can also play a critical role in speeding risk analysis. Manufacturers need platforms and people capable of doing rapid analysis of the changing situation. Elizabeth Hoegeman of Cummins explained: "When the landscape changes so quickly, we need people who know the right questions to ask, understand what kind of data is needed to answer those questions, ensure that data is always clean and quickly perform the risk analysis."

Digitalization sub-trends such as data and analytics, advanced automation, cloud and connectivity remain prominent but have declined slightly in importance since our survey in 2023. By contrast, relatively low-cost tools such as augmented reality applications have become more popular, with 70% identifying augmented operations as an important sub-trend of digitalization, versus only 51% in 2023. In part, this reflects the fact that there have been advancements in both technology and affordability. ▶K

This echoes the overall shift in emphasis in favor of less capital-intensive solutions and initiatives. As long as manufacturers are waiting for the ink to dry on final versions of new policies and agreements, there will be less appetite for significant new investments.

K Adjusting digitalization priorities

Digitalization subtrends ranked as important in 2023 vs. 2025



Source: "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

6

Customization: Enables cost-effective local market product differentiation

Most manufacturers currently rely on standardized product platforms to streamline manufacturing, gain economies of scale and reduce product development costs. Today, 48% of manufacturers we surveyed rely primarily on standardized platforms, while another 44% do so for modular core product design.

That situation is expected to change with manufacturers looking increasingly to customization. Nearly three-quarters (72%) told us they expect to focus more on customization over the next five years in favor of market-specific, bespoke product development.

72% anticipate an increasing focus on market-specific and bespoke product development in the next five years

When we asked manufacturers about their reasons for pursuing customization, the number one factor they cited was competitive differentiation. In a world where there are many similar products, the company that can deliver unique features first is poised to gain market share.

The second most important factor was the preference of the customer. This is especially important when customers have a voice in the product development cycle. End users can provide unique insights about functionalities they would like to have (or those they never use) allowing manufacturers to refine and improve the next iteration of their product. Tapping into this valuable pipeline of information is easier than ever thanks to digitalization, social media and more direct BRB customer centric tactics.

Changing trade and regulatory policies are also creating more interest in customization. This goes hand-in-hand with the push for localization. As companies reassess their geographic footprint due to geopolitical uncertainty, they gain the opportunity to get closer to specific preferences of customers in a country or region. A great example is sustainability, where the recent shift in US sustainability policy is creating a new layer of complexity for manufacturers with customers around the globe. As our discussion of sustainability in the next chapter reveals, manufacturers are sending mixed signals about their plans going forward.

The four factors driving customization are competitive differentiation, customer preferences, trade agreements and restrictions and evolving regulatory environment

Overall, customization meets the needs of the moment that so many manufacturers mentioned in our interviews. They need to unearth every productivity and efficiency gain possible to address the inevitable cost increases they will encounter due to tariffs. Modularization can be a key enabler to customization, improving efficiency and cost effectiveness while allowing more bespoke product development.

7 Sustainability: In it for the long haul but investments will tighten

Manufacturers continue to view sustainability programs as relevant to their business. In fact, despite the anticipated and actual rollback of many US federal government programs and policies addressing climate change, we saw a slight uptick in the share of manufacturers who rate sustainability of very high or high relevance to their operations. "For us, it's simple. Sustainability is at the heart of what we do, and it continues to pay off for our company, customers, people and communities. We'll continue to lead the way," Karin De Bondt at Trane Technologies told us. ▶ L

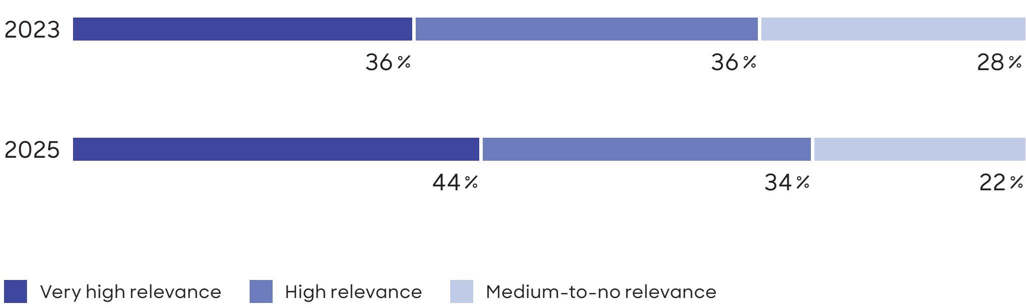
Manufacturers are neither willing, nor able, to simply scrap portfolios that have been years in the making. "Sustainability is at the core of our company's strategy. Our products are designed years in advance, so we are committed to launching our next-generation products and focused on creating solutions that align with our long-term goals," said Elizabeth Hoegeman of Cummins.

65 % anticipate geopolitical risk to slow down sustainability objectives and/or decrease sustainability investments in the next five years

At the same time, 65 % of survey respondents expect geopolitical risk to increase scrutiny into investments in sustainability. One likely area of reduced investment is climate impact reporting. The European Union diluted its climate accounting policy in February 2025 after businesses complained that such a rule would hurt their competitiveness. Similarly, the US Securities and Exchange Commissions effectively ended reporting rules about climate-related risk and greenhouse gasses when it dropped its case defending those rules in court in March 2025.

One aspect of sustainability that seems immune to regulatory and policy shifts is cost savings. Manufacturers have been prioritizing sustainability investments in technologies that focus on resource efficiencies that save money. As Pat Roche, President and CEO of Moog Inc. argued, "If it's economical, if it makes sense (and a lot of it does), then we're going to implement it. Why would I create waste if I can find a more efficient way of running operations?"

L Sustainability ticks up in relevance



Source: "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

Conclusion

In this period of heightened uncertainty, manufacturing leaders are re-evaluating their strategic approaches. Although the near-term specifics of new trade, fiscal and regulatory policies remain unclear, the trajectory is clear: The heyday of globalization as envisioned in the post-Cold War period is behind us, and the world is transitioning to something new and as yet undefined.

Insights from industry leaders confident in navigating this transition and securing a competitive advantage revolved around getting the fundamentals right: What manufacturers make, where they make it, and how they make it.

WHAT DO YOU MAKE: Building flexibility into your product portfolio and capacity
Making sure that flexibility is inherent to product portfolio and capacity is critical to developing market-specific, bespoke products that address the needs of specific regions, industries and individual customers. Manufacturers must address "make vs. buy" decisions with a fresh set of eyes. Supply chain agility takes on renewed salience with dual sourcing for critical components. This type of flexibility helps manufacturers differentiate themselves while also enabling them to pivot quickly as product requirements or market conditions change.

WHERE DO YOU MAKE IT: Aligning production and demand
Localization strategies, such as China-for-China or United States-for-United States are becoming increasingly important and common. As our interviews made clear, the companies that are already well on their way with localization strategies are in a better position to weather radical changes in trade policies. This often involves establishing and optimizing local supply chains, enabling faster response to market needs and reducing exposure to global disruptions. Hybrid regional strategies will still win but the concept of one large, low-cost production hub to service the world is likely a relic of the first quarter of the 21st century.

HOW DO YOU MAKE IT: Balancing people and tech
Harnessing digitalization, advanced automation and AI will be critical in mitigating labor challenges. The United States, as well as many other developed economies, face either a skills gap, a demographics

gap or both. Technologies that make employees more productive and jobs more attractive are the solution. Moreover, beyond alleviating labor challenges, investing in technology provides significant advantages, including increased visibility, enhanced adaptability, and improved real-time decision-making.

In an environment where fundamentals are in flux, manufacturers must find ways to separate the signal from the noise. One CEO reflected on his company's shift to a more iterative planning cycle for capital deployment. Static budgets have given way to a rolling cadence covering 6, 12 and 18 months for many CEOs. This provides opportunities to plot course corrections along the way as conditions change.

The key is achieving this fluidity without losing sight of the company's strategic competitive advantage—its North Star. Many are confident that they can find that balance, harking back to the lessons manufacturers learned during the pandemic and supply chain disruptions of a few years ago. "COVID really uncovered every freaking problem you have in your company. Prior to that, we thought we were in really good shape but learned that we weren't," one CEO told us. Connecting that experience to the present day, he shared that continuing to nurture close relationships with customers and suppliers over the last few years is a habit that serves him well in today's climate of uncertainty.

The path forward for manufacturers requires carefully considered and yet strategically bold action on two fronts: navigating today's immediate disruptions while embracing the transformative shifts heralded by today's geopolitical volatility. Those that can move beyond past practices and explore new ways to thrive through turbulence will emerge stronger in the evolving global landscape.

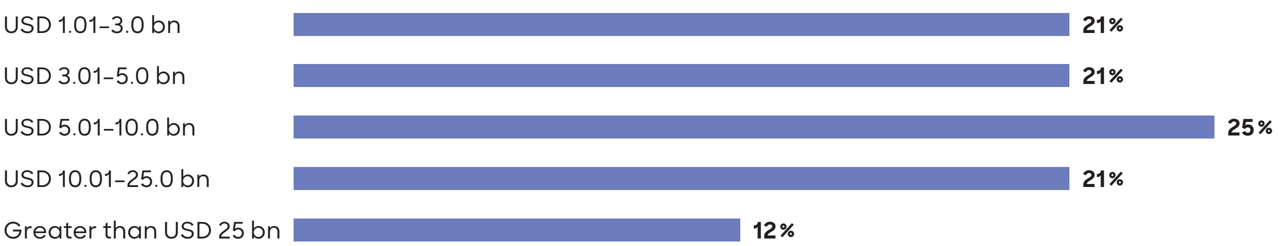
About this survey

We conducted interviews with nearly two dozen manufacturing CEOs and key executives throughout the first half of 2025 and an online survey from mid-February to early March 2025 with 153 respondents, primarily headquartered in North America. The largest share of our sample (40 %) came from companies with 1,000–10,000 employees. Companies with 10,001–20,000 represented 17 % and companies with more than 20,000 employees represented 40 %. In terms of revenue, 21 % of our sample were companies with annual revenues of USD 1.01–3.0 billion. 79 % were companies with revenues greater than USD 3.01 billion.

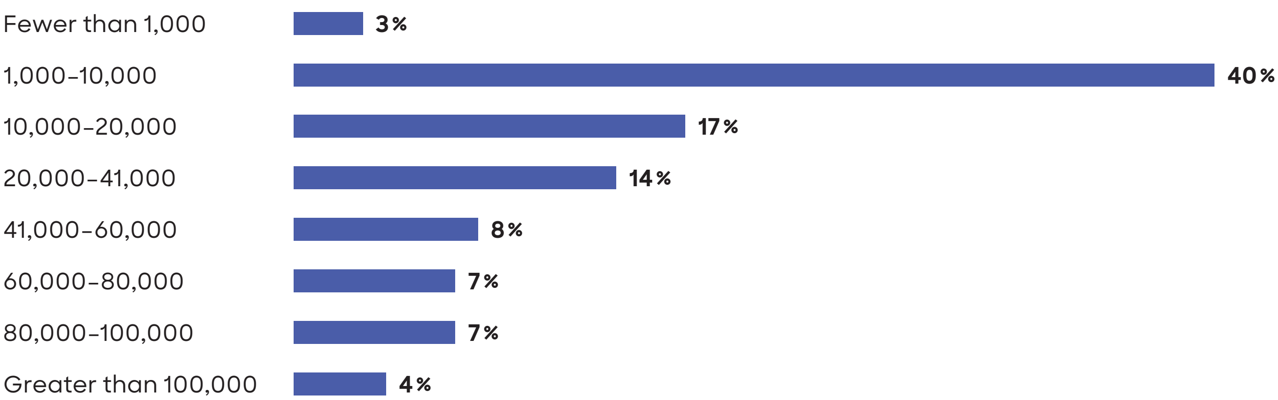
Our C-level interviews were conducted by both Roland Berger and Manufacturers Alliance with CEOs as well as subject matter experts in finance, strategy and manufacturing operations. Experts were selected from both inside and outside the Manufacturers Alliance membership community. ▶M

M Overview of survey participants

Annual revenue



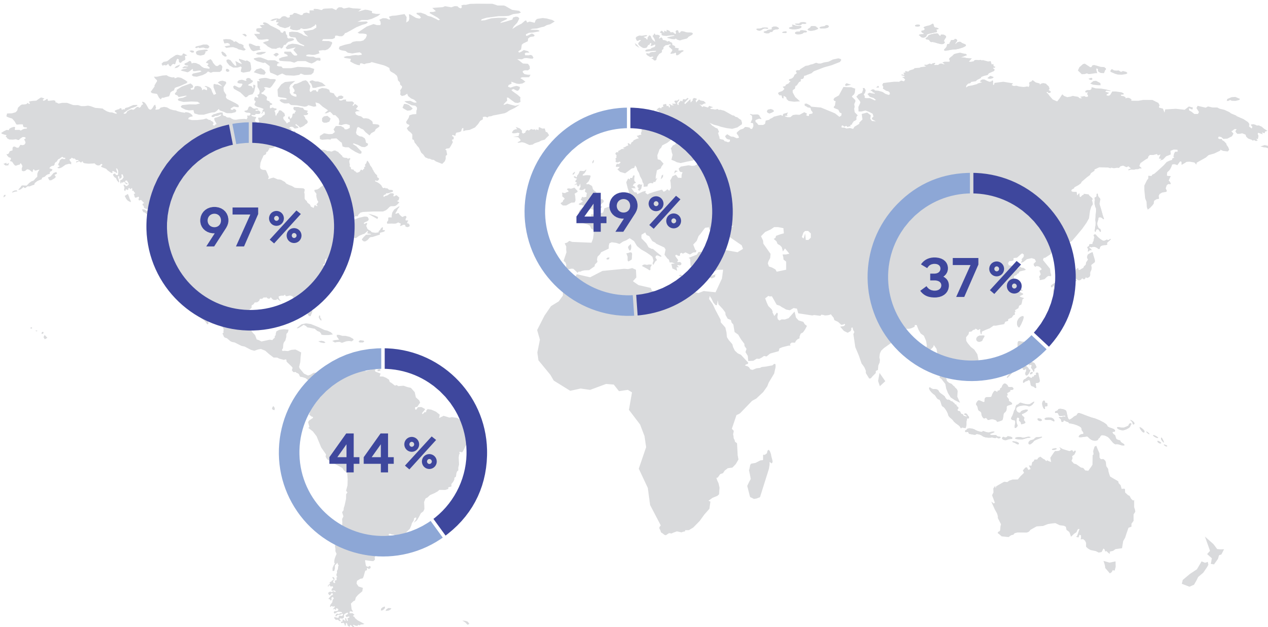
Number of employees



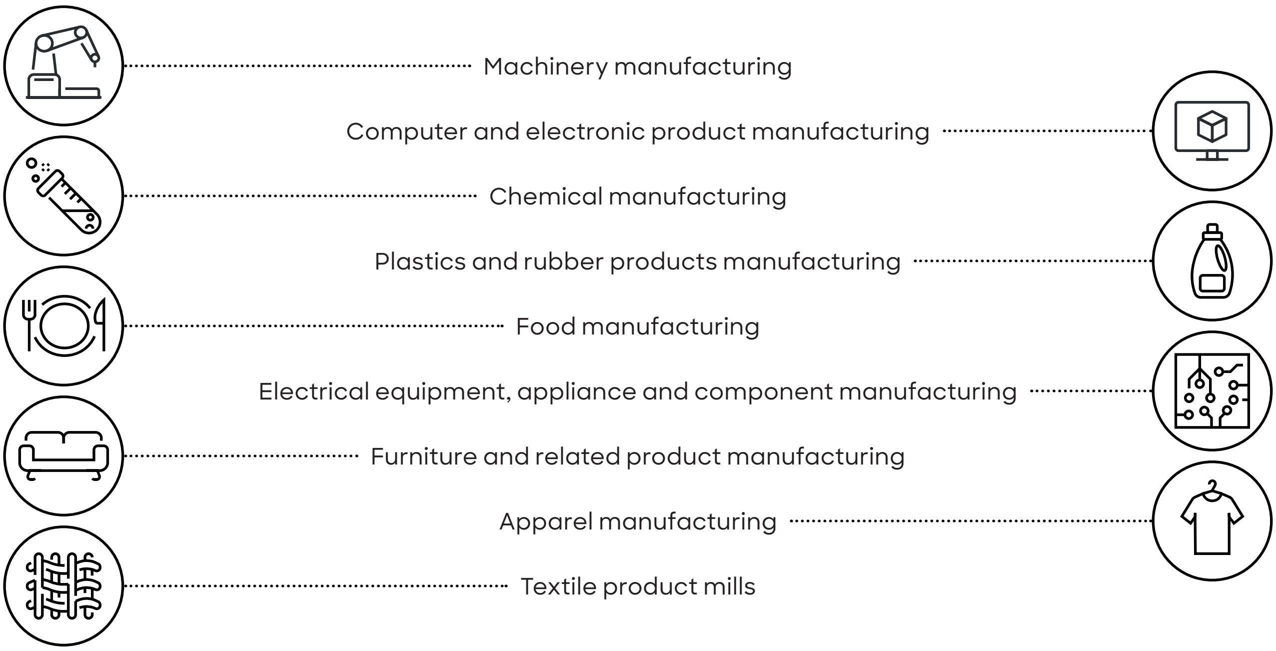
Source: "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

N Overview of survey participants

Location of manufacturing facilities



Top 9 subsectors represented



Source: "Navigating Uncertainty" Manufacturers Alliance, Roland Berger, 2025

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