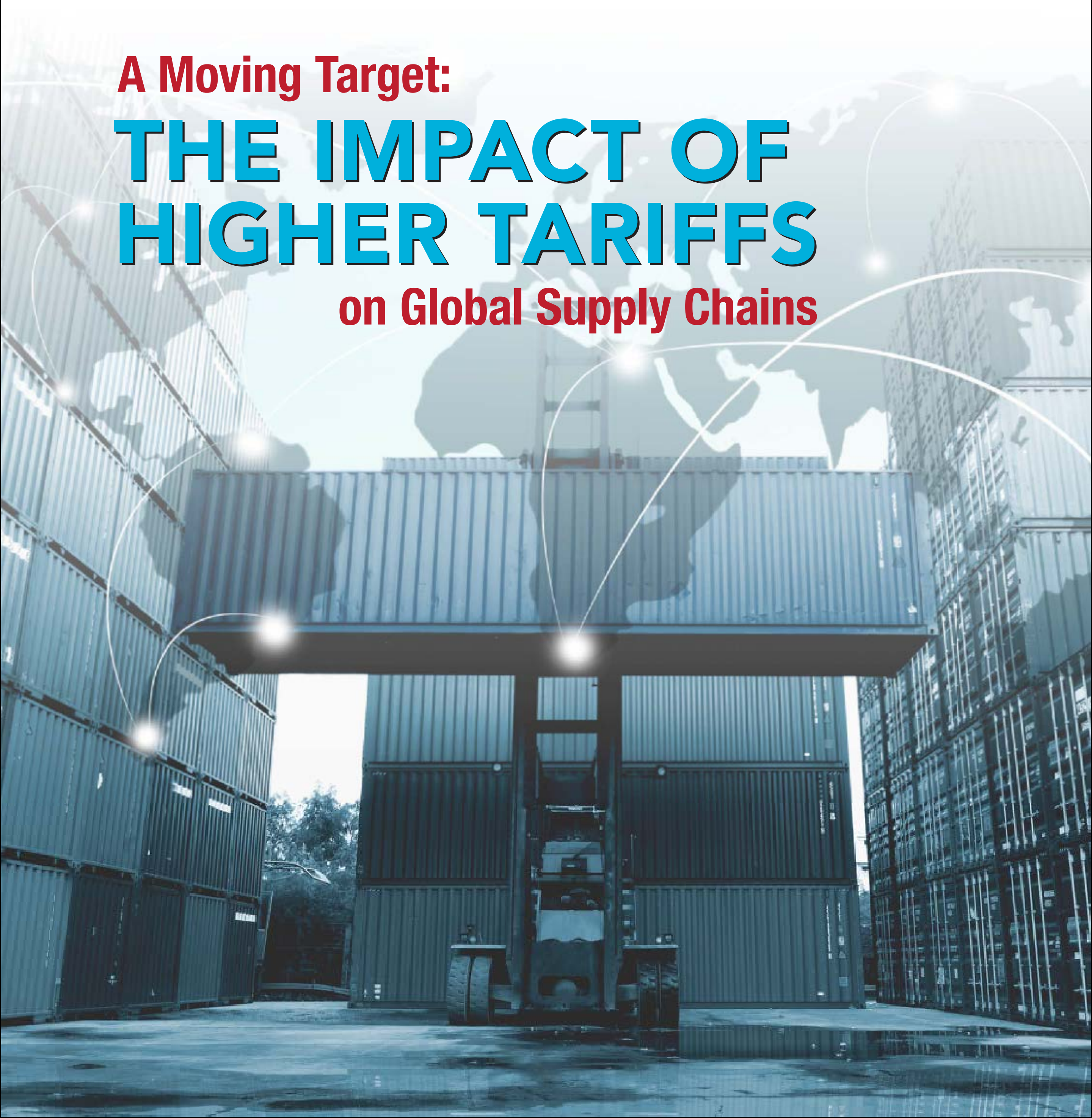
SUPPLY CHAIN connect™

January 2025

A Moving Target: THE IMPACT OF HIGHER TARIFFS on Global Supply Chains



CONTENTS

January 2025

By SUPPLY CHAIN CONNECT STAFF

Top Procurement Headlines from 2024

Here are some of the top procurement trends and events that made headlines in 2024.

The end of the year is always a good time to reflect on what took place over the last 12 months, what's happening now and how these trends may impact what's coming next in 2025. A lot went on in the ever-evolving procurement space in 2024, and the electronics sector was particularly active.

Nearshoring and onshoring trends made a lot of headlines as U.S. organizations assessed their supply chains and looked for ways to bring sourcing and/or production closer to home. Some of this was already happening in the aftermath of the global COVID-19 pandemic, but the incoming presidential administration's promises of higher import tariffs ramped things up a bit on that front.

While the final tariffs could change before the President-elect takes office, Donald Trump said he would implement a 25% tariff on all products imported from Canada and Mexico. The new administration would also add an additional 10% to existing tariffs on imports from China, *Silicon Expert* reports.

In "The Rise of Nearshoring in Electronics Manufacturing," Misha Govshteyn writes about the "strategic shift" to nearshoring, noting that the shift is being driven by the compelling advantages of proximity, including more effective communication, enhanced supply chain visibility and greater quality control.

"For decades, offshoring has been the go-to strategy for companies looking to cut costs in manufacturing," Govshteyn writes. "The lure of cheap labor and favorable production environments in China and Southeast Asia has been undeniable."

Choosing to nearshore is not merely about being close on the map, he points out. It also means sharing time zones, cultural similarities and better communication, which all work together to facilitate smoother teamwork and faster decision-making.

"As U.S. companies adopt nearshoring for their manufacturing operations, it is not just a quick decision," Govshteyn adds, "it is a carefully planned move to make supply chains stronger, reduce risks, and build a solid foundation for long-term growth."

AI Comes into Clearer Focus

As technology continues to make its way into more procurement departments, artificial intelligence (AI) is revolutionizing not only the future of technology and the electronics industry but also the way procurement professionals conduct their work.

"Currently, much of a procurement specialist's job is manual. While some automated tools exist, tasks like supplier selection, risk management, negotiations, inventory control, and forecasting can be time-consuming, prone to human error, and dependent on personal experience," Mouser Electronics explains in "How AI is Revolutionizing Procurement in the Electronics Industry."

"Additionally, analyzing market trends and managing supplier relationships leave little room for other activities.

For example, AI can automate routine tasks, allowing procurement specialists more time to focus on supplier relationship management, strategic sourcing and overall business strategy.

AI tools can also facilitate refined risk management strategies and ethical sourcing practices. "The technology can help assess supplier risk, monitor compliance with sustainability and ethical standards," Mouser points out, "and execute responsible sourcing strategies."

Conflict Minerals Persist in the Electronics Supply Chain

Despite government efforts to reduce the use of conflict minerals in electronics manufacturing, a 2024 report from the U.S. Government Accountability Office (GAO) reveals that peace and security hasn't improved in the DRC as a result of the SEC disclosure rule.

"SEC's rule requiring the disclosures hasn't reduced violence," the GAO says in its report. "Armed groups continue to fight for control of gold mines in the country's eastern region. This is partly because gold is harder to trace and easier to smuggle than the other minerals."

Among the report's key findings were the fact that there's no evidence that the rule has decreased the occurrence or level of violence in the eastern DRC, where many mines and armed groups are located; the number of violent events in the adjoining countries did not change in response to the SEC rule; and the number of companies filing conflict minerals disclosures in 2023 increased for the first time since 2014, but many of them continued to report being "unable to determine" their minerals' origins.

Some of the responsibility lies with the mining companies themselves. In "Conflict Minerals: Navigating Ethical Sourcing Challenges," Sean Ashcroft discusses the sector's need to "navigate regulations while also maintaining profitability and meeting market demands." This often requires significant investment in supply chain transparency and traceability technologies.

"Companies are increasingly mapping their supply chains to identify potential sources of conflict minerals, often tracing materials back through multiple tiers of suppliers," Ashcroft writes. "Some mining companies have implemented blockchain technology to enhance traceability. This allows for the creation of an immutable record of a mineral's journey from mine to end-user, providing greater assurance of responsible sourcing."

BACK TO TABLE OF CONTENTS

By SUPPLY CHAIN CONNECT STAFF

5 Trends that Will Shape Manufacturing in 2025

New Deloitte report offers insights into how 2025 may shape up for the global manufacturing sector.

Like most industry sectors, manufacturing dealt with its fair share of challenges and opportunities in 2024. Inflation, high interest rates, geopolitical events and a prolonged labor shortage all impacted the sector, which was also focused on trends like onshoring, the threat of new tariffs and a changing of the guard in the White House.

In its *2025 Manufacturing Industry Outlook*, Deloitte offers up its prognosis on what's coming next for the sector as it moves into the new year. Here are five of the top trends that the global consultancy will be tracking in 2025:

1. Labor constraints will continue. A study conducted by Deloitte and The Manufacturing Institute in 2024 revealed that nearly 2 million manufacturing jobs could go unfilled over the next 10 years if talent challenges are not addressed. The study also found that roles that require higher-level skills could grow the fastest between 2022 and 2032, and that a combination of technical manufacturing and digital and soft skills will likely be required. "Favorable economic conditions in 2025 such as lower interest rates and continued investment in US manufacturing may reignite demand in the industry, which could intensify labor shortages," the company predicts in its report.

2. Manufacturers will use more artificial intelligence (AI) and generative AI (GenAI). Deloitte's 2024 Future of the Digital Customer Experience survey found that 55% of surveyed industrial product manufacturers are already leveraging GenAI tools in their operations, and more than 40% plan to increase investment in AI and machine learning over the next three years. "However, companies seem to be taking a more measured approach toward GenAI and AI implementation by following their traditional, holistic return on investment processes," Deloitte states.

3. Supply chain disruptions will continue. In 2025, companies are expected to face continued supply chain risks, disruptions, possible delays and elevated costs due to shipping delays, labor challenges, rising input costs and potential government policy changes, according to Deloitte. To offset these challenges, manufacturers will use strategies like diversifying sources, pursuing mergers and acquisitions, enhancing partnerships, and building internal capabilities. "Amid the disruptions and high costs that could characterize supply chains in 2025," the company adds, "these approaches are likely to remain important."

4. Manufacturing operations will get even smarter. Manufacturers have continued investing in digital technologies over the last several years despite economic uncertainty, rising costs, and a challenging business climate. For example, Deloitte says its own analysis shows that technology investments made by manufacturing companies accounted for 30% of their operating budget in 2024 (compared with 23% in 2023), with cloud, GenAI and 5G being the top three technologies with the greatest ROI.

5. Clean technology manufacturing moves forward. Overall investment in U.S. clean technology manufacturing decelerated in 2024, but Deloitte's analysis of investor reports suggests a sustained commitment to electrification and decarbonization of products made by domestic industrial manufacturers. "The number of reports from industrial companies that mention 'electrification' or 'scope 3 emissions' has increased since January 2020 and continued to rise in 2024," it says. "The findings also suggest that customers seem to remain intent on lowering their operating emissions, which should continue to drive demand for lower-emission products."

BACK TO TABLE OF CONTENTS

SUPPLY CHAIN connect

By SUPPLY CHAIN CONNECT STAFF

From Intuition to Insight: GenAI's Role in Supply Chain Planning

How Generative AI is transforming supply chain planning, management and operations.

Generative AI (GenAI) is a type of artificial intelligence (AI) that can create original content—such as text, images, video, audio or software code—in response to a user's prompt or request. According to IBM, GenAI relies on sophisticated machine learning models called deep learning models, or those algorithms that simulate the learning and decision-making processes of the human brain.

"These models work by identifying and encoding the patterns and relationships in huge amounts of data, and then using that information to understand users' natural language requests or questions and respond with relevant new content," IBM explains in a tutorial on GenAI.

GenAI provides productivity benefits across a wide range of organizations and functions, with supply chain planning being one area that's ripe for such tech-enabled improvements. By analyzing vast datasets, identifying intricate patterns and predicting future trends, GenAI helps teams make more informed planning decisions. For example, GenAI can analyze historical sales data, weather patterns and economic indicators to predict future demand fluctuations.

Companies are also using GenAI to pinpoint potential disruptions in the supply chain (e.g., natural disasters, geopolitical events or supplier issues) and implement contingency plans, pivot and mitigate risk.

GenAI Comes of Age in Supply Chain

In "How Generative AI Improves Supply Chain Management," a team of Harvard Business Review (HBR) authors discusses the challenges that modern supply chain planning teams face when designing and optimizing their networks. The article also details how, over the past few decades, advances in information technologies have allowed firms to move from decision-making on the basis of intuition and experience to more automated and data-driven methods.

"As a result, businesses have seen efficiency gains, substantial cost reductions, and improved customer service," the authors explain. "Unfortunately, business planners and executives still need to spend considerable time and effort to understand the recommendations coming out of their systems, analyze various scenarios, and conduct what-if analyses."

Recent advances in large language models (LLMs)—a type of GenAI—are reducing the time to make decisions from days and weeks to minutes and hours, dramatically increasing planners' and executives' productivity and impact. For example, the authors say the technology can help planners quickly answer questions like:

- What would be the additional transportation cost if overall product demand increased by 15%? What would be the additional procurement cost if retailer R uses products only from factory F?
- Can we fulfill all demand if we shut down factory F?
- How much would the total cost of producing product P be reduced if the cost of type M raw material were $1 less per unit?

Planners can also use GenAI to update the mathematical models of a supply chain's structure and the business requirements to reflect the current business environment, HBR points out, noting that LLM-based technology will soon be able to support end-to-end decision-making scenarios. "We envision that in the next few years LLM-based technology will support end-to-end decision-making scenarios," the authors add.

Thinking Beyond the AI Use Cases

In "How GenAI Reimagines Supply Chain Management," Boston Consulting Group talks about how GenAI can simplify user interfaces, automate operations and decision making, and generate actionable insights from large data sets. In the supply chain planning space, it can transform human-machine collaboration and enable faster and more accurate decision making.

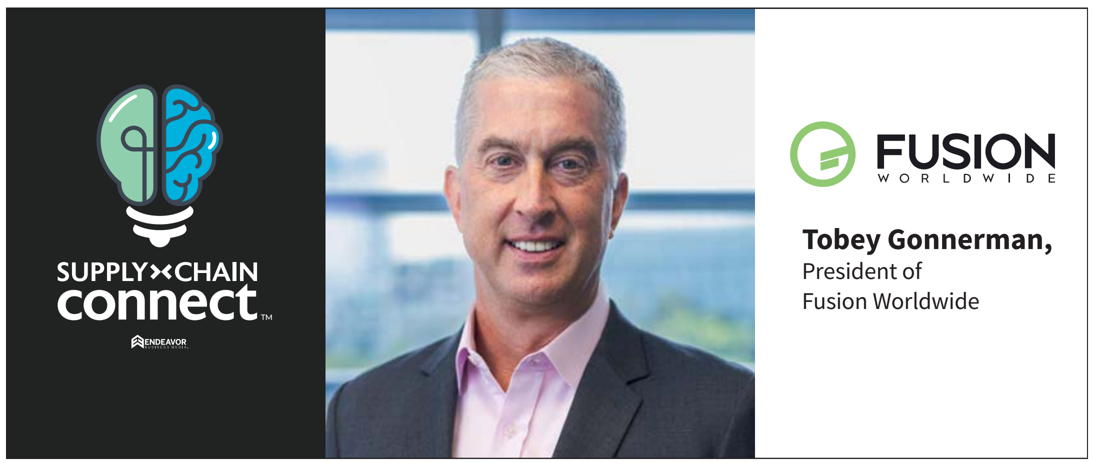
"It can connect disparate systems and, in the more mature cases, enable autonomous orchestration—coordinating activities and processes without manual intervention," BCG points out. For best results, the consultancy says organizations must think beyond the limitations of past AI adoption approaches that focused on individual use cases.

"Effective implementation involves aligning GenAI deployment with business objectives and identifying workflows where the technology can add the most value," it recommends. "Prioritizing the right areas, rethinking end-to-end workflows, and building a partner ecosystem will ensure that GenAI promotes sustainable improvements to ways of working, automation and analytics."

BACK TO TABLE OF CONTENTS

The Podcast Channel for Supply Chain Professionals

Supply Chain Connect provides supply chain and purchasing professionals with essential news, information and analysis about the technology and business trends that impact the global supply chain industry.



Navigating Supply Chain Disruptions and Positioning for the Future

The supply chain industry is rapidly evolving, with companies navigating a complex web of geopolitical tensions, technological advancements and shifting customer demands. In this episode, Tobey Gonnerman, President of Fusion Worldwide, shares insights on how his company is pivoting to capture future business opportunities and provide innovative solutions to support their clients' supply chain needs.

LISTEN NOW

Top 10 Supply Chain Trends for 2025

The Association for Supply Chain Management ranks the 10 most important areas of focus for supply chain professionals in the coming year.

LISTEN NOW

BACK TO TABLE OF CONTENTS

By SUPPLY CHAIN CONNECT STAFF

A Moving Target: The Impact of Higher Tariffs on Global Supply Chains

As the incoming presidential administration decides its tack on tariffs, companies are taking a closer look at their current supply chain setups and developing new strategies.

No new tariffs have been introduced since the new U.S. presidential administration took over last week, but that hasn't stopped companies from assessing and preparing for the potential impacts. President Trump has floated several different ideas—25% tariffs on imports from Mexico and Canada; new sanctions on Russia for the Ukraine War; and a 10% tariff on Chinese imports—but no specific actions have taken place yet.

The day he was sworn into office, the new president said he was thinking of imposing levies of 25% on Mexico and Canada, and is targeting February for them to come into effect, *CNBC* reports. "He also issued a trade memorandum instructing federal agencies to scrutinize trade policies with other nations," it adds, "especially China, Canada and Mexico — but the memo stopped short of introducing new duties."

The president is also said to be mulling over imposing 25% tariffs on goods from Canada and Mexico within the same timeframe. "On the campaign trail, Trump vowed to levy a universal tariff of up to 20% on all imports to the U.S and more than 60% on Chinese products," CNBC reports. If this happens, companies that import product may be switching over to using more domestic suppliers.

Making that pivot isn't always easy. "With supply chains being so integrated globally, and much of the manufacturing being done outside the U.S., companies may find it hard to shift production to local shores," CNBC points out. "The higher costs, then, will likely be passed on to the consumer in the form of increased prices."

Tariffs or No Tariffs?

The incoming president appears eager to impose taxes on imports and is making those intentions clear in his speeches and announcements. There could be both short- and long-term supply chain implications, depending on which direction he ultimately chooses to take and when the new tariffs go into effect.

The Volkswagen Group is one automaker that's watching these developments closely. Reuters says the tariff plans would mean higher car prices for U.S. consumers and hit global automakers.

"The Volkswagen Group is concerned about the harmful economic impact that proposed tariffs by the U.S. administration will have on American consumers and the international automotive industry," a Volkswagen spokesperson told *Reuters*. "We value collaboration and open dialogue. The Volkswagen Group looks forward to continuing its longstanding and constructive partnership with the U.S. administration."

According to *Bloomberg*, companies aren't waiting around for official word on the tariffs; they're taking action now. "Since the November election, in-house counsel at companies with global supply chains have been mapping their suppliers, planning how they can relocate, and starting to renegotiate contracts," it says.

Citing data from PwC, Bloomberg says the implementation of all of the proposed tariffs could generate nearly $900 billion annually, up from the current $81 billion, with the highest impacts on the automotive and pharmaceutical industries.

"Preparation started in November—or even earlier—with companies analyzing their full supply chains, mapping where their suppliers, and those suppliers' suppliers, are sourcing from," it adds. "And even if a company isn't hit directly with a tariff, its costs stand to rise if its suppliers face higher tariffs."

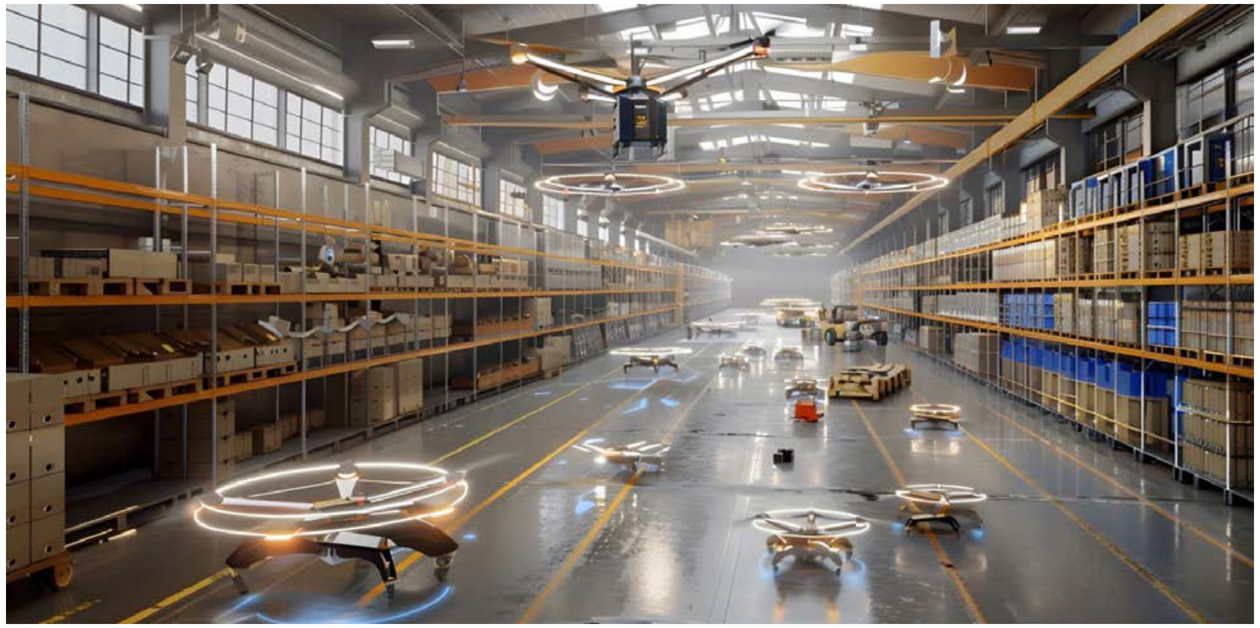
More Reshoring and Nearshoring Ahead

Hartford Business Journal says Connecticut's Chief Manufacturing Officer Paul Lavoie expects the trends toward reshoring and nearshoring production to accelerate in 2025, as companies—particularly large original equipment manufacturers (OEMs) —try to reduce their exposure to the risks of global instability.

"We will see manufacturing companies shorten supply chains, move manufacturing back to Connecticut from overseas and work to build out domestic supply chains," Lavoie told the publication, which reports that Stanley Black & Decker is among the firms that have already announced their intention to shift production to different parts of the world in order to mitigate the effects of tariffs.

BACK TO TABLE OF CONTENTS

By SUPPLY CHAIN CONNECT STAFF



Securing the Drone Supply Chain

New proposed rulemaking aims to safeguard the U.S. drone supply chain from foreign threats.

When mysterious drones began flying over New Jersey in December it fueled speculation and concern over where the unmanned aircrafts originated from, who was operating them and why they were even there in the first place. In response, the FAA temporarily banned drone flights in many New Jersey and New York areas. On a deeper level, however, this was yet one more highly publicized issue signaling the need for better drone security and oversight.

"The FBI, the Homeland Security Department and state agencies have been investigating, but officials say there has been nothing so far to suggest any drones have posed a national security or public safety threat," *AP* reported. "Authorities say many of the drone sightings have actually been legal drones, manned aircraft, helicopters and even stars."

In December, the FAA said the FBI had received tips of more than 5,000 reported drone sightings during the prior few weeks with approximately 100 leads generated. "Consistent with each of our unique missions and authorities, we are quickly working to prioritize and follow these leads," the FAA said in a statement. "We have sent advanced detection technology to the region. And we have sent trained visual observers." As of early January, authorities had yet to publicly identify the drone operators or their motives.

Enlisting Help

Uncle Sam is taking a keen interest in securing the drone supply chain. "With the rapid development of advanced technology, commercial drones are now commonplace across the United States," the Bureau of Industry and Security states in an agency press release. In January, the agency announced new rules to secure the drone supply chain in the form of advance notice of proposed rulemaking (ANPRM) regarding unmanned aircraft systems (UAS).

"As we did with connected vehicles, we are beginning our inquiry by asking a series of questions to better understand the ICTS integral to UAS, the risks associated with UAS, and the involvement of foreign adversaries in the supply chain," Elizabeth Cannon, executive director, OICTS, said in a press release.

ExecutiveGov says the notice outlines several areas for comment, such as assessments of ICTS transaction risks arising from foreign adversaries like China and Russia. The BIS notice also seeks public feedback on potential approval processes for requests to engage in regulated commercial transactions, possible economic impact of prohibiting certain ICTS deals and steps to mitigate potential adverse effects of the supply chain rules.

U.S. Secretary of Commerce Gina Raimondo called the BIS rulemaking on the drone ICTS supply chain an essential step to protect U.S. vulnerabilities from foreign entities. "Securing the unmanned aircraft systems technology supply chain is critical to safeguarding our national security," she says. "This ANPRM is an essential step in protecting the United States from vulnerabilities posed by foreign entities."

Not for Espionage

In "US seeks public input on drone supply chain rules," DroneDJ's Ishveena Singh says the Department of Commerce's initiative highlights concerns over foreign adversaries, including China and Russia, exploiting vulnerabilities in the drone supply chain to access sensitive U.S. data. The agency is seeking feedback on several critical areas: definitions of drones and their components, assessments of risks posed by different foreign adversaries, potential economic impacts of regulations and viable mitigation strategies.

As drones continue to play a vital role in industries ranging from agriculture to public safety, Singh says ensuring the integrity of their supply chains is more critical than ever. For example, Chinese tech giant DJI, a leading player in the U.S. commercial drone market, finds itself at the center of the ongoing debate.

"Lawmakers have raised concerns that foreign adversaries could exploit DJI's devices to access sensitive information," she writes. "DJI has pushed back against these claims, asserting that its drones are designed for consumer and commercial use, not for espionage."

BACK TO TABLE OF CONTENTS

By SUPPLY CHAIN CONNECT STAFF

Supply Chain Woes are Keeping Global Execs Up at Night

New survey highlights the top supply chain challenges that global organizations are facing as we move into 2025.

In an era where uncertainty has become the "new normal," supply chain operators are facing a host of new and emerging challenges this year. From geopolitical tensions and natural disasters to economic downturns and evolving consumer demands, the modern supply chain operates in a constant state of flux. Successfully navigating this landscape requires agility, resilience and a proactive risk management approach.

"As we enter 2025, executives are at a pivotal moment in the global supply chain landscape with near-term uncertainties in the economy and geopolitics set against the long-term need to incorporate technology and meet sustainability goals," Prologis Research states in a new supply chain intelligence report. "Leaders are losing sleep over supply chain issues, how to invest and what to prioritize to stay ahead of the competition."

66% of Execs are Worried About their Supply Chains

Working with The Harris Poll, Prologis Research (the in-house research and analytics arm of Prologis, which owns and develops logistics real estate) surveyed more than 1,000 executives in the U.S., UK and Germany. Most of the executives (66%) say supply chain concerns are keeping them up at night right now.

"Global supply chains face an unmatched 'polycrisis,' a web of challenges that span geopolitical tensions, economic instability, shifting regulatory pressures, fluctuating customer demands and pressing climate challenges," Prologis Research points out. "This crisis is compelling businesses to develop more flexible strategies to navigate constant disruption."

According to the survey, 86% of executives are worried about how economic instability and geopolitical pressures are impacting their organizations' supply chain decisions. "We're prioritizing robust strategies to ensure that our operations can withstand the next black swan event," and so are 87% of business executives," says Ninaad Acharya, CEO at Fulfillment IQ. "The goal is to ensure business continuity through agile, adaptable operations that can respond quickly to unexpected, rare, but potentially catastrophic, events."

And speaking of black swan events—those unpredictable and highly improbable events that have significant and far-reaching impacts—the survey found that 87% of executives are currently prioritizing strategies that safeguard against these incidents.

Better Tools Needed

Despite heightened awareness of supply chain vulnerabilities, Prologis Research says many organizations remain underprepared. Only about 40% of executives feel their organizations have the tools, resources and strategies to tackle such challenges as cybersecurity attacks, technological disruptions and regulatory changes.

"Preparedness drops even further for issues like geopolitical instability, trade wars and climate crises, highlighting significant vulnerabilities," it says. "Lack of preparedness doesn't just heighten risk: It directly compromises organizational performance and the ability to adapt to unforeseen disruptions."

Focused on Greener Supply Chains

Most executives (71%) are feeling the pressure to transition to using more renewable sources.
In response to escalating climate concerns, intensifying regulatory pressures and rapidly evolving consumer and investor expectations, Prologis Research says executives are reexamining plans and taking decisive actions to make operations more sustainable.

"Recent disruptions highlight the need to transition to alternative energy sources," it adds. "Businesses also need to comply with new regulations and want to save on operational costs." The company says 80% of executives cite unclear return on investment (ROI) as a major roadblock in allocating resources to green initiatives. Also, 72% of executives admit their current sustainability efforts have fallen short of corporate objectives.

"Despite the hurdles, 87% of executives plan to increase investments in sustainable supply chain practices when financial pressures ease," Prologis Research reports. "In fact, 88% of executives not only express a genuine desire to incorporate sustainability into their supply chains but also care personally about their organization's long-term sustainability goals."

BACK TO TABLE OF CONTENTS

BRIDGET MCCREA | Contributor

Business Spend Management Software Market Expected to Grow

Companies are increasingly turning to business spend management software to provide better visibility into their expenditures and other functions.

Procurement teams are under pressure to optimize spending, improve efficiency and mitigate risks, but manual processes and fragmented systems can throttle these efforts. To address these and other challenges, companies will often add business spend management (BSM) software to their technology stacks.

These applications provide a centralized hub for managing the whole procurement lifecycle—from sourcing and supplier management to purchase order processing and invoice payments, and all steps in between. More specifically, NetSuite defines BSM as "a set of business practices, supported by software, that are used to track, manage and analyze enterprise-wide supplier relationships and expenditures, such as striking big-ticket contracts with key vendors, purchasing everyday office supplies and out-of-pocket travel expenses."

Because BSM consolidates the processes of sourcing, contracting, purchasing and managing suppliers, invoices, employee expenses and payments into a single process, it helps companies gather and analyze all spending data and make more informed and insightful spending decisions. Procurement teams can use the platforms to improve their negotiating power, access spending pattern data, minimize fraud and improve cash flow.

High Demand for BSM Applications

The BSM software market is in growth mode right now. Valued at about $23 billion in 2024, the market is expected to surpass $57 billion by 2032 and is posting an 11.8% compound annual growth rate (CAGR), *Fortune Business Insights* reports. This software segment includes procure-to-pay solutions, supplier and risk management, travel and expense management, contract and e-tender management, and spend management/spend analytics, among others.

Business spend management is an umbrella term that refers to the process of requesting and approving spend, capturing transaction details, making payments, booking, tracking and analyzing business expenditures. "BSM software helps organizations provide a broad view of a company's spending in real time to make accurate, informed decisions with greater visibility," the market research firm points out.

Some of the key market drivers right now include the demand for applications that incorporate artificial intelligence (AI), cloud, machine learning and the Internet of Things (IoT). For example, some BSM applications are using machine learning and AI to standardize, classify and augment spend across enterprise resource planning (ERP) systems, which can effectively eliminate the need for manual classification labor. Others are using digital platforms to develop flexible procurement procedures, including those that give users more visibility over expenditures and supplier monitoring.

"By managing the business spend, automation has clearly emerged as a crucial enabler for enhancing productivity and achieving critical business goals while lowering effort and expenses associated with manual and repetitive procedures," *Fortune Business* Insights points out. "As a result, the most accessible parts of automation, such as AI, cloud, and robotic process automation (RPA) analytics tools, have led the adoption push."

Cloud is Big Business

Looking ahead, the BSM software market is clearly poised for growth, driven by increasing demand for automation, enhanced visibility and improved decision-making capabilities.

Fortune Business Insights says cloud-based BSM software deployment is expected to "surge" over the next nine years. On-premise deployments are anticipated to showcase steady growth in the coming years due to the increasing adoption of cloud technology by small and medium-sized enterprises, it adds.

Geographically, North America holds the largest market share for BSM thanks to major market players like Coupa Software Inc., Ivalua Inc., Zycus, Jaggear, Xeeva and GEP. "Key market players in the region are focusing on partnerships, collaborations, mergers, and acquisitions," the research firm adds, "which are expected to fuel the business demand for spend management solutions and services across North America in the coming years."

BACK TO TABLE OF CONTENTS

SUPPLY CHAIN connect

By SUPPLY CHAIN CONNECT STAFF

CEOs are Worried About their Global Supply Chains

A new report from The Conference Board says more corporate leaders are strengthening their supply chains in response to geopolitical and geo-economic tumult.

The CEO's role has always been a demanding one that requires the right mix of leadership, vision and resilience. The job has become increasingly difficult in this rapidly evolving and unpredictable business landscape, where economic downturns, supply chain disruptions, labor shortages and geopolitical instability have become the "new normal."

A new report from The Conference Board reveals a C-suite that has a lot on its mind right now, and that's on alert for emerging disruptions as they surface. In *C-Suite Outlook 2025: Seizing the Future,* the group reveals how businesses are preparing for ongoing economic and geopolitical challenges and anticipating a potentially tough operating environment this year.

Tariffs are Coming Into Focus

In "CEOs are bracing for Trump tariff disruption: Survey," The Hill's Tobias Burns dissects The Conference Board survey and also discusses the moves companies are taking to prepare for any tariff-related supply chain impacts.

"Many economists have been cautioning that [President Trump's] tariff proposals, which have included a 10 percent to 20 percent general tariff and a 100 percent tariff on Chinese imports in particular, could lead to a rise in prices, which were a top concern for voters in the 2024 election following the post-pandemic inflation," Burns writes.

Imports have been surging at U.S. ports ahead of the expected tariffs, Burns reports. For example, the Port of Los Angeles received close to a million 20-ft. containers in October, a 25% jump over the prior month.

Geopolitical and Geo-Economic Challenges

The Conference Board has been conducting its annual survey of C-suite executives and board members since 1999. This year's findings are based on input provided by more than 1,722 C-suite executives and board members (including 508 CEOs). Respondents ranked intensified trade wars as the top geopolitical risk to their companies, with tensions between the U.S., EU and China expected to have the greatest geopolitical impact.

"Amid geopolitical and geo-economic tumult, more CEOs are strengthening their supply chains," The Conference Board said in a press release. "Among US CEOs, 71% plan to alter their supply chains over the next three to five years—an increase from 54% in the 2024 survey."

Here are some of the other key report findings:

- **Global trade wars and tensions are top geopolitical challenges in 2025.** Amid talk of tougher trade policy, CEOs worldwide named U.S.-EU-China tensions among the high-impact issues facing their business in 2025. That ranges from 34% of U.S. CEOs to nearly 50% in Asia and Europe.
- **Supply chains are pivoting.** The Conference Board says CEOs across most regions are using digital technology and artificial intelligence (AI) to improve performance tracking as a primary goal. It adds that U.S. CEOs pinpointed vendor diversification as their top change. "Among the roughly 80% of CEOs looking to alter supply chains, most are doing so to lower costs and risk of supply chain disruptions," the organization says.
- **Risks vary by region.** Among economy-related geopolitical risks, CEOs cited higher energy prices (35%) as their top risk. That includes 47% of CEOs in Japan and Europe, and 36% of Europe's CEOs also fearing energy supply risks.
- **Recession tops the economic worry list.** Globally, 46% of CEOs identified a downturn/recession as a high-impact issue for 2025. That's down modestly from 53% in last year's survey. Recession is the top concern for all regions excluding Japan: The top concern for CEOs in that country is labor shortages (66%).
- **Environmental, social and governance (ESG) remains top of mind.** Among CEOs globally, 34% cite climate events as the top ESG factor impacting business. That's second only to sustainability, cited by 39%. When it comes to environmental priorities, global CEOs are focused on renewable energy; U.S. CEOs are most focused on climate resilience/adaptation; Europe's and Japan's CEOs are most focused on carbon neutrality; and CEOs in other areas of Asia are most focused on renewable energy.

BACK TO TABLE OF CONTENTS