Manufacturing talking points in 2025

Manufacturing predictions for 2025

Harry Goto, Executive Director, Cross-Industry Solutions Business Unit at Fujitsu

1. Manufacturers must change their mindset to succeed with transformation

Manufacturers need to shift their mindset about digital transformation if they want to fully embrace the potential of sustainable and resilient operations. Currently, manufacturers tend to implement sustainable processes simply for the sake of cost competitiveness, which leads to achieving energy costs and mandatory regulatory compliance. Manufacturers must go beyond thinking about ESG as a purely cost-saving or compliance-driven approach and instead embed sustainability into their core business purpose.

Here's how manufacturers will start to approach this in 2025:

- Shifting from tactical to strategic thinking: Manufacturers often focus on short-term gains when implementing technologies like AI, prioritizing immediate cost reductions over long-term strategic benefits. For instance, any organization that simply uses computer vision to replace expert human inspectors to cut costs is missing the opportunity to leverage this powerful AI-based technology for strategic quality improvements and minimizing faulty products. Quality improvements provide more of a boost for corporate value than cost-cutting because they enhance reputation and market share, leading to greater competitiveness rather than simply reducing the direct costs of defects. In 2025, leading manufacturers will show a different mindset, shifting their focus towards a more holistic view of digital transformation that encompasses quality enhancement, risk management and supply chain resilience will be crucial.
- Realigning from technology-first to purpose-first: In manufacturing, as in every other vertical, early adopters tend to get caught up in the allure of new technologies like AI without first defining a clear business purpose. Instead of asking, "How can we use this technology?" manufacturers should prioritize asking, "What are our core business objectives, particularly regarding sustainability and resilience – and how can technology help us achieve those goals?" This issues-driven approach ensures that technology investments align with overall business strategy and deliver meaningful and sustainable outcomes.
- Jumping from siloed thinking to holistic integration: Manufacturers must move away from viewing digital transformation initiatives as isolated projects and instead integrate them into all aspects of their operations. Sustainability should be woven into the fabric of the entire product lifecycle, from sourcing and production to logistics and end-user usage. This requires breaking down silos between departments and fostering collaboration across the organization to ensure that sustainability is embedded in every decision-making process.

By embracing this shift in mindset, manufacturers can position themselves to leverage digital transformation as a powerful tool for achieving their sustainability and resilience goals while simultaneously driving innovation and competitiveness in the evolving manufacturing landscape.

Additionally, in 2025, manufacturers can benefit from AI, particularly AI agents which will contribute to comprehensively optimize manufacturing supply chains across the industry.

2. Tougher regulatory requirements will drive change, worldwide

In the EU, three key changes are impacting manufacturers – the Corporate Sustainability Reporting Directive (CSRD), the EU Corporate Sustainability Due Diligence Directive (CSDDD), often referred to as the Supply Chain Act, and the EU Carbon Border Adjustment Mechanism (CBAM) policy.

From January 1, the **Corporate Sustainability Reporting Directive (CSRD)** scope will be significantly extended to include large non-EU companies with a net turnover of more than EUR 150 million in the EU, provided they have at least one EU subsidiary or branch that meets specific size thresholds.

2025 also marks an important milestone for small and medium-sized enterprises listed on EU-regulated markets. New CSRD requirements are designed to ensure sustainability practices are cascaded throughout the corporate ecosystem while recognizing the resource constraints smaller entities may face.

Also in 2025, EU CSRD reporting will align more closely with international frameworks, including the Global Reporting Initiative (GRI) and Task Force on Climate-related Financial Disclosures (TCFD).

The **EU Corporate Sustainability Due Diligence Directive (CSD), often called the Supply Chain Act**, also comes into full force in 2025. This requires companies operating in the EU to identify, prevent and mitigate adverse human rights and environmental impacts throughout their supply chains.

In addition, the **EU Carbon Border Adjustment Mechanism (CBAM) policy** is set to be fully implemented by 2026. It will introduce a system of tariffs on certain imports based on their carbon emissions.

3. Increased US focus on ESG ahead of regulatory changes

In 2025, expect US manufacturers to pay more attention to ESG-related legislation being implemented across the pond in Europe, with growing recognition that getting ahead of the legislative curve can create a competitive edge.

In the US, two factors are driving behavioral change. The first is the tendency for natural disasters and political upheaval to disrupt supply chains. The second is this "spillover effect" of European regulations. As global companies operating in Europe are now required to comply with European standards, they are likely to apply similar practices across their operations, and this means pushing US subsidiaries to align.

This is driving an increasing number of US manufacturers to proactively invest in sustainability to attract environmentally conscious customers, enhance their brand reputation and tap into new markets. When legislation eventually arrives, these companies will have a market advantage, as they will have already undergone the transformation process.

Even regional-only US manufacturers must grasp the mettle of environmental responsibility. I expect something like the new EU ESG legislation to follow in the US in the next 18-24

months. Although specific timelines for manufacturing operations are unclear, US regulations will eventually catch up to European standards, particularly in states like California, which are already leading the way.

Building resilient supply chains is crucial for manufacturers worldwide to mitigate risks from inevitable disruptions caused by various factors (including natural disasters, political tensions, etc.). The visualization of risks and preparedness is essential.

4. European Manufacturers' Focus on Energy Consumption Optimization

High energy costs are a primary driver for European manufacturers to prioritize energy efficiency. European companies increasingly become interested in this by wanting to understand their energy consumption patterns throughout the entire product lifecycle, from sourcing and logistics to in-factory operations and end-user usage. The longer-term, more strategic opportunity is to optimize energy consumption as part of a wider push to reduce greenhouse gas emissions, and this should be the long-term corporate value-oriented topic for major players.

This drive towards optimization is fueled by the need to reduce costs and meet stringent environmental regulations. By identifying and addressing areas of energy waste, European companies aim to achieve several goals:

- Lowering operational expenses: Reducing energy consumption directly translates to cost savings, making businesses more profitable and competitive.
- Meeting greenhouse gas (GHG) reduction targets: Optimizing energy use lowers GHG emissions, helps companies comply with environmental regulations and contributes to sustainability goals.
- Improving brand image and market positioning: Demonstrating a commitment to energy efficiency and environmental responsibility can enhance brand reputation and appeal to environmentally conscious consumers.

In 2025, I expect to see further investment by European manufacturers in solutions that provide greater visibility into their energy consumption patterns. This will enable them to identify areas for improvement and implement more effective strategies for reduction.

Harry Goto
Executive Director, Cross-Industry Solutions Business Unit at Fujitsu

After graduating from the University of Tokyo in 1988 in the area of BE Electronics, Harry Goto started his career at Toshiba. He worked for Mobile Phone Communication Division at Toshiba Information Systems UK for 5 years as Technical Director. Bringing in his experience in Mobile Phone business, he joined Fujitsu in 2010 in a similar position as Technical Director for Global Mobile Phone global business.

For almost 6 years Mr. Goto was Vice President IoT System, providing wearable device based IoT solutions, before taking on a role as Deputy Head of COLMINA (manufacturing solution) Business Unit at Fujitsu. In 2023, Mr. Goto then took on his current position as Executive Director of Cross-Industry Solutions Business Unit and Head of Sustainable Manufacturing in the Americas. Mr. Goto is passionate to lead the manufacturing solution business in Japan, Europe, Americas and Asia based on his global business experience.

