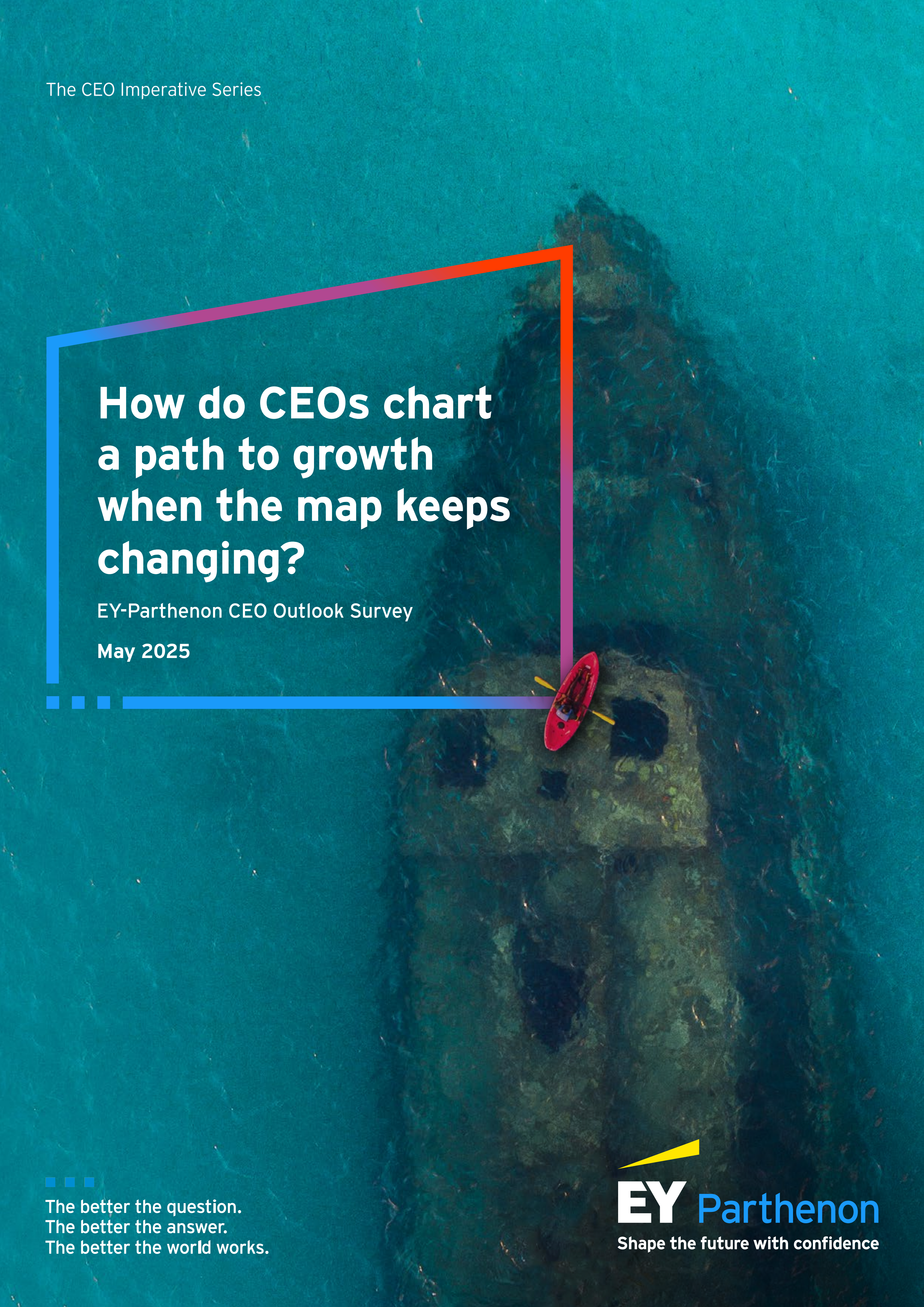

The CEO Imperative Series

How do CEOs chart a path to growth when the map keeps changing?

EY-Parthenon CEO Outlook Survey

May 2025

The better the question.
The better the answer.
The better the world works.

Shape the future with confidence

Executive Summary

As cautious CEOs navigate trade wars and tariffs, strategic leaders can use M&A as a long-term value driver.

CEOs today face a new kind of volatility, with shifting trade and tariff policies making strategic leadership critical. Will this turbulence rival the 2008 global financial crisis (GFC) or the 2020 COVID-19 pandemic? Time will tell, but as global trade realigns, leading CEOs are acting decisively, turning uncertainty into opportunity.

Bold CEOs reassess operations, make tough calls, and free up capital for future growth. Inaction isn't an option. Those who move early to reshape their portfolios could gain a lasting edge.

In brief

- Tariffs and trade take center stage as CEOs move quickly to navigate complexity amid global uncertainty.
- CEOs' appetite to do deals remains strong but shifting trade dynamics are prompting more cautious timing.

Our latest EY-Parthenon CEO Outlook Survey, conducted in March and April 2025, brings into focus urgent strategic questions at the top of the boardroom agenda:

98% of CEOs globally are concerned about potential tariff impacts.

Do we have the rapid and agile assessments needed to understand changing tariff impact to action immediate mitigation?

42% of CEOs are exploring innovations in product design to reduce reliance on tariffed materials.

Are we developing and refining our product- and portfolio-driven mitigations to build strategic optionality?

42% of CEOs are looking at cost management strategies to mitigate the impact of increased tariffs.

Have we determined short-term opportunities to mitigate cost increases?

57% of CEOs are maintaining a high M&A appetite, driven by a transformation imperative.

First movers in previous crises have reaped significant rewards – so how can we ensure we are prepared to make bold strategic and potentially game-changing moves in the deal market?

44% of business leaders are already examining alternative domestic sourcing and supply chain options.

Do we have effective supply chain and tax scenario-planning strategies in place, including assessments of alternative sourcing options?

39% of companies have relocated operational assets to another geographic market.

Do we have the right geographic footprint and market expansion strategy to meet customer demands and achieve our growth targets?

This disruption is demanding a rethinking of global relationships – from supply chain strategies to portfolio optimization, cost management to financial resilience. CEOs will need to navigate regional economic shifts with local sensitivity and global awareness. Geopolitical risk management is now a critical pillar of strategic planning, as the world moves toward a more regionalized economy.

CEOs also need to consider how pre-existing pressures, especially around technology; an evolving competitive landscape; a talent squeeze; and shifting customer behaviors are being shaped by the changing global environment.

The most successful CEOs embrace the paradox of uncertainty: planning carefully, acting decisively and shaping their futures with confidence. By balancing agility with discipline, they position their companies to emerge stronger and more resilient.

About the research

On behalf of the global EY organization, FT Longitude, the specialist research and content marketing division of the Financial Times Group, conducted an anonymous online survey of 1,200 CEOs from large companies around the world in March and April 2025. The survey aims to provide valuable insights on the main trends and developments impacting the world's leading companies as well as business leaders' expectations for future growth and long-term value creation. Respondents represented 21 countries (Brazil, Canada, Mexico, the United States, Belgium, Luxembourg, the Netherlands, France, Germany, Italy, Denmark, Finland, Norway, Sweden, the United Kingdom, Australia, China, India, Japan, Singapore and South Korea) and five industries (consumer and health; financial services; industrials and energy; infrastructure; technology, media and telecoms). Surveyed companies' annual global revenues were as follows: less than US$500m (20%), US$500m–US$999.9m (20%), US$1b–US$4.9b (30%) and greater than US$5b (30%).

For a conversation about your growth strategy, please contact us:

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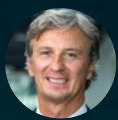

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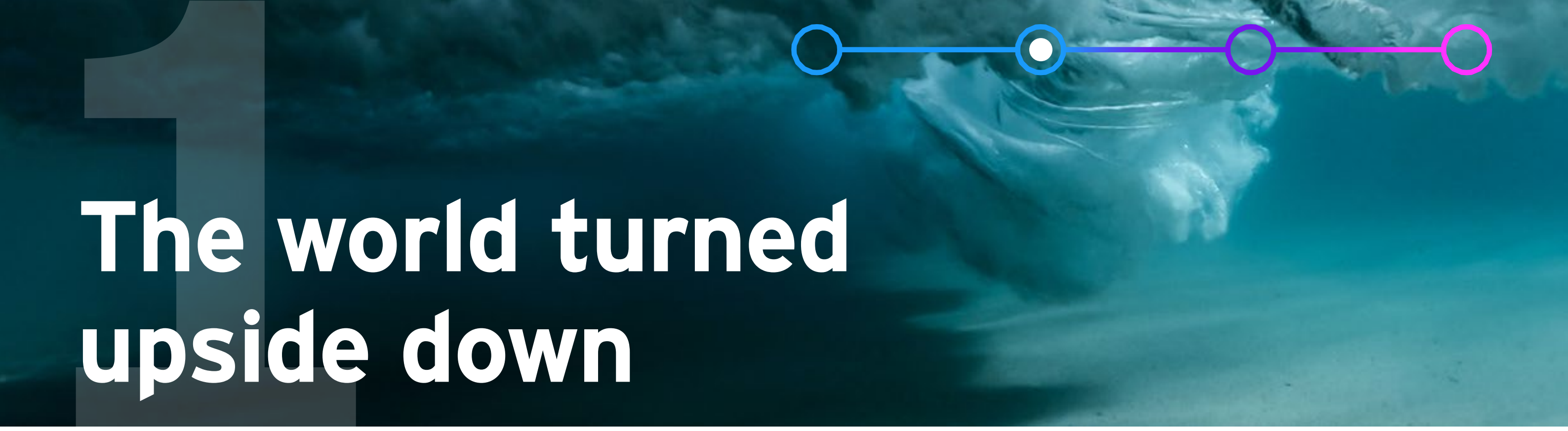


The world turned upside down

Executives must navigate economic volatility and trade conflicts using strategic leadership and flexible scenario planning as traditional markers become more difficult to interpret.

CEOs now find themselves in an environment where the path forward is difficult to discern. Economic predictions face unprecedented complexity amid escalating trade conflicts. Supply chains built over decades may unravel with alarming speed.

Macroeconomic indicators will become increasingly difficult to interpret accurately. The global economy was not showing signs of strength even before the recent rise in uncertainty. Most forecasts had been revised down since the start of the year. They are likely to be downgraded further.

In a landscape this fluid, clinging to single-point forecasts misses the mark. Business leaders need to embrace a mindset shift: it's multiple scenarios, not singular predictions. Probability distributions offer a more realistic lens to capture the wide bands of uncertainty. This convergence of structural, political and economic forces is challenging the very foundation of traditional forecasting.

CEOs will also have to cultivate an agile mindset to enhance their financial resilience. While credit lines remain open there has been a tightening of financial markets over the past few months. Similarly, an economic slowdown will stress their ability to generate their own capital for critical investments. To remain as resilient as possible, CEOs need to view cost consciousness not as a sign of failure, but as a fundamental aspect of their strategic focus. In doing so, companies can better position themselves to navigate the complexities of today's market while continuously adapting to meet future challenges through investing in the capabilities and assets required to accelerate success.

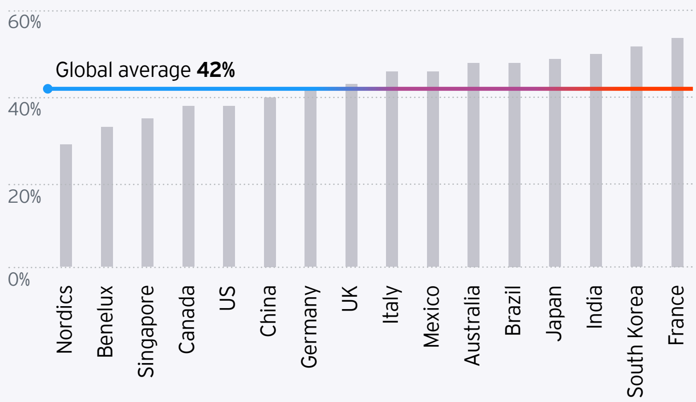
CEOs clearly recognize this profound uncertainty. A plurality of respondents across the vast majority of countries say that the interconnected issues of geopolitical, macroeconomic and trade uncertainty are the primary risks to achieving their growth forecasts. The more exposed they are to international trade, the more likely this is to be cited as the key concern.

Q **What is the primary risk to your business achieving its growth targets in the next 12 months?**

The respondents were asked to select one option only.

	Global	Americas	Asia-Pacific	Europe
Geopolitical, macroeconomic and trade uncertainty	42%	40%	46%	42%
Technology and cybersecurity threats	24%	22%	24%	27%
Labor market challenges and access to talent	17%	20%	14%	13%
Climate impacts and environmental regulatory changes	17%	18%	16%	18%

Respondents citing geopolitical, macroeconomic and trade uncertainty as the primary risk to achieving their growth.



While emerging trade and tariff tensions have disrupted the global landscape, existing challenges, particularly technology adoption and cybersecurity threats, remain. And though labor markets have loosened from the COVID-19 pandemic's tight grip, concerns persist about hiring talent for specialized roles, especially in artificial intelligence (AI) and tech.

These tensions are also having an impact on CEO investment decisions.

Q **As a result of geopolitics and trade policy developments, have you made any alterations to your strategic investment plans?**

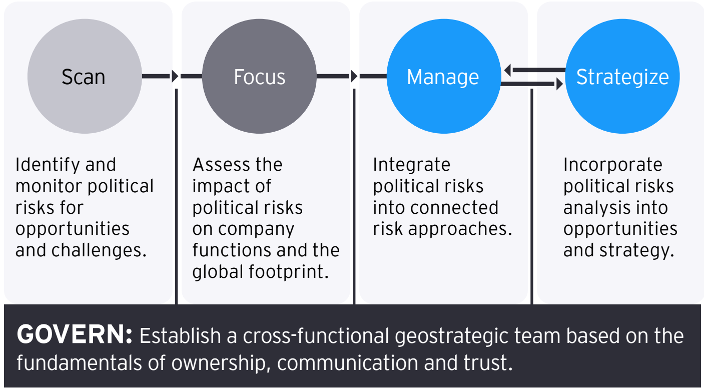
The respondents were asked to select multiple responses.

	Global	Americas	Asia-Pacific	Europe
Stopped a planned investment	22%	20%	22%	25%
Delayed a planned investment	54%	56%	54%	53%
Relocated operational assets to another geographic market	39%	43%	35%	39%
Shifted sourcing or suppliers to a different geographic market	9%	8%	12%	8%
Exited a geographic market	21%	19%	24%	20%
No – we have not altered any of our strategic investment plans because of geopolitical or trade policy developments	15%	13%	15%	17%

CEOs were already acting to mitigate geopolitical risks prior to recent tariff tensions. The majority (85%) had made alterations to their strategic investment plans over the past 12 months, and over half of those have delayed a planned investment. Nearly 4 in 10 (39%) have relocated operational assets to another geographic market, which is likely to increase in the future the potential implications of new tariff arrangements are better understood.

Integrating geostrategy into boardroom decisions is critical. CEOs who implement a geostrategy that addresses all the developments of relevance for their company are likely to be better positioned to build a robust strategy that will help navigate an increasingly volatile environment. EY-Parthenon have developed a framework to help CEOs navigate geopolitical challenges and establish their own geostrategy.

EY geostrategy framework for strategic political risk management



The new tariff issue for CEOs is accelerating economic and geopolitical agendas. Half of CEOs (50%) are very or extremely concerned about potential tariff increases affecting their company's operations and sales in the next 12 months, with only 2% saying they are not concerned

Q **To what extent are you concerned about potential tariff increases affecting your company's operations and sales in the next 12 months?**

The respondents were asked to select one option only.

	Global	Americas	Asia-Pacific	Europe
Extremely concerned	12%	15%	8%	13%
Very concerned	38%	41%	39%	35%
Moderately concerned	35%	31%	36%	38%
Slightly concerned	13%	11%	16%	13%
Not concerned	2%	2%	1%	1%

While the US tariffs announced on April 2 have been put on hold for 90 days, universal 10% tariffs, along with significantly higher tariffs on China and sector-specific tariffs, remain in place. CEOs are considering what steps they can take to mitigate their impact.

Top 5 actions to mitigate the potential impact of increased tariffs on company's operations and sales in the next 12 months:

1. **Exploring domestic sourcing** alternatives and rebuilding supply networks locally
2. **Accelerating innovation** in product design and materials to reduce reliance on tariffed materials
3. **Absorbing the additional costs** internally through operational efficiencies and cost reductions
4. **Diversifying our supply chain** by shifting production or sourcing to non-tariffed regions
5. **Passing the increased costs on** to customers through strategic price adjustments

71%

of CEOs say inflation continues to be a challenge for their business.

It is clear that CEOs and their executive teams will be using a wide range of options to retain competitive position. The already tightening economic conditions have made passing the increased costs on to customers through strategic price adjustments the least-selected option.

Even without the added pricing pressures of extraordinary tariff levels, CEOs were already concerned about the pressures of inflation on their businesses. More than 7 in 10 agree that inflation continues to be a challenge and will be an issue they need to navigate for the next year.

But there are actions CEOs and their leadership team can take now to get ahead of any reimposition of tariffs:

1 Establish and map current state:

- Analyze current state supply chain, and overlay with trade parameters, e.g., duty rates and free trade agreements to establish a baseline cost model.
- Perform impact assessment and model potential scenarios.
- Assess different duty rates based on country of origin.
- Conduct risk analysis applicable to specific markets.

2 Build your "tariff team":

- Align business units (e.g., customs, tax, legal, and risk) to consider the tariff impact across their area of the business.
- Consider phase 1 outputs against business-specific tariffs to understand how, what, when and where tariff exposure will occur.
- Align on roles and responsibilities in mitigation strategies and support for C-Suite stakeholders in future phases.

3 Customs mitigation and recovery planning:

- Mitigate increased tariffs and trade exposure through customs process assessments (i.e., origin and valuation planning):
  - Can certain elements of the supply chain be moved from impacted markets to confer new origin of finished goods?
  - Can the first sale for export rule be applied?
  - Can there be closer alignment of transfer pricing and customs value?
- Apply deferral and recovery of import duties paid – foreign trade zone and substitution duty drawback where possible.

4 Supply chain and tax planning:

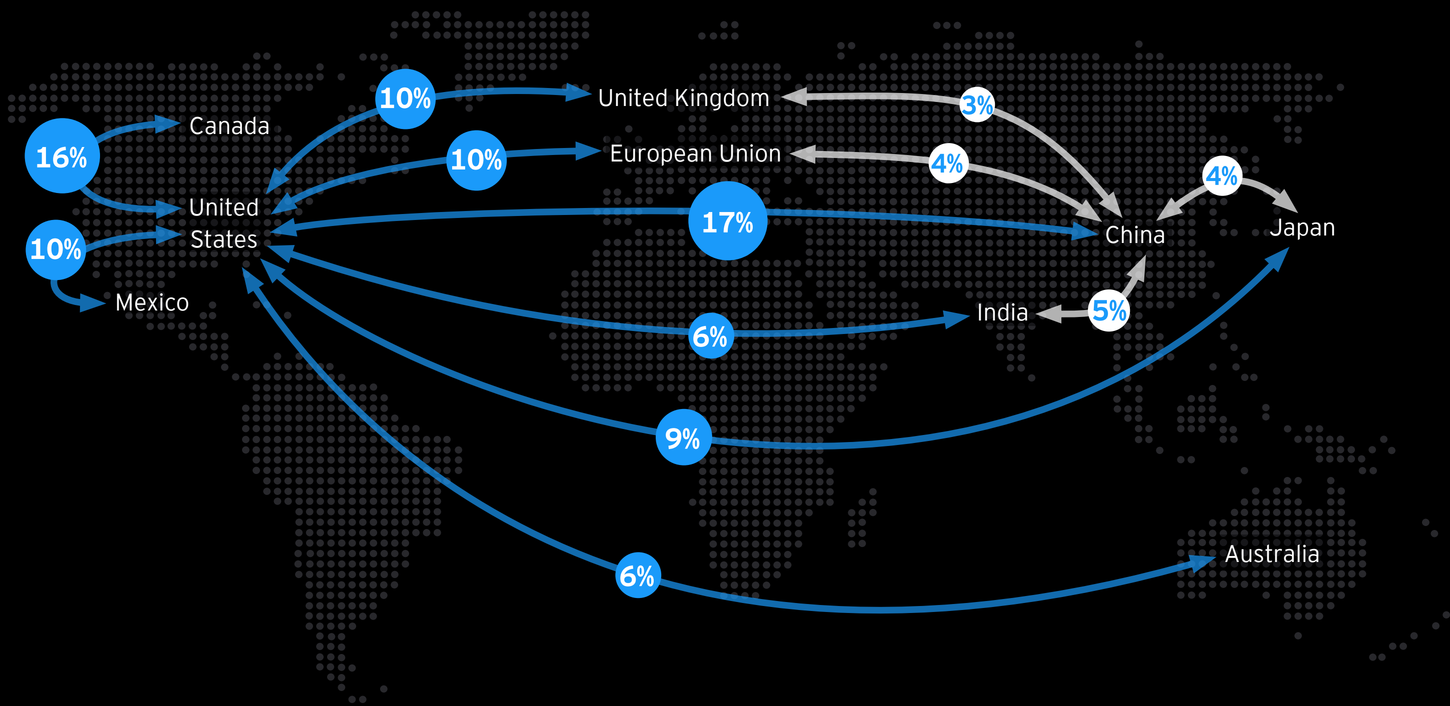
- Work with your tariff team across the organization to consider effective supply chain restructuring and supplier network optimization.
- Consider alternative sourcing scenarios.
- Assess supply chain, logistics and procurement performance, with an overlay from the current state mapping to evaluate and possibly reorganise trade flows.

These actions require CEOs to work across teams and within silos in their company. While tariff and trade issues can be seen simply as a supply chain issue, they are ultimately a strategic concern that will likely shape the global structure and operations of the company for many years to come.

It is not necessarily the most important trading relationship of companies' headquartered locations, or the most local ones, that are of most concern. While 42% of respondents from China are most concerned about the tariff and trade dispute between China and the US, 8% are more concerned with the relationship between the US and Mexico. This underscores the deep interconnection of the global economy and the complexity of navigating a tariff war – particularly as other major economic powers respond to potential US tariffs.

Q **Which current or potential tariff or trade disputes would have the biggest impact on your business?**

The respondents were asked to select one option only.



Rising global trade tensions will also accelerate existing government plans to adopt sovereign industrial policies, with increased strategic state intervention aimed at strengthening industrial security. Successive global crises and increasing geopolitical tensions have exposed vulnerabilities in supply chains, prompting governments across the world to prioritize critical products in key industries.

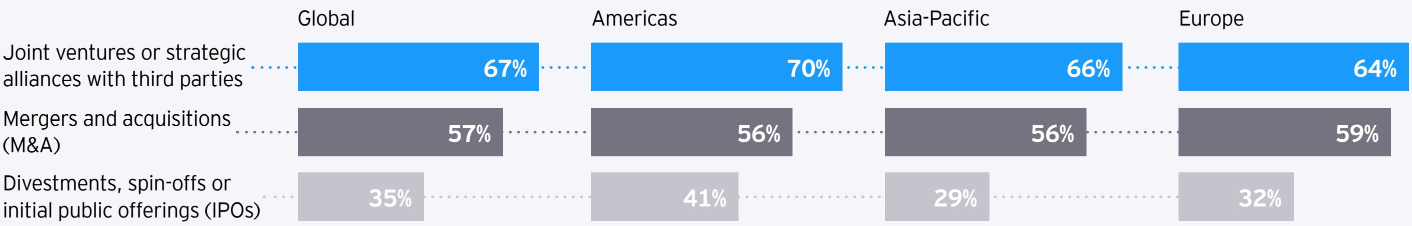
Is M&A a way to deal with a crisis?

Although mergers and acquisitions can be a valuable tool in times of crisis management, strategic investments must be carefully navigated in a volatile M&A market.

Pursuing deals early in crises can unlock unique value creation opportunities for strategically positioned companies. Market dislocations during these periods often lead to significant asset mispricing, where intrinsically valuable companies trade at substantial discounts to their long-term potential. Forward-thinking acquirers with strong balance sheets can capitalize on these temporary valuation compressions.

It is too early to tell what the full impact of the evolving tariff crisis will have on M&A and other corporate investments. While the current intentions of CEOs in the survey with an increase in the appetite to pursue deals, combined with rising dealmaking data through March, point to robust levels of M&A in 2025, there is now some doubt.

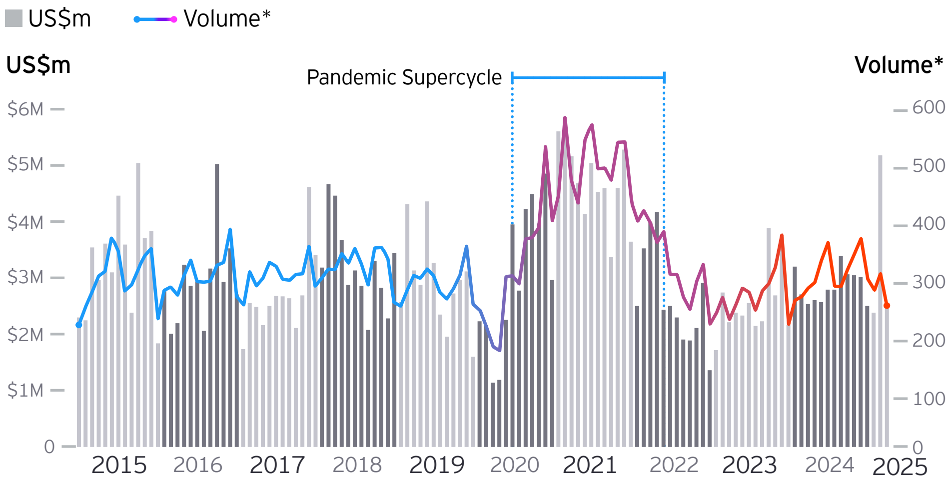
Q **Do you expect to actively pursue any of the following transaction initiatives over the next 12 months?**
The respondents were asked to select multiple responses.



There was US$1t of deals announced in the first quarter of 2025, a jump of 25% against the same period in 2024. Over US$500b of this was announced in March, with the month seeing dealmaking at a level last seen during the post-pandemic M&A supercycle.

The number of deals over US$100m announced also climbed 18% against the same period a year earlier.

Monthly global M&A deal size and volume from January 2015 to April 2025



Source: EY analysis and Dealogic; *Volume based on deals US$100m plus

The deal market was also broad-based, with particular strength in technology and financial services, and big increases in consumer, aerospace and defence, and industrial products.

But mirroring what was seen at the start of the COVID-19 pandemic in March 2020, deal activity has slowed in April to US$250b.

Companies pursuing M&A require precise clarity on macroeconomic factors to accurately value target assets. Economic growth trajectories directly impact future revenue projections and market opportunity sizing, making them fundamental to any valuation model. Without reliable growth forecasts, acquirers risk overpaying for assets whose potential may not materialize.

Tax and tariff policies significantly affect post-acquisition cash flows and integration costs. Shifts in corporate tax rates, international trade policies or sector-specific levies can dramatically alter the financial calculus of a transaction, potentially transforming profitable deals into value-destroying actions.

Capital market conditions establish the baseline for valuation multiples and financing costs. Fluctuations in interest rates, equity premiums, foreign exchange rates, and debt availability influence both acquisition prices and structure. In volatile markets, timing becomes especially critical, as valuation gaps between buyer and seller expectations often widen.

Almost three quarters of CEOs (71%) see potential valuation gaps as being a complexity that could further slow M&A activity in the next year.

Sophisticated acquirers must therefore develop robust economic scenarios to stress-test assumptions and build appropriate risk premiums into their valuation models, ensuring strategic transactions deliver their intended value.

71%

of CEOs say that growing valuation gap will slow M&A recovery.

There will likely be a pause in dealmaking until the situation becomes more certain. But how long this pause lasts, if it is nearer to the two years pause after the GFC or just a few months as with the COVID-19, is yet to be clear.

Historical analysis demonstrates that crisis-period acquisitions often generate superior long-term returns compared to transactions executed during economic expansions. The post-acquisition integration timeline typically aligns advantageously with economic recovery, allowing acquirers to fully leverage new capabilities precisely when markets rebound.

CEOs and companies that maintain strategic discipline while competitors retreat can emerge from financial crises with significantly enhanced competitive positioning and accelerated growth trajectories once economic conditions normalize.

Capturing the value of M&A

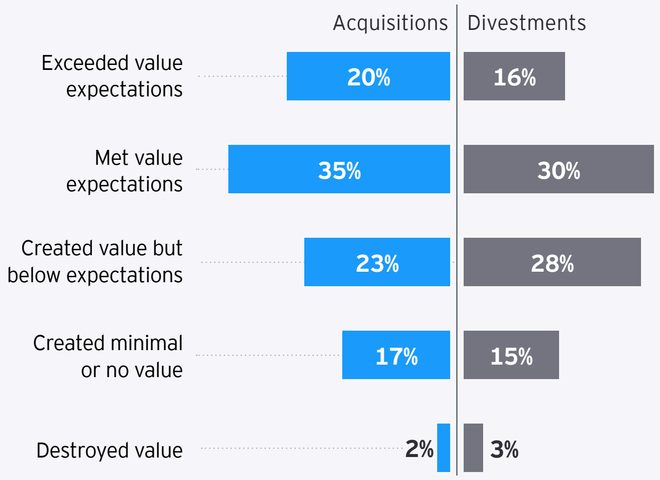
Value creation can be driven by M&A, when the right acquisition strategy, execution and leadership sits at its core.

While it's often cited that many deals fail to deliver shareholder value due to integration hurdles, cultural misalignment or overestimated synergies, this view can oversimplify a more nuanced reality. In fact, with the right strategy, execution and leadership, M&A can be a powerful driver of long-term growth and value creation.

The potential value of M&A is not always fully understood.

Q In the past two years, has your company completed or initiated an acquisition or divestment, and how did the value creation compare to pre-deal expectations?

The respondents were asked to select one option for each statement. This chart excludes responses from CEOs who have neither completed nor initiated an acquisition or divestment in the last two years.



First, short-term performance metrics fail to capture long-term strategic advantages. Second, successful acquirers develop repeatable integration capabilities that improve outcomes over time. Third, defensive acquisitions that prevent competitive disadvantages represent value preservation rather than destruction. Finally, methodological issues in measuring "success" may overlook strategic benefits beyond immediate financial returns.

Value creation typically stems from genuine synergies that enhance competitive advantage – whether through cost efficiencies, complementary capabilities, market access expansion, or innovation acceleration. Deals with clear strategic rationales that extend beyond mere scale tend to outperform pure consolidation plays.

Critical success factors include disciplined target selection with thorough due diligence, rational premium payment that preserves acquisition economics, and meticulous integration planning that begins well before closing. Cultural compatibility proves equally decisive, as organizational friction can rapidly erode theoretical synergies.

The timing dimension cannot be overlooked, as acquisitions executed early in industry transformation cycles or during market downturns often generate superior returns. Ultimately, M&A represents a powerful precision tool – creating substantial value when wielded with strategic clarity and operational excellence yet destroying shareholder wealth when approached with overconfidence or insufficient rigor.

CEOs certainly see the outcome of deals in a different light to accepted studies. More than half of CEOs (55%) believe their recent acquisitions either met or exceeded value expectations. Only 2% believed their purchases were value destroying. On both the buy-side and the sell-side, most deals were seen to create value.

Summary

CEOs are looking to take the steps necessary now to navigate the current tensions and position for a new environment. They realize that this new world will be less stable than the previous one. We may also see CEOs being bolder in their transformation and transaction strategies in the face of these challenges. The response to recent crises shows clearly that acting now, rather than hunkering down to wait until the storm has passed, will create greater chances of creating long-term value for all their stakeholders.

For a conversation about your growth strategy, please contact us:

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