The quiet crisis putting manufacturing margins at risk

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by Wolters Kluwer

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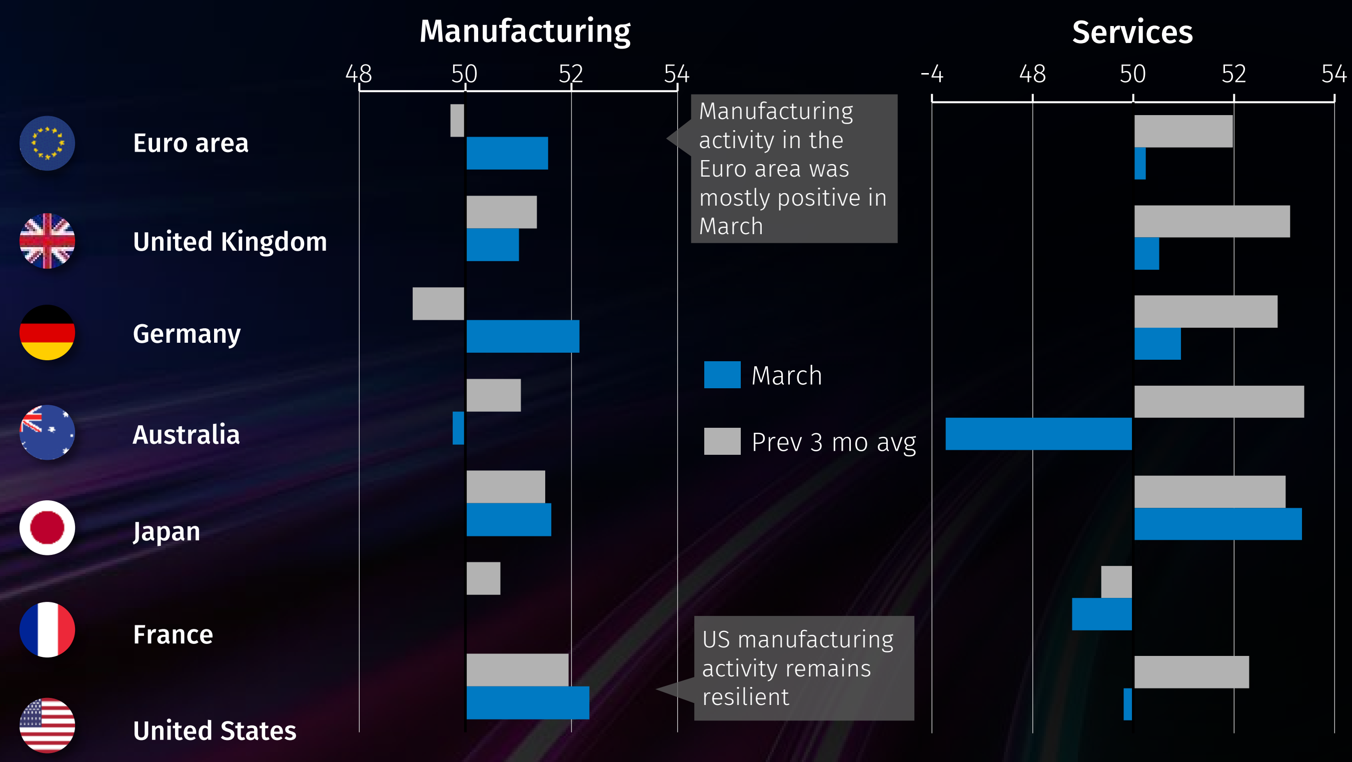
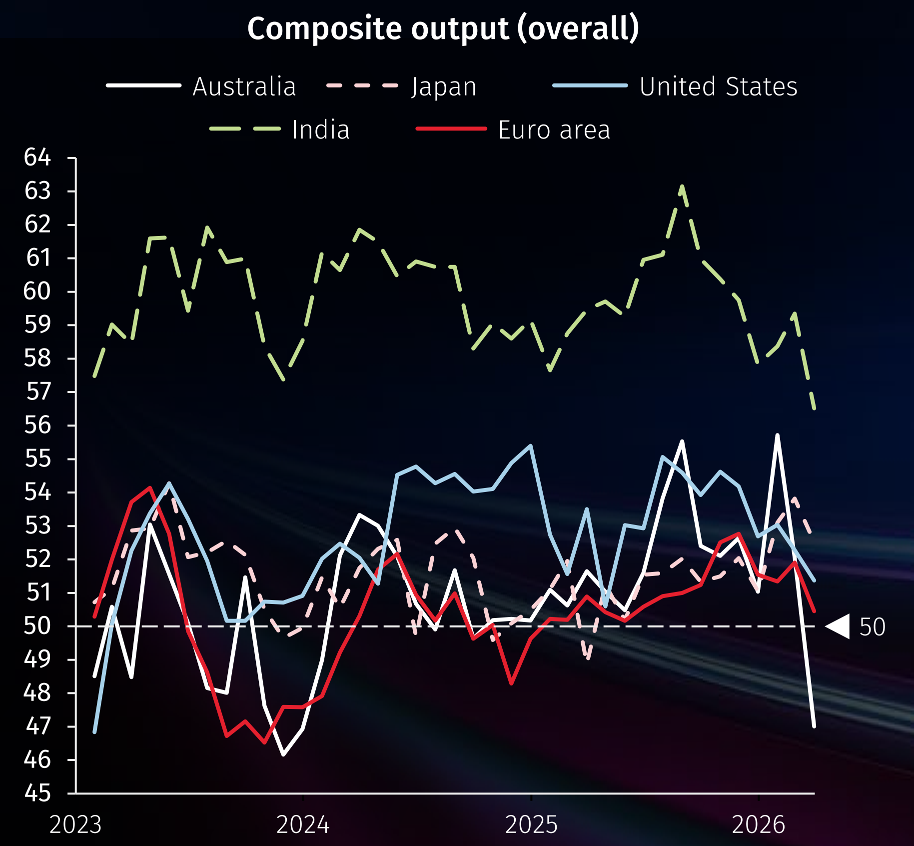
The current macroeconomic environment

Manufacturing vs Services PMI

Manufacturing activity improved modestly in the Euro area with the US holding onto momentum, though services activity has slowed suddenly

March Flash PMI survey





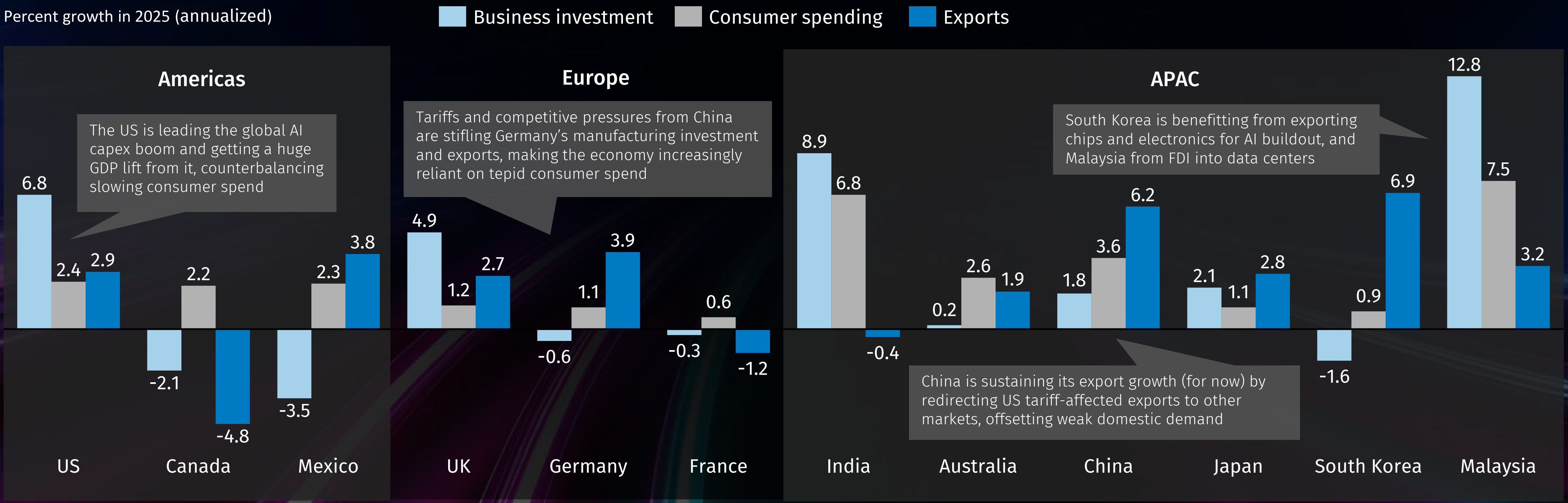
Notes: A survey score above 50 indicates expansionary business activity and a score below indicates business activity contracted that month, most recent results may include preliminary flash figures
Sources: S&P Global, Accenture Strategy analysis

Regional growth divergence

Many countries are seeing a two-speed growth dynamic, with tariffs weighing on consumer- and export-facing areas of the economy, while AI-linked capex and industries excel

Two-speed economies

Key components of GDP growth dynamics in 2025



Sources: Haver analytics, Accenture Strategy analysis

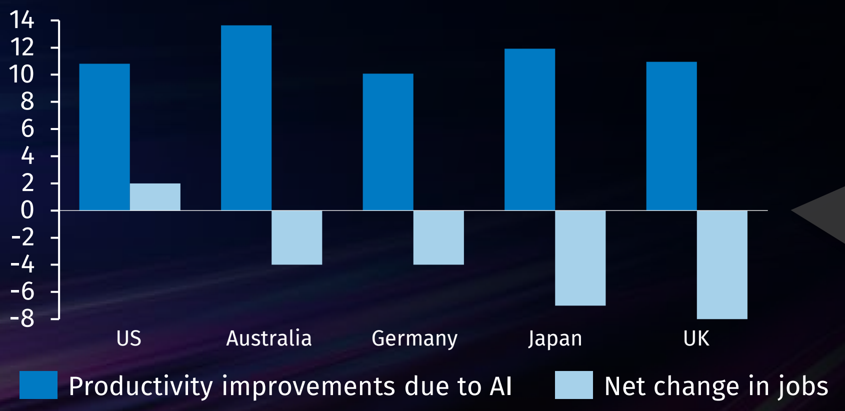
AI / Labor impact

Productivity impacts and job displacement from growing AI adoption are becoming more apparent, with early-career roles and large firms most affected

Emerging AI impacts on employment dynamics

Country-level impact of AI on jobs in the last 12 months

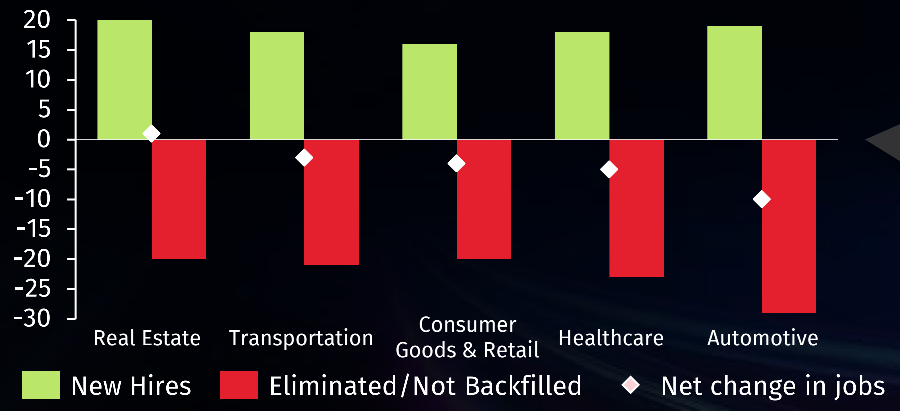
Percentage change (based on the survey of 935 corporate executives)



AI adoption is currently associated with net job losses globally (-4%), with **sharp regional divergence** → US reports net job gains (+2%), while Europe is expected to see the biggest negative impacts

Industry-level impact of AI on jobs in the last 12 months

Percentage change (based on the survey of 935 corporate executives)



AI-driven employment impacts vary sharply by sector: **automotive** shows the **largest net losses** (-10%), while **real estate** sees **modest gains** (+1%).

Sources: Morgan Stanley Research, World Economic Forum, Accenture Strategy analysis

- Global surveys point to net job losses as role elimination and unfilled positions outweigh new hiring. More executives expect **displacement** than job creation (54% vs. 23%), and **margin expansion** is anticipated far more widely than wage growth (45% vs. 12%).
- **Early-career and graduate roles** are most exposed, as routine and entry-level tasks are automated first.
- While AI's broader macro impact remains uncertain, current evidence points to **substitution-led adoption** in the near term. The deeper medium-term question is whether firms use productivity gains to **redesign work** and **create higher-value roles** or allow efficiency gains to **consolidate into structurally leaner workforces** with fewer entry pathways.

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Business considerations

K-shaped growth trajectories are creating a host of challenges and opportunities for different sectors, firms and consumer segments

Firms should understand their current strategic positions…

Tariff exposure	Low (AI exposure)	High (AI exposure)
High	**Tariff-challenged sectors** Focus on margin resilience, tariff pass-through and where to invest in productivity versus exit	**AI race-exposed** Balance AI-driven upside against capex load, platform dependence and regulatory risk
Low	**Stable but stagnant** Provides earnings stability, so the agenda is capital discipline and operational efficiency rather than big thematic bets	**AI-powered growth** Prioritise scale-up, talent and data moats while trade policy remains a secondary constraint

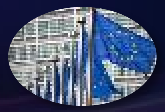
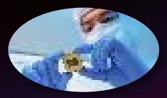
…while balancing across key trade-off considerations

Growth vs resilience	• AI-linked bets offer higher potential growth but come with technology, regulatory, and execution risk • Tariff-exposed and slower segments may provide cash and stability but limited upside
Scale vs localization	• AI economics reward global scale, data pooling, and common platforms • Tariffs and industrial policy push toward more localised footprints, standards, and compliance
Control vs dependence	• Building on hyperscaler and frontier-model ecosystems accelerates time to value • Reliance on a small set of vendors and jurisdictions, with implications for pricing power and geopolitics
Talent focus vs workforce balance	• AI capabilities concentrate value in scarce technical and product talent • Large parts of the existing workforce sit in slower, often tariff-affected activities, raising questions on morale, redeployment, and social licence

Source(s): Accenture Strategy analysis

Business considerations

Companies need to build resilience under any scenario by being able adjust course as Chinese high-tech competition and trade dynamics evolve

				Strategic considerations for manufacturers		
	Scenario	**Description**	**What would need to be true?**	**Commercial**	**Supply chain**	**Finance / Risk**
	**1. Gradual squeeze**	• Steady rise in Chinese high-tech exports, pricing pressure, but no major policy moves	• Demand broadly stable • Trade policy steady, with China focused on mid-range cost competition	• Tilt mix toward defensible niches and service-led offerings in exposed lines	• Execute "no-regrets" efficiency moves (e.g., yield, procurement, basic China+1 options)	• Build integrated scenarios by product and region, with early-warning triggers on profitability and cash
	**2. Selective protection**	• Targeted tariffs and trade remedies in a few product areas offer partial shelter	• US/EU apply sector-specific remedies • Retaliation remains contained	• Reposition portfolio to benefit from protected segments where you have a right to win	• Adjust footprint to capture local-content incentives in priority markets	• Model tariff, subsidy and local-content scenarios into P&L, balance sheet and capex plans
	**3. Aggressive undercutting**	• Visible dumping and deep price discounts in key products despite some protection	• China sustains very low pricing via scale / support • Customers highly price-driven	• Exit or shrink commodity SKUs • Double down on differentiated propositions and branding	• Accelerate automation, site consolidation and supplier resets in loss-making lines	• Reprioritise capex and M&A toward high-return, defensible positions • Put guardrails around "value-destructive defence" spending
	**4. Trade and technology shock**	• Broad tariffs / quotas • China moves up the tech stack into systems and software	• Material escalation in tariffs / quotas • China credible in systems and software	• Prioritise markets which can be defended • Differentiate on branding	• Regionalise production (e.g., US / EU / APAC hubs) • Redesign networks for rules of origin	• Conduct full balance-sheet stress tests for volume shocks and working-capital spikes

Source(s): Accenture Strategy Analysis

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Ensuring future supply

Lean planning vs agile planning

Two Functions. One Company. Zero Alignment.

The Finance–Operations planning gap costs more than you think

73%

of firms report Finance & Operations use incompatible planning horizons

$1.5T+

Annual value destroyed globally by misaligned S&OP processes (MIT CTL, 2023)

"*Finance optimizes the model. Operations lives with the consequences.*"

— MIT Sloan Management Review, Vol. 64 No. 2

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The four fault lines

Where Finance and Operations structurally disagree

Time Horizon Mismatch

67% of Operations teams say Finance plans hide demand variability

Finance defaults to monthly/quarterly buckets. Operations needs weekly — sometimes daily — signal resolution to execute.

(MIT CTL, 2022)

KPI Conflicts

4.2x more forecast error where Finance owns the demand plan vs collaborative model

EBITDA vs service level. Working capital turns vs fill rate. The metrics are not neutral — they encode priorities.

(MIT SCM, 2023)

Inventory Philosophy

41% higher inventory write-downs when Finance sets safety stock targets alone

Finance sees inventory as cost. Operations sees it as insurance. Neither is wrong. Both optimizing in isolation is catastrophic.

(IBM IBV, 2023)

Scenario Planning Gaps

58% of CFOs say S&OP cannot model more than 2 scenarios simultaneously

Operations lives in a world of contingencies. Finance models the plan. The gap between them is where risk hides.

(Gartner, 2023)

From tension to traction

What MIT's research says actually works

1 Integrated Business Planning

Firms with fully integrated IBP reduce forecast error by 28% and cut excess inventory by 22% within 18 months. *(MIT CTL, 2022)*

2 Shared Accountability Metrics

Cross-functional P&L ownership — where Operations and Finance co-own a margin+service KPI — cuts planning cycle time by 35%. *(MIT Sloan, 2023)*

3 Digital Twin Planning Layers

Firms deploying digital supply chain twins for concurrent Finance/Operations scenario modelling report 3.1x faster response to demand shocks. *(MIT CTL, 2024)*

The Opportunity

18-23%

EBITDA improvement potential from closing the planning gap (MIT CTL Benchmark Study, 2023)

"The firms that win in the next decade will not have a Finance strategy and an Operations strategy. They will have one integrated decision architecture — or they will have neither."

— Yossi Sheffi, MIT Center for Transportation & Logistics

The question is no longer who owns the plan. *It's whether the plan owns the future.*

Using technology to create adaptability

Adaptability is the new competitive moat

The firms that survive disruption will ride the waves, they don't fight the sea

Workforce Enablement

The question isn't whether automation displaces roles — it will. The question is whether your teams are redesigned around higher-value decisions, with AI handling the data heavy lifting.

From data gatherers to decision-makers

Scenario-Ready Planning

Adaptable manufacturers don't react to change — they pre-plan for it. Connected forecasting platforms let teams model tariff scenarios, supplier shifts, and demand swings before they become crises.

Pre-positioned responses to disruption

Speed to New Markets

Automation makes it dramatically easier to spin up operations in new countries. What used to require months of workforce buildout can now be achieved with a smaller, highly skilled team supported by automated planning and execution.

New country operations that integrate day one

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From data gatherers to decision-makers

The workforce isn't replaced by Technology – they move up the value chain towards action

Today's role		Tomorrow's role
Analyst pulls data from 6 systems into Excel	→	Analyst interprets AI-generated forecasts and reviews exceptions and makes recommendations
Finance and Operations plan in multiple systems bridged by manual reporting	→	Finance and Operations co-own a live rolling scenario focused forecast in one platform
C-Suite receives weekly static reports, reacts to past data to influence near-future decisions	→	C-Suite monitors real-time signals, acts on forward-looking strategic initiatives

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Launching operations in new markets

With the right technology, 'spin up a new regional operation' goes from a project to an operational sprint.

BEFORE:

- ✗ Manual workforce buildout — headcount starts to work in bespoke patterns removed from SOPs
- ✗ Months of siloed assumptions and feedback passed statically between local and corporate systems

New country = new silo in your planning model

VS

AFTER: Connected Planning + Automation

- ✓ Language adaptive agents work with new hires to train effective teams from day one
- ✓ Unified companywide forecast and reporting — same model, new entity added
- ✓ Supply, tariff, and FX variables live in a dynamic forecast housed in a unified and global system. AI enabled teams can draw information

New country = new node in a connected, live planning network

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Today's small changes for future adaptability

1 **Automation is here. Hire and retain accordingly.**

Routine and entry-level tasks are being automated first. Plan for this, engage and train those with institutional knowledge to protect morale and retain talent. Move your people from data gatherers to decision-makers.

2 **A connected platform is the foundation for all of it.**

Speed, adaptability, and workforce redesign all require one thing: Finance, Ops, and Procurement working from the same live data.

3 **Adaptability is the new efficiency.**

The ability to spin up new operations quickly and get feedback fast — enabled by automation — is now a core competitive advantage, not a nice-to-have.

Final thoughts

Key takeaways from today's expert panel

Scan the QR code to keep the discussion going!

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