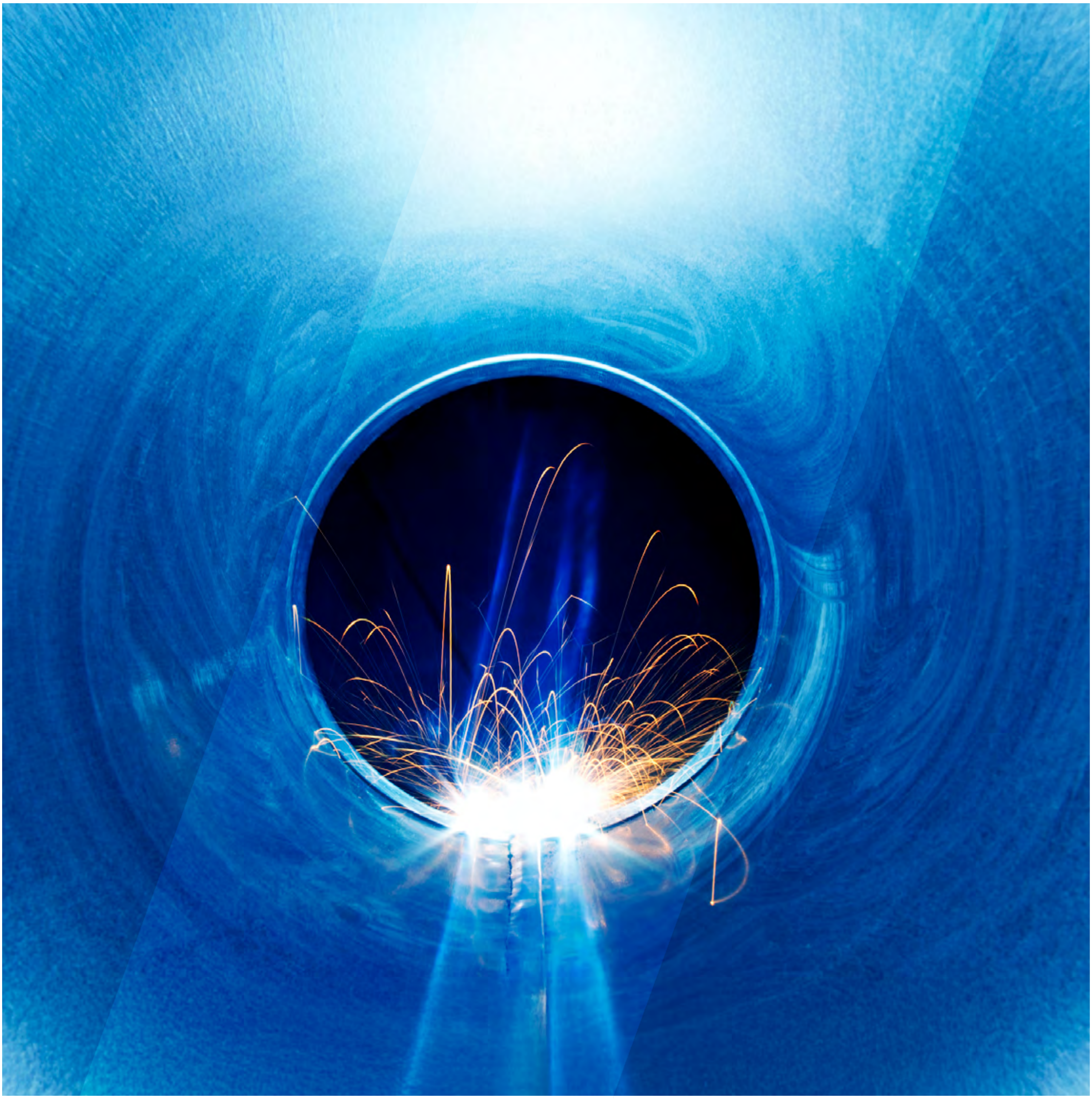


# C-suite barometer: sector view

## Manufacturing

# Contents

# Foreword

**Our annual C-suite barometer collects the views of business leaders worldwide, offering timely insights into evolving priorities and challenges. Over 1,700 executives from more than 35 countries contributed, revealing a strong determination to pursue growth amid a more competitive and challenging environment.**

While this year's C-suite barometer results reveal a high proportion of executives in the manufacturing sector expect growth, there is recognition that factors are at play that are likely to impact such a positive outlook. Notably, an increasingly competitive market is reducing margins, while economic and political volatility adds a further layer of risk to business plans. Such uncertainty is leading some clients to adopt a watch-and-wait approach until there is more clarity on market conditions impacting the sector.

However, delaying strategic decisions could become a risk as those companies that continue to move forward can secure a competitive advantage. For many companies in the manufacturing sector, therefore, questions surround the strategic priorities to pursue and what they should put on hold until risk factors are reduced and market conditions improve.

As we can see from the barometer results, the top strategic priority for most in the manufacturing sector is transforming IT and moving to a more digitally led manufacturing model. Indeed, it is a priority that cannot be delayed despite the market conditions, with manufacturing companies keeping a close eye on how artificial intelligence (AI) and other emerging technologies can help them meet transformation goals. We can already see from the barometer findings that AI adoption is significant in the sector, with many companies already having strategies in place.

However, it is no surprise that the number of executives who think AI will have a significant impact has fallen. There is a new realisation that it is no longer enough to have AI but carefully selecting the correct type of emerging technology that offers the greatest growth potential. Rather than blind adoption, it is about better understanding emerging technology's potential and leveraging it to suit a company's needs more closely.

Digital transformation also aligns with the manufacturing sector's other top priority of restructuring and cost optimisation. Growing uncertainty and a volatile economic landscape mean many companies are looking to reduce budgets as production costs surge. The move from old to new technology is simultaneously impacting the manufacturing supply chain.

In particular, tough decisions — such as whether to invest in new technology at the expense of older machinery that has not reached the end of its expected lifespan — demand careful planning. Renegotiating with banks and exploring alternative finance models to fund restructuring programmes that impact growth will be increasingly required if companies do not wish to fall behind competitively.

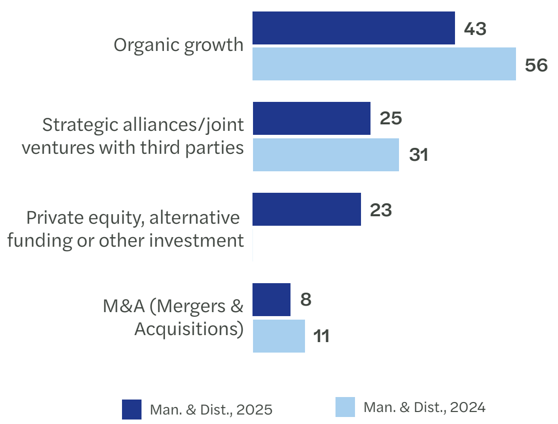
In the meantime, manufacturing companies will have to dig deep to find the strategic resilience required to meet the challenges of geopolitical tensions and economic uncertainty they will continue to face. We hope that this report's internal and external contributions offer valuable insights that help guide strategic actions. We would particularly like to thank Hui Zhang, Vice President of NIO Europe and Desislav Dimitrov, Chief Financial Officer at Autins Group, for their contributions, which are much appreciated.

**Dr. Frank Jungblut**
Partner, Head of Manufacturing
Forvis Mazars Group

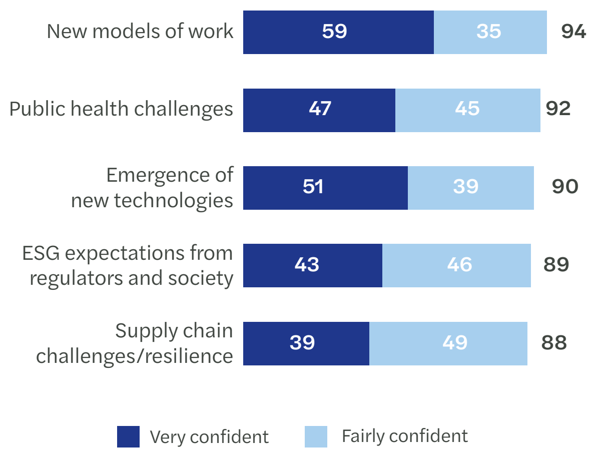
# Executive summary
## Growth outlook and top sector priorities

**36%** of leaders in the sector are "very confident" they can manage key trends in 2025 which is down by four points from last year

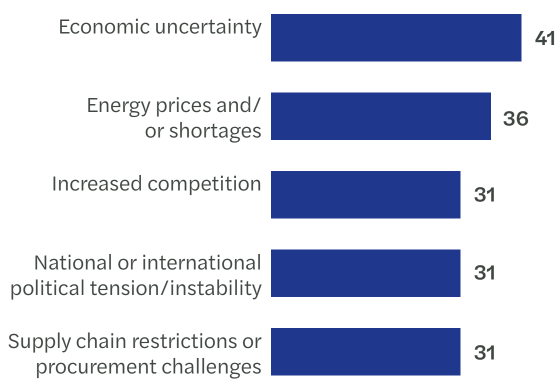
### Most important sources of growth in 2025



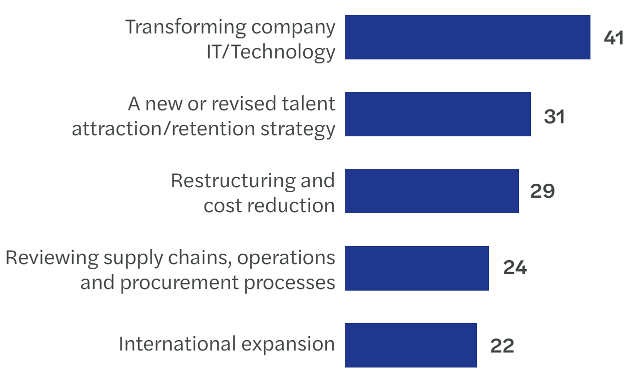

### Confidence in navigating industry shifts




### Top factors holding back growth




### Top five strategic priorities for the C-suite in the manufacturing sector over the next 3-5 years



# Achieving digital agility and data-powered transformation

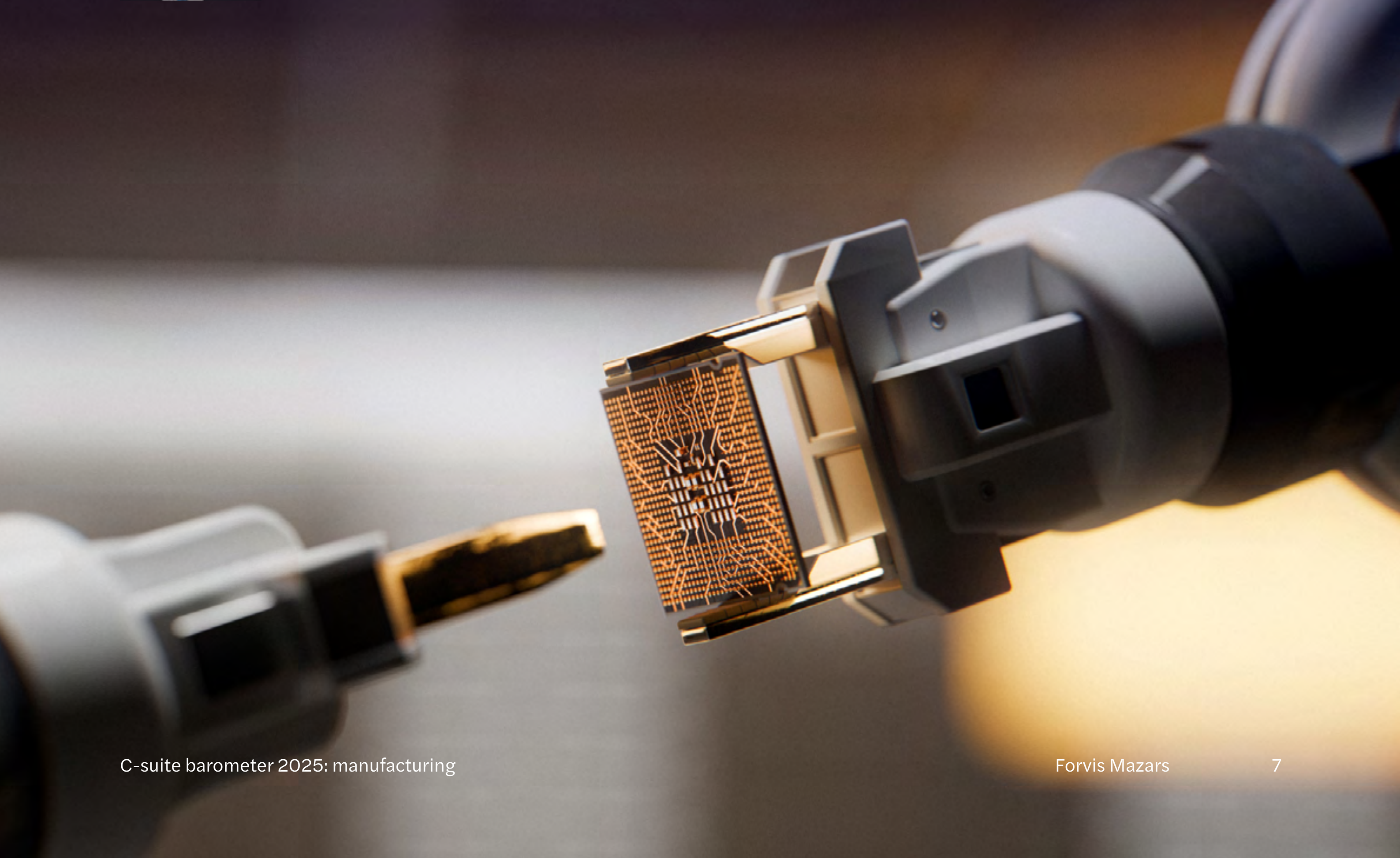
# Achieving digital agility and data-powered transformation

A high number of companies in the manufacturing sector have dedicated strategies for technology transformation. Indeed, 77% of executives say they have a strategy dedicated to digital agility and data-powered transformation. However, implementation is less consistent in the application of artificial intelligence (AI). While 69% have a strategy for implementing generative AI strategy, only 49% have a strategy for discriminative AI.

Looking at the drivers behind IT transformation, the most important digital transformation priority for 53% of leaders in the sector is efficiency and productivity. This is followed by security and risk management, indicated by 40% of executives, and ensued by leveraging digital transformation to drive growth initiatives which was deemed a priority for 39% of executives.

> "The manufacturing sector is currently facing unprecedented uncertainty. In times like these, clarity is crucial. As global pressures – from tariffs to inflation – intensify, manufacturers are seeking steadiness, context and a view of what may be the road ahead."

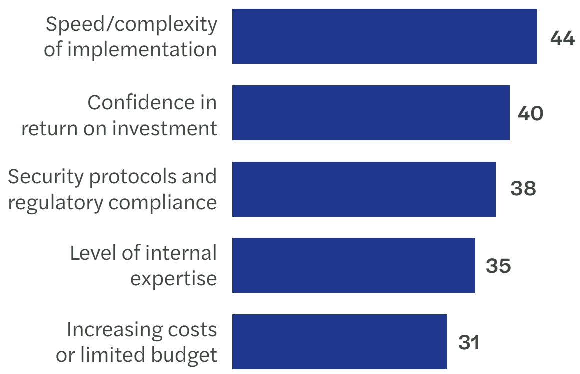
**Bryan Wright**
Manufacturing Sector Leader
Forvis Mazars US



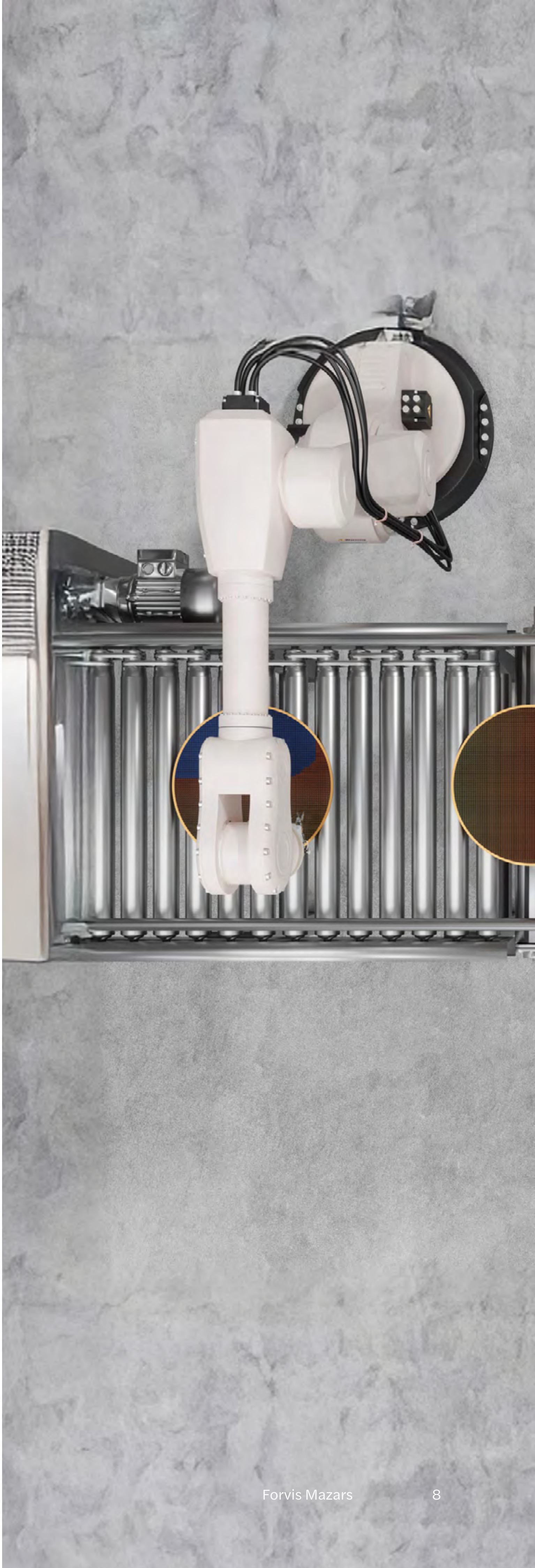
# Achieving digital agility and data-powered transformation

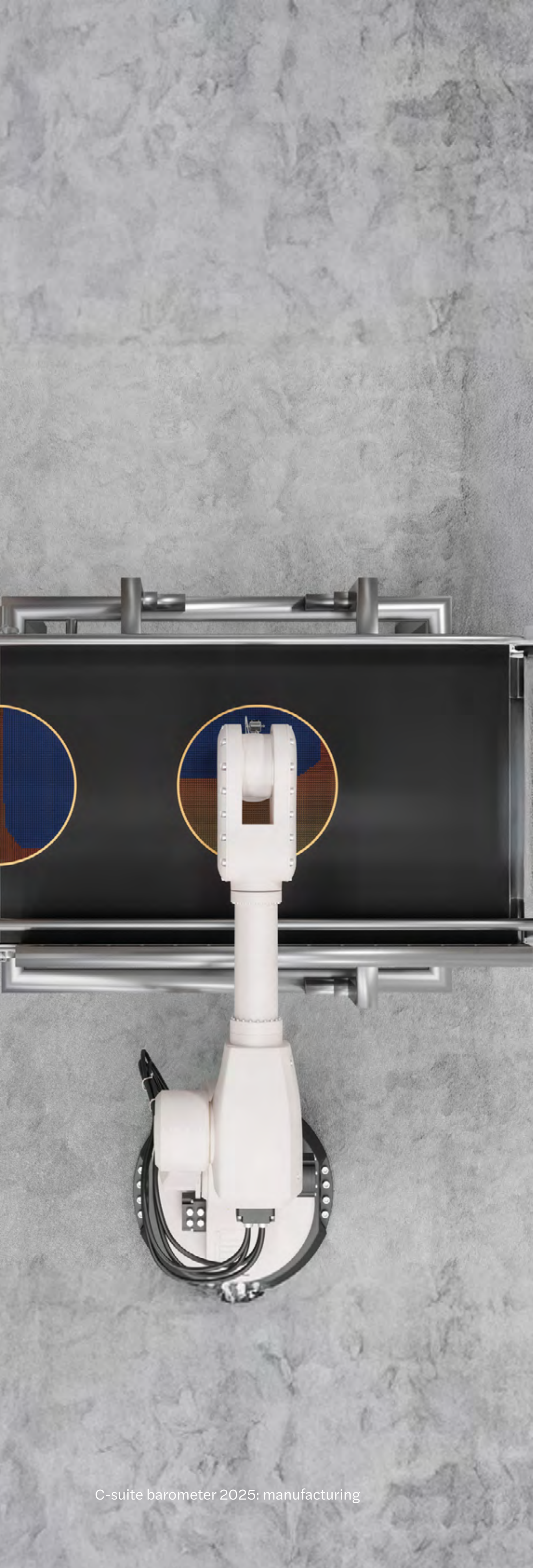
When analysing the main barriers to digital transformation, leaders in the manufacturing sector cite the speed and complexity of implementation, confidence in return on investment (ROI) and security protocols and regulatory compliance as the main obstacles.

## Biggest barriers to manufacturing companies achieving their digital transformation objectives




AI expectations have changed with just under half (47%) of executives saying AI will have a major impact on their organisation. This is down 17 points from 2024 compared to a seven-point fall across other global sectors. In terms of adoption, three quarters of executives in the manufacturing sector report they are already using AI, although more so for internal processes (76%) than for commercial products and services (71%). In terms of why AI is deployed, supporting operational agility, excellence and growth are given as the main reasons.



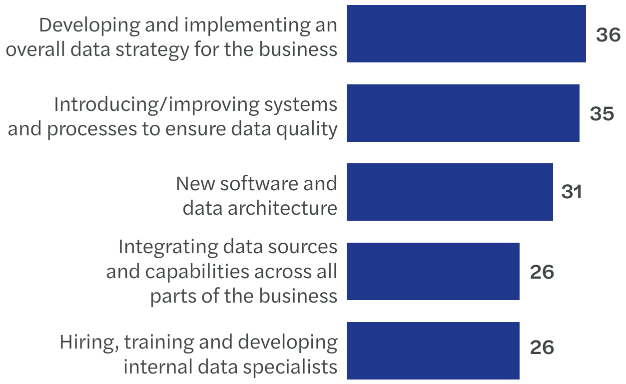


Ethical concerns over using AI have fallen 13 points on last year's results, with only 28% of executives express major ethical concerns, compared to 41% in 2024. However, minor ethical concerns remain widespread, and most executives still confirm that the need for greater regulation of AI is essential or very important.

Further, job replacement because of greater AI use is expected as almost half of C-suite leaders in the manufacturing sector expect AI to replace jobs in their businesses. Although this is down eight points from last year, it remains four points higher than the global average.

Additionally, data management and governance remain core concerns for manufacturing leaders, which is in line with the global C-suite average.

## Manufacturing businesses' top two priorities for data management and governance investment over the next 12 months



# Placing innovation at the heart of strategic planning
## **Industry insight**

**Hui Zhang**
Vice President
NIO Europe

*Hui Zhang is a Vice President of NIO Europe and Chairman of the Automotive Working Group at the China-EU Chamber of Commerce. NIO designs, develops, manufactures and sells smart electric vehicles, driving innovations in next-generation core technologies.*

As a Chinese company involved in the smart electric vehicle (EV) market in Europe, it is important that the technology we develop is customised for that region. The European automotive sector has expert knowledge and long historical roots in mechanical engineering. As a result, the technology take-up can be slower than in China, where technology and digitalisation have been a feature since the 1990s.

At the same time, European companies are leaders in research and development (R&D). It is this focus on R&D that allows new companies like NIO to come into the industry with a fresh mindset. So, in terms of a digital transformation strategy, a healthy R&D expenditure budget is the main priority. For example, NIO's R&D expenditure budget for 2024 equates to 19.8% of our total revenue. In addition, a significant portion of our workforce is dedicated to R&D-related roles. It is a strategy that has seen NIO file and obtain more than 9,900 patents in a decade.

Secondly, recognising what core technology is required for the marketplace and securing the ability to manage, develop and implement that technology in-house are vital. For us, alternative driving is a key focus, and we have dedicated teams across Silicon Valley, Germany and China working on enabling technology. Vehicle operations systems are a further technology we are leading on, and we have been developing full capacity over-the-air (OTA) systems since 2018. Our third core technology priority is developing proprietary chips for autonomous driving. These chips have now been installed into our current flagship vehicle and help to reduce our reliance on third-party providers.

This focus on developing cutting-edge technology elevates smaller companies such as NIO ahead of larger, traditional European original equipment manufacturers (OEMs). It is possible to learn from mechanical engineering and adapt that knowledge to new, technology-led areas. NIO has seen this with a number of European car manufacturers looking to set up software development centres in China. We expect this trend will continue as the industry evolves from combustion to EVs, increased connectivity and autonomous driving capabilities.

"It is possible to learn from mechanical engineering and adapt that knowledge to new, technology-led areas."

# Placing innovation at the heart of strategic planning **Industry insight**

Europe's recently announced automotive action plan adds some weight to the need for the industry to transform. Indeed, it is encouraging to see that the plan to promote EVs remains a priority and that investment in infrastructure and tax benefits are being considered. However, implementation flaws, such as carbon emissions and how non-European car manufacturers are impacted, need to be addressed. Nor is there enough clarity on the impacts of regulations on cybersecurity and the General Data Protection Regulation (GDPR). Only by having a fair and transparent market for all can the action plan make a difference, enabling innovation to thrive.

Amidst this, there is also the looming shadow of tariffs and trade wars. The car industry is one of the few industries that relies on a global production footprint. The reliance on a global supply chain and R&D network is vital. Tariffs fragment the industry, which is counterproductive. In terms of the outlook, the industry is facing high costs and greater R&D investment as it transforms. At the same time, geopolitical and economic challenges are causing further uncertainty, particularly if consumer budgets are impacted.

Like others, the car industry will have to work hard to get through the next few years. Companies with a clear strategy and a focus on innovation and digital transformation are likely to gain an advantage.

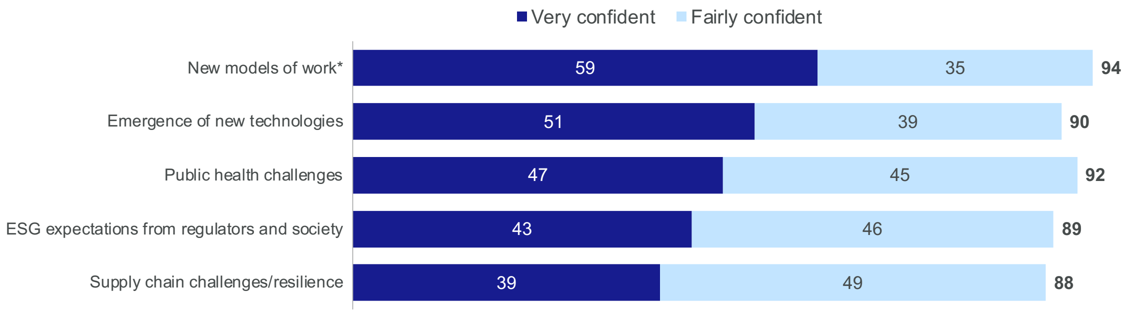
# Dealing with restructuring and cost optimisation challenges

# Dealing with restructuring and cost optimisation challenges

## Against a backdrop of digital transformation, dealing with restructuring is a high priority for the manufacturing industry. It is a priority that demands significant investment as higher costs take hold. There is simultaneously a need to reduce costs as economic factors, energy prices and increased competition are increasingly impacting strategic decisions.

Growing uncertainty and a volatile economic landscape mean many companies are looking to reduce budgets as production costs spiral. Geopolitical instability and supply chain disruptions further intensify pressure to the sector's ability to restructure and optimise costs.

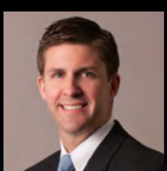
### External trends impacting organisations in the next 12 months




When it comes to dealing with such challenges, manufacturing executives are least confident in their ability to cope with issues related to economic trends and geopolitical instability.

Moreover, as manufacturing processes continue to evolve with the emergence of new technology, restructuring challenges are unlikely to diminish, while economic and political volatility is now adding a further layer of financial risk. Meanwhile, an increasingly competitive market is eroding margins.

"During these highly uncertain times, manufacturers continue to be the backbone of our global economy. As they look to the future, they are calling for pro-growth taxes, common-sense trade policies and permitting reforms – critical to help shape a stronger and more predictable business environment."



**Matt Wood**
Manufacturing Tax Leader
Forvis Mazars US

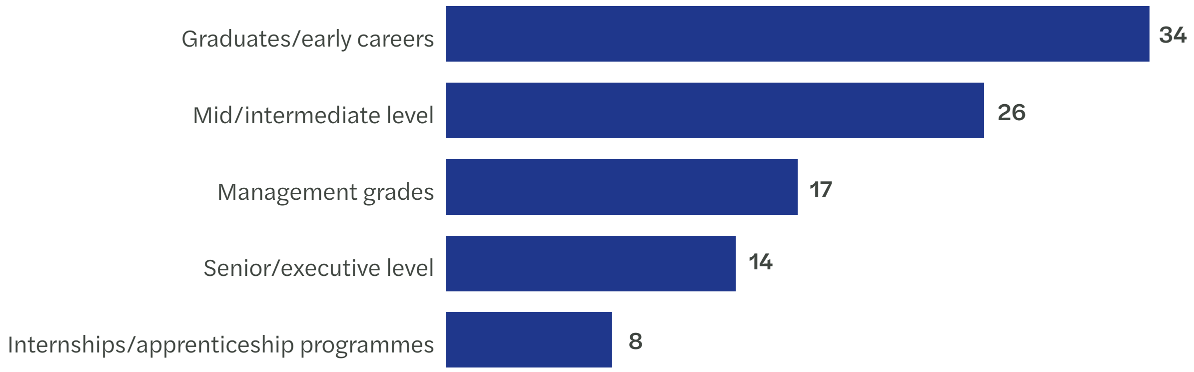
## Implementing a new talent strategy

# Implementing a new talent strategy

## Concerns over hiring difficulties have intensified in this year's barometer, with nearly half (45%) of organisations in the manufacturing sector report difficulties in hiring this year, which is up four points from last year.

Our findings revealed that hiring challenges for manufacturing organisations are greatest among graduate and early career stages, which is followed by the mid-level roles. However, fewer challenges are reported when recruiting management grade talent.

### Most challenging levels to recruit




In terms of overall recruitment challenges, businesses in the manufacturing sector report their main hiring challenges as attracting and targeting qualified candidates and ensuring a positive candidate experience. The ability to deal with the overall talent shortage present in the market continues to be a concern.

New working models that offer flexible working arrangements are now front and centre. The key working model priorities for the manufacturing sector are increased time off, as well as flexible, remote and hybrid working.

Regarding skills seen as important qualities a leader should have to deal with expected challenges over the coming 12 months, 36% of manufacturing executives consider strategic vision and planning as the top quality. This was closely followed by the ability to make tough decisions (35%).

Expert view

# Achieving the right balance between home and office work

Developing a new talent strategy is considered a top priority and we see that hiring challenges at certain levels in the manufacturing sector do exist. However, the increased economic constraints the sector faces mean many companies are now placing greater focus on reducing headcount, as opposed to expanding it.

While the economic backdrop is in the foreground, new working models that offer flexible working arrangements remain a long-term priority. Alongside this, hybrid working models are also changing as companies increasingly seek to recalibrate any post-Covid arrangements and imbalances between home and in-office/location working.

> "Getting the balance right so that working practices align with new business requirements, while at the same time offering working conditions that attract new talent, will be vital if the manufacturing sector is to thrive."

**Dr. Christian Back**
Partner, Head of Automotive
Forvis Mazars Group

## Expert view

# Carve-outs as a restructuring mechanism

A powerful combination of external factors and increased competition is placing restructuring higher on the agenda for manufacturing leaders. If we take the automotive industry as an example, the rise of electric cars, regulatory changes and new forms of mobility, such as autonomous driving and connected vehicles, pose significant challenges to the business model.

To meet the challenges posed by new technologies and changing business and service models, decision-makers are increasingly looking at far-reaching reorientation or restructuring initiatives. One such measure increasingly being used is carve-outs, and what makes this different from a regular disposal or divestment is that the entity being 'carved out' is not independent and often remains fully or partially integrated before the restructuring.

A targeted carve-out of a separable business unit or corporate entity is often seen as an opportunity for companies to completely transform and reposition for long-term success, enabling the divesting entity to concentrate on its core operations and assets. The newly created entity offers numerous strategic opportunities, from an IPO to a sale to other companies or investors, such as private equity firms. For the parent organisation, the move provides interesting options for development through increased control and new possibilities for investment or acquisition. Additional advantages may also include opportunities for tax optimisation or cost reduction.

> "Carve-outs enable the parent entity to restructure and accelerate the strategic realignment of its core businesses."

Carve-outs enable the parent entity to restructure and accelerate the strategic realignment of its core businesses. However, significant complexities require careful consideration relating to the structure used, corporate preparation and financial reporting implications. Managed and executed well, a carve-out can be an attractive restructuring tool for delivering long-term added value.

**Vesko Petkov**
Partner
Forvis Mazars, UK

## Diversify and anticipate to retain a competitive advantage
## **Industry insight**

**Desislav Dimitrov**
Chief Financial Officer
Autins Group

*Desislav Dimitrov is the Chief Financial Officer at Autins Group. Autins is a specialist in solving acoustic and thermal problems in the automotive insulation solutions industry. The company has grown rapidly expanding into Europe and moving into new sectors such as interior design, construction and flooring specialist applications.*

A company's ability to diversify is increasingly essential. While Autins has achieved good growth over the last year, complacency is not an option. It is vital to continually look at how to engage with new clients. As a result, recent improvements Autins has made to the business have helped diversify its customer base and create a steady flow of new orders, putting us in a good position for the next 12 months.

Of course, there will be challenges, for we have yet to see the full impact of trade tariffs and how this will impact order books and the economic outlook as a whole. Plus, Autins is already witnessing the impact of competition on their customer base from lower-cost manufacturers entering the European market.

Yet, while challenges may change, they are part of the business environment. It is more a question of having the ability to deal with challenges as they inevitably occur. What is less predictable is uncertainty. For instance, how recent political tensions will impact the cost of energy and raw materials. This lack of visibility on cash flow forecasting causes volatility that can trip many businesses up.

Significant inflation in the last few years also means cost reduction is constantly on the agenda and this often involves adapting business models to maintain financial stability and a competitive advantage. Regularly assessing cost structures can also help divert finances to where they can provide more value, whether investing more in research and development or buying new machinery.

Anticipating change is essential. The best time to restructure is when times are good and before inefficiencies creep in, given an inability to deal with change can indicate that something within the organisation's structure and skill set is not quite right. More importantly, it will impact performance; underperformance is not only bad for finances, but it upsets the internal dynamics of the business making it harder to retain and attract new talent.

"Anticipating change is essential. The best time to restructure is when times are good and before inefficiencies creep in"

Technology also has a key role to play in moving the business forward, but it is important to consider the business objective, whether that is using integrated software applications to improve efficiency or using artificial intelligence (AI) to automate reporting. It is about gradual, well-thought-through changes that offer a clear advantage.

Finally, creating a competitive differentiator is vital. For Autins, a focus on a strong and reliable service offering means customers can trust us to deliver and has helped to attract new clients. Having a direct line of communication with clients not only keeps us up to speed with their changing needs but keeps our finger on the pulse of challenges and opportunities ahead.

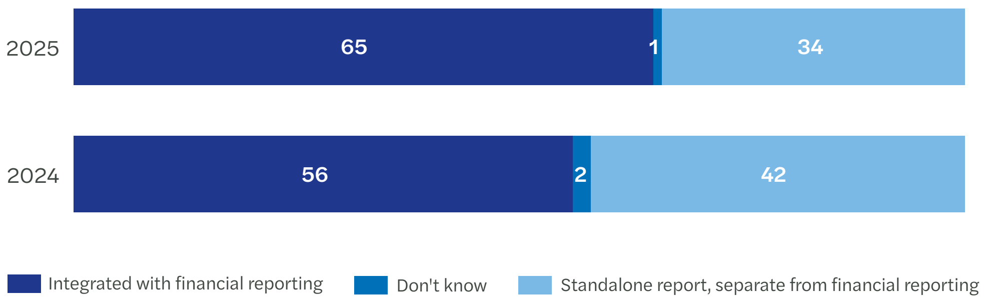
# Spotlight on sustainability

While sustainability issues remain an important business focus, there is an 18-point decrease (from 72% to 54%) in sustainability reporting for businesses in the manufacturing sector, which is in line with falls globally. Nevertheless, leaders report increased readiness for environmental, social and governance (ESG) reporting regulations than in 2024.

Surprisingly, and despite the drop in reporting, more than three quarters of organisations in the sector feel fully prepared to publish their ESG performance this year, which is up eight points since 2024. However, it is still five points below the global average.

Two-thirds of organisations in the sector now incorporate sustainability with financial reporting. This represents a nine-point shift since 2024, compared to a 15-point shift towards this approach globally. Manufacturing companies' sustainability reports are primarily shaped by the UN Sustainable Development Goals, followed by the Global Reporting Initiative.

## Types of sustainability reports produced by manufacturing companies




Data capture and quality, concern about highlighting improvement areas and understanding the audience are described as the key sustainability reporting challenges.

In terms of ESG topics, climate and carbon strategies, responsible supply chains and diversity and inclusion (D&I) are the biggest ESG reporting topics. D&I will be an interesting one to watch with the influence of policy in the US already resulting in some organisations scrapping diversity, equity and inclusion (DEI) programmes, especially in relation to government contracts.

However, in line with the global average three in five manufacturing executives (60%) continue to consider ESG reporting requirements to be more of a cost than an opportunity.

**Philipp Killius**
Partner
Forvis Mazars, Germany

# Expectations from current affairs

## Manufacturing executives see trade policy, sanctions and other impacts on exports as key consequences of the 2024 elections on their business.

"The elections in the United States generate a lot of uncertainty, which causes investment to stop."

C-suite automotive leader, business $1bn+
Mexico

"We will be moving from a liberal government to a more conservative one, where taxing employees and taxation for businesses will change significantly."

C-suite manufacturing leader, business $1bn+
Canada

"Policy changes, economic stability, trade relations, investment climate, workforce dynamics, public sentiment."

C-suite manufacturing leader, business
$100m-$1bn
United States

"The outcome of the election may affect some of the policies on import/export policies which may have an impact on our organisation."

C-suite manufacturing leader, business $1bn+
Hong Kong

"Because ours is an international company and the largest customer is China, for example, it depends on sanctions. And increasing exports to the east."

C-suite manufacturing leader, business
$100m-$1bn
The Netherlands

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