



TXM LEAN SOLUTIONS GLOBAL MANUFACTURING SNAPSHOT

TRENDS, CHALLENGES, AND
OPPORTUNITIES SHAPING THE
FUTURE OF MANUFACTURING
IN 2025

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EXECUTIVE SUMMARY

Over the past year, manufacturers around the world have faced a difficult operating environment. The majority reported soft sales demand, while virtually all experienced significant, widespread increases in costs—particularly for labour and raw materials.

These challenging conditions were felt globally, though the impact varied slightly by region. Australian manufacturers fared somewhat better than their international counterparts in terms of current performance, yet reported lower levels of optimism about the future. In response to these pressures, many manufacturers are shifting their focus toward cost reduction and improving profit margins as key priorities for the year ahead.

Lean manufacturing remains the leading productivity improvement strategy, chosen by 60% of manufacturers. This far outpaces the adoption of new technologies or other operational strategies, reinforcing Lean's reputation as a practical and effective approach to performance improvement.

While manufacturers are continuing to invest in technology to boost efficiency, the results have been mixed. A large majority—80%—are investing in new software systems, and 60% are adopting robotics and automation. However, only 15% identified artificial intelligence as a current focus area, indicating that AI adoption in manufacturing is still in its early stages.

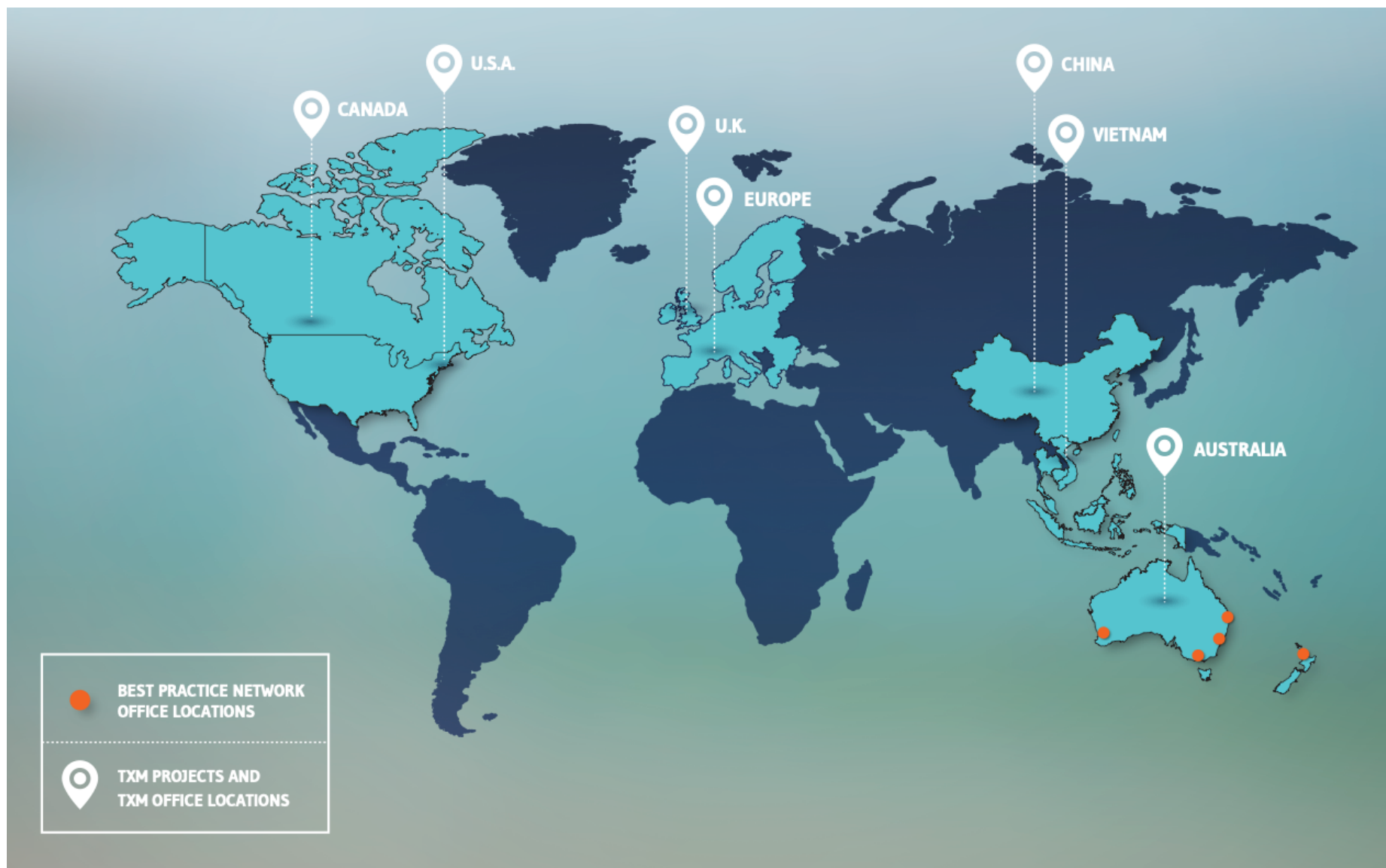
Despite significant investment, many manufacturers are not seeing the returns they had hoped for. Half of the companies implementing automation reported that these projects did not meet expectations, and 60% expressed similar disappointment with their software investments.

Since the onset of the pandemic, supply chain strategies have undergone major shifts. Around 70% of manufacturers have made changes to their supply chains, with approximately half choosing to bring production either in-house or closer to home by sourcing from domestic suppliers.

Even in the face of ongoing challenges, manufacturers remain resilient and forward-looking. Seventy percent plan to expand their businesses in the next 12 months, with most targeting new market entry or the launch of new products as key growth strategies.



BACKGROUND



Established in 2004, TXM Lean Solutions is a leading global operational excellence consultancy with a strong presence across Australia, New Zealand, Southeast Asia, China, the USA, Canada, the UK, and Europe. With a specialised focus on manufacturing and supply chain performance, TXM delivers practical solutions that drive measurable improvements.

Our success is built on a deep understanding of industry dynamics, enabling us to deliver fast, effective outcomes while making efficient use of client time. Known for generating outstanding and sustainable returns on investment, we are trusted by businesses worldwide to deliver long-term operational results.

“Our purpose is to save manufacturing in the developed world, one factory at a time”.



KEY FINDINGS

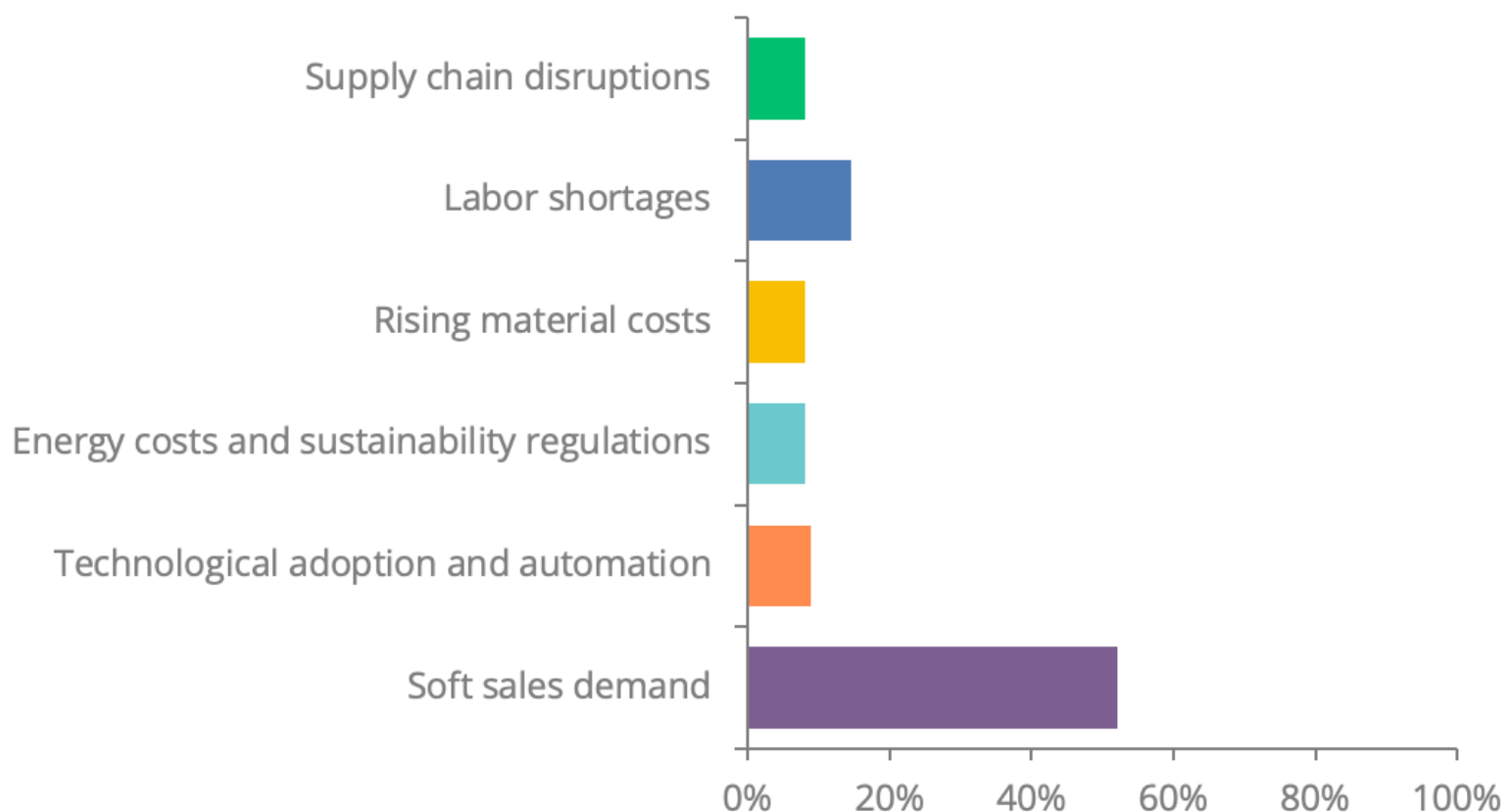
BUSINESSES ARE FACING THE DOUBLE CHALLENGE OF RISING COSTS AND SOFTER DEMAND

More than half of manufacturers identified soft sales demand as the most pressing challenge currently impacting their businesses. This reflects broader concerns around market conditions and customer demand. In terms of performance, 75% of businesses reported operating at the same level or worse compared to the previous year, suggesting limited growth across the sector.

Workforce issues remain a significant hurdle, with 60% of companies struggling to find skilled employees. Additionally, half of the manufacturers surveyed have increased wages in an effort to attract and retain staff. Cost pressures are also mounting, with the majority of manufacturers experiencing notable increases in material prices, energy, transportation, equipment maintenance, and other operational expenses.

When it comes to international trade, 50% of manufacturers expect no impact from US tariffs, and 75% are not planning any specific actions in response, indicating a relatively neutral confidence in domestic market insulation.

What is the biggest challenge your manufacturing company is currently facing?



AUSTRALIAN BUSINESSES ARE EXPERIENCING MORE FAVOURABLE CONDITIONS

Just under 50% of Australian manufacturers reported experiencing softer sales demand, a figure notably lower than the 60% reported in other countries. This suggests that while demand challenges are present in Australia, they may be less severe than those faced by international counterparts.

Two-thirds of Australian manufacturers are struggling to recruit staff, significantly more than the less than 50% of manufacturers facing similar issues elsewhere. This highlights a pronounced skills shortage in the Australian manufacturing sector.

Meanwhile, UK manufacturers expressed the highest level of concern regarding US tariffs, with 70% reporting adverse impacts. Despite this, they were the least likely to be planning countermeasures, with only 19% indicating they would take action in response.



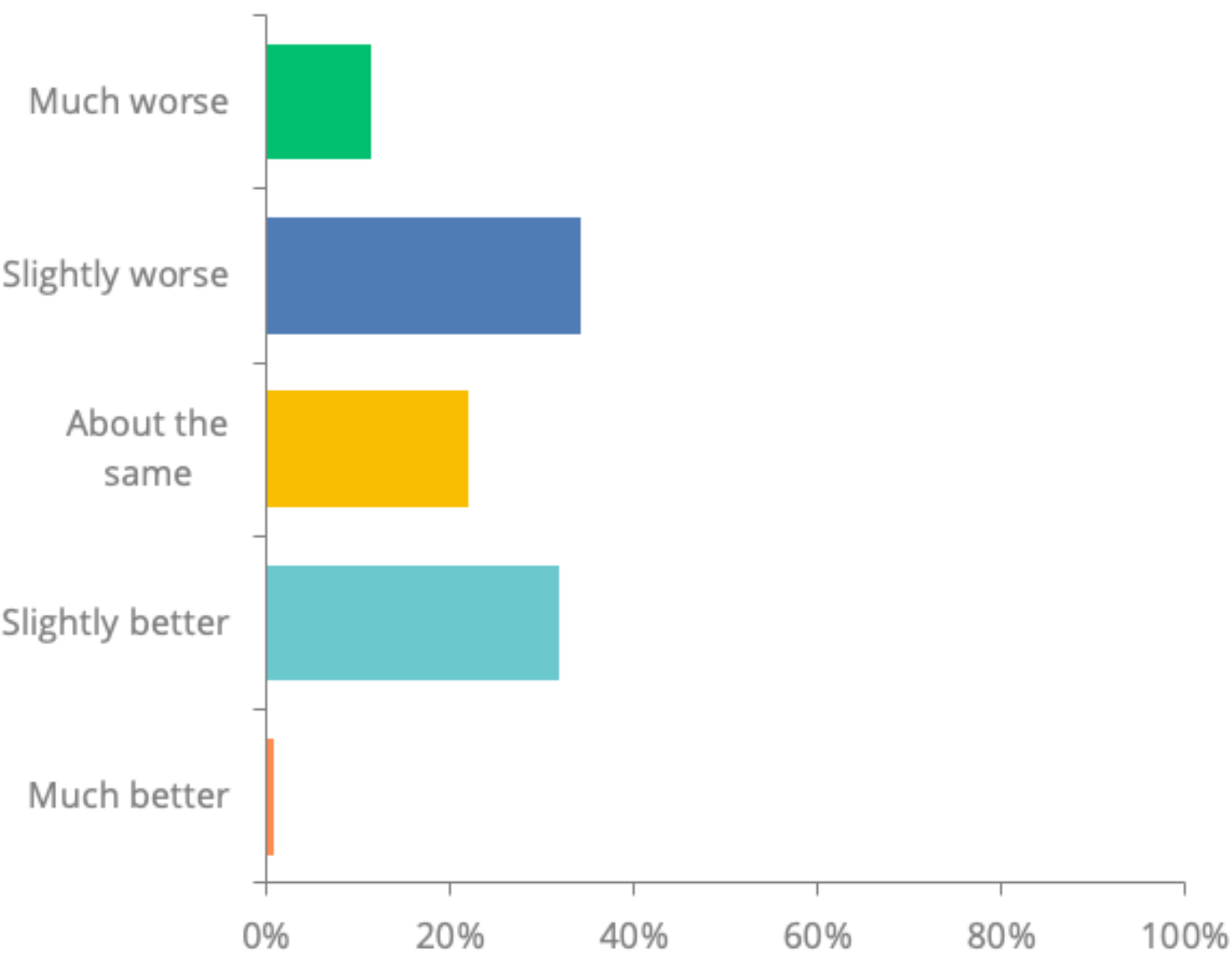
MANUFACTURERS ARE UNSURE OF THE ECONOMIC OUTLOOK

Roughly equal proportions of manufacturers surveyed expected business conditions to either improve or deteriorate over the coming year, reflecting a broadly divided outlook across the sector. Meanwhile, 25% of respondents anticipated that conditions would remain unchanged.

However, the data revealed significant regional differences in sentiment. In Australia, half of the manufacturers surveyed expected conditions to worsen, pointing to growing concerns about economic or operational challenges.

In contrast, 50% of UK manufacturers were more optimistic, predicting an improvement in business conditions, which may reflect stronger local market confidence or recovery expectations.

Compared to 2024, How do you expect business conditions to be in 2025?

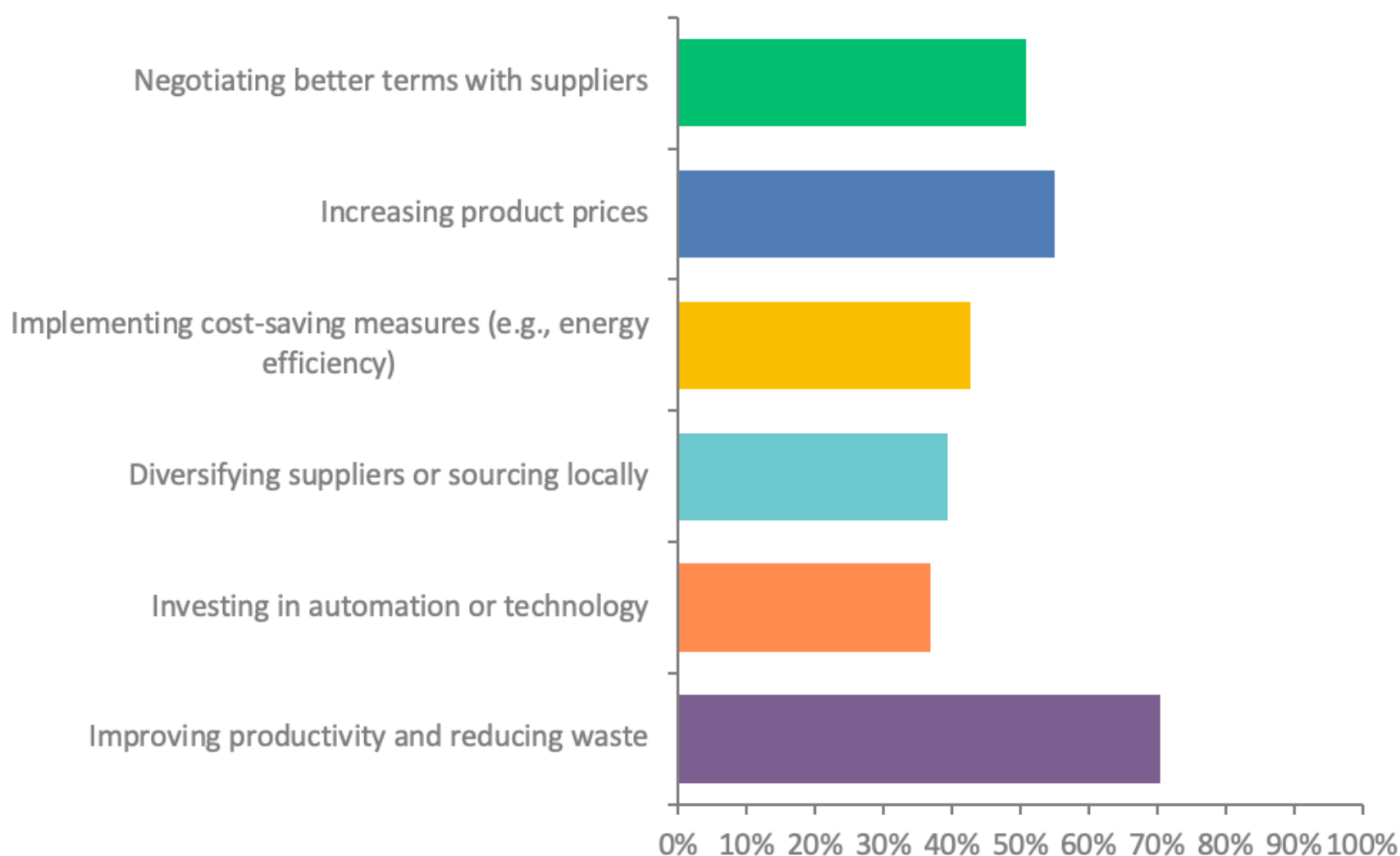


IMPROVING PRODUCTIVITY IS THE BEST WAY TO RESPOND TO RISING COSTS

Over 30% of manufacturers identified cost reduction and margin improvement as their top priority for 2025, highlighting the financial pressures facing the sector. In response to rising costs, 70% of manufacturers indicated they were focusing on increasing productivity as a key strategy to maintain competitiveness and protect margins.

Around half of the respondents reported plans to renegotiate prices with both customers and suppliers, suggesting a broader effort to manage external cost pressures. Interestingly, only 36% were intending to invest in automation and new technology as a means to reduce costs, indicating that while innovation is on the radar, many businesses may still be cautious about capital investment.

What steps is your company taking to address rising costs? (Select all that apply)

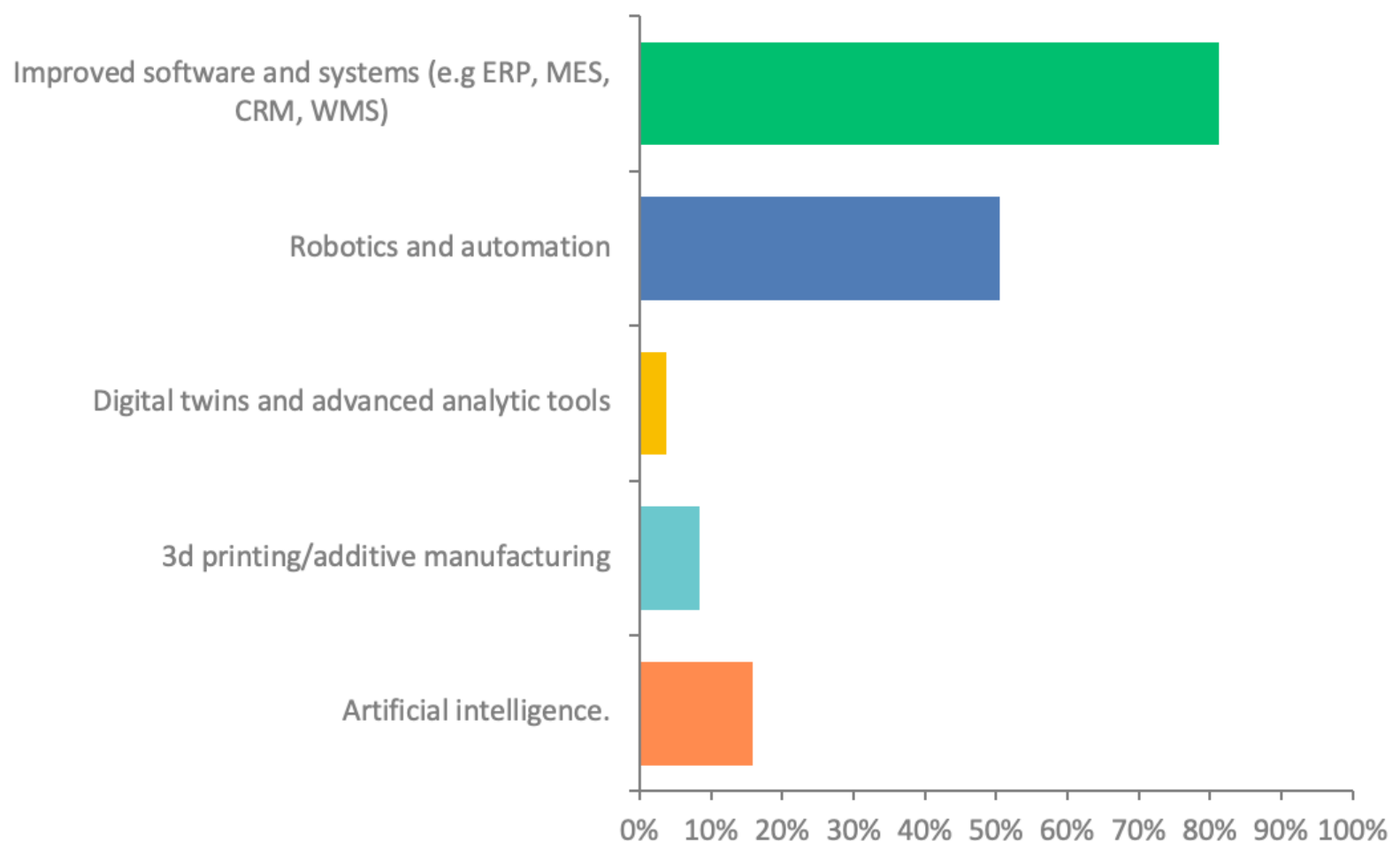


IMPROVED SOFTWARE IS THE NUMBER ONE FOCUS OF TECHNOLOGY INVESTMENT FOR MANUFACTURERS

Improved software has emerged as the number one focus of technology investment for manufacturers. This reflects a growing recognition of the role digital tools play in streamlining operations, enhancing productivity, and enabling better decision-making across the business. Whether it's for supply chain management, production planning, or data analytics, manufacturers are looking to software upgrades as a key enabler of efficiency and competitiveness.

Eighty percent of manufacturers reported investing in improved software, making it the most common area of technology investment across the sector. In comparison, only 50% were investing in robotics and process automation, indicating a more selective approach to physical automation. Investment in artificial intelligence was even more limited, with just 15% of manufacturers pursuing AI solutions. These figures suggest that while digital transformation is a clear priority, most manufacturers are focusing on practical, incremental improvements rather than more advanced or experimental technologies.

What technologies are you investing in to improve efficiency and competitiveness? (Select all that apply)

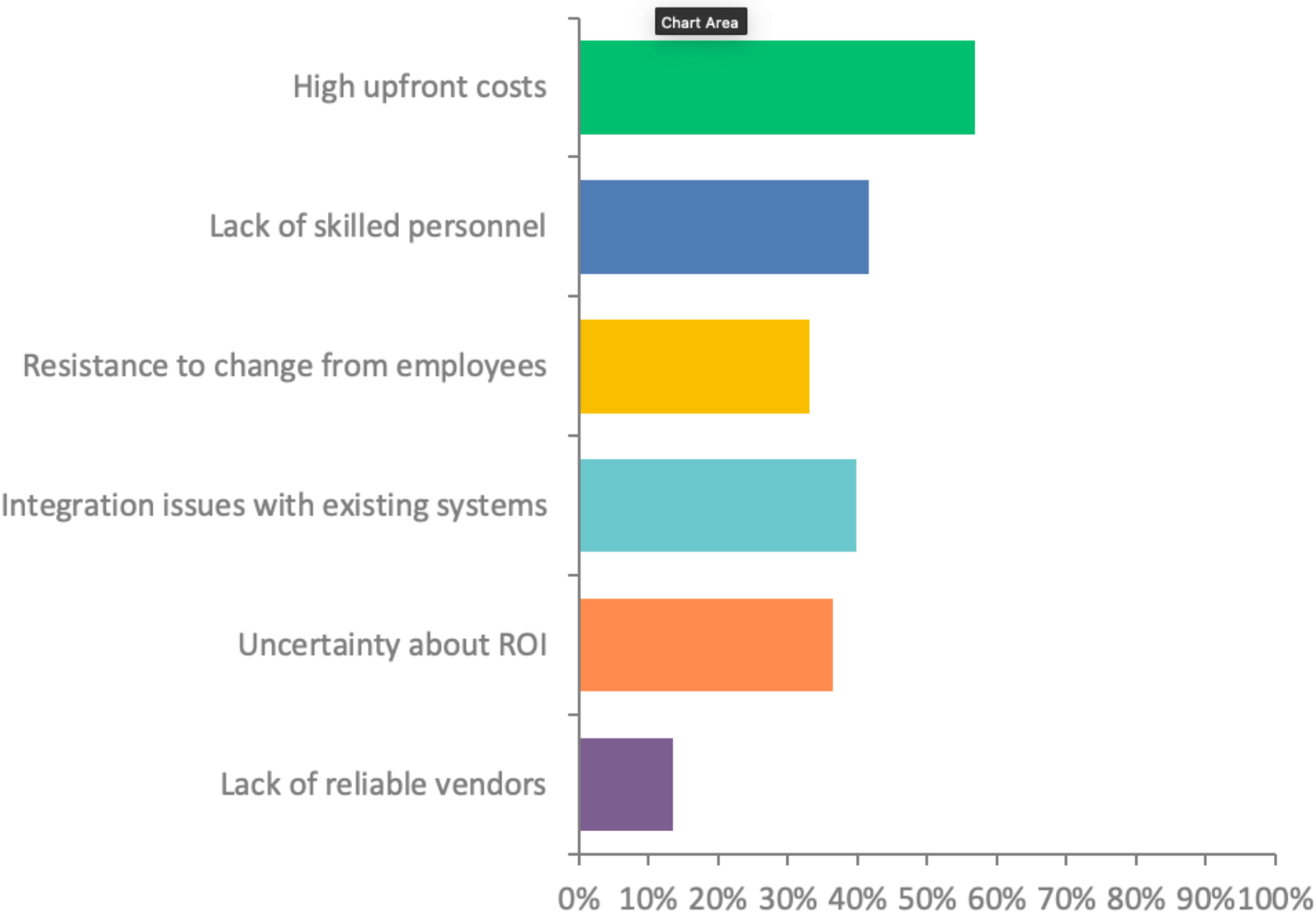


HIGH COSTS TOP THE LIST OF BARRIERS TO TECHNOLOGY ADOPTION WITH PEOPLE CHALLENGES, UNCERTAINTY INTEGRATING NEW SYSTEMS AND ACHIEVING ROI CLOSE BEHIND

High up-front costs were identified by 55% of manufacturers as a key barrier to adopting new technology. However, financial concerns were not the only obstacle. A lack of skilled employees and resistance to change from existing staff also emerged as major challenges, underscoring the human factors that can slow digital transformation.

Around 40% of companies reported difficulties in integrating new technology with their existing systems, highlighting the complexity of aligning modern tools with legacy infrastructure. Additionally, 35% expressed uncertainty about the return on investment from technology upgrades—an understandable hesitation given the mixed outcomes reported by some manufacturers.

What challenges have you faced in adopting new technologies? (Select all that apply)

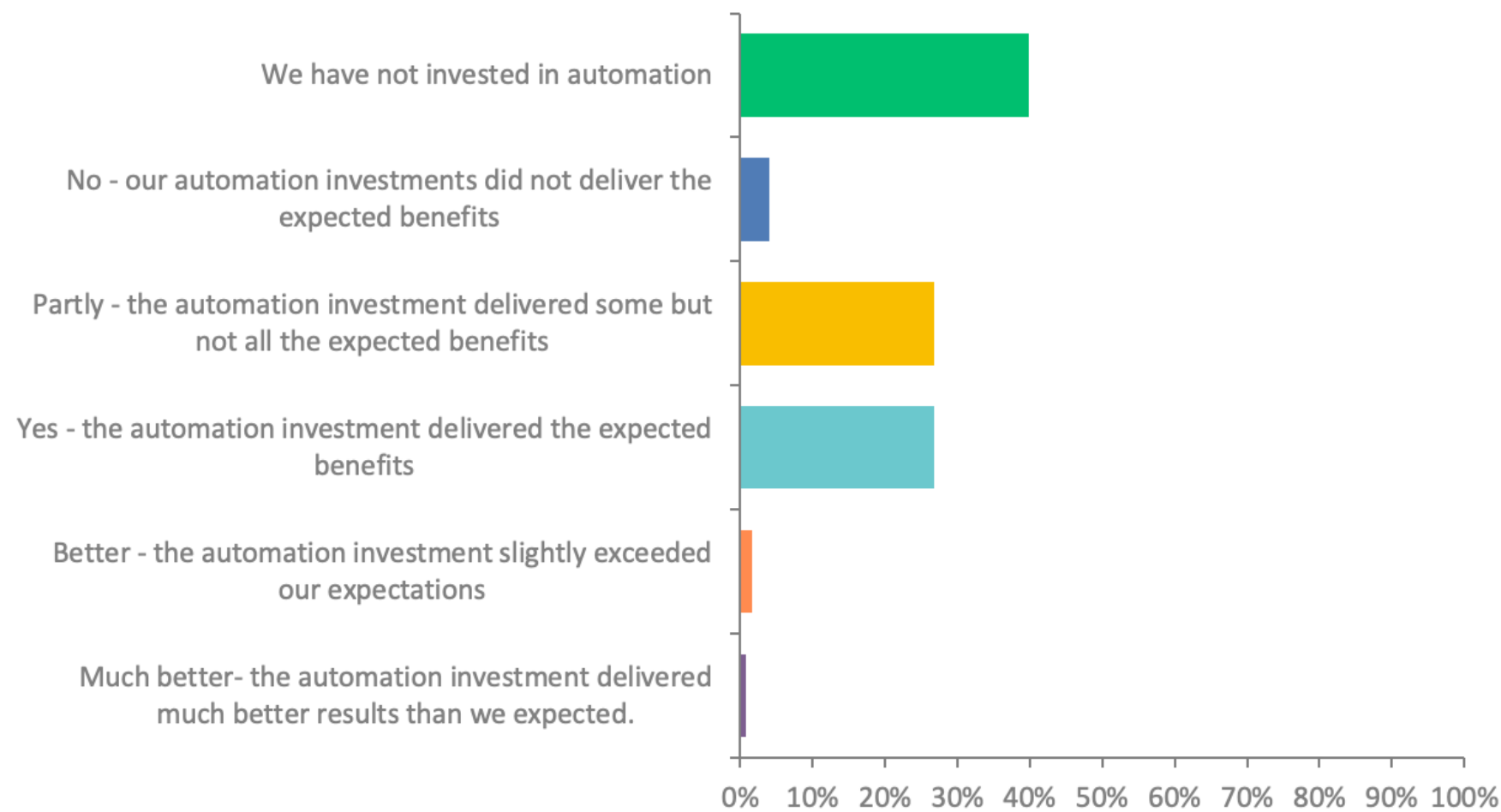


TECHNOLOGY INVESTMENTS FAILED TO DELIVER ALL THE EXPECTED BENEFITS

While many manufacturers pursued upgrades in software, automation, and other digital tools, the outcomes often fell short of initial expectations. This reinforces the importance of setting realistic goals, thoroughly evaluating solutions, and ensuring that implementation is supported by the right skills, processes, and change management strategies. Without these foundations, even well-intentioned investments are unlikely to achieve their full potential.

Sixty percent of manufacturers who invested in software and 50% of those who invested in automation reported that the new technology either only partly met their expectations or failed to meet them altogether. Alarmingly, less than 10% of companies said the technology exceeded expectations.

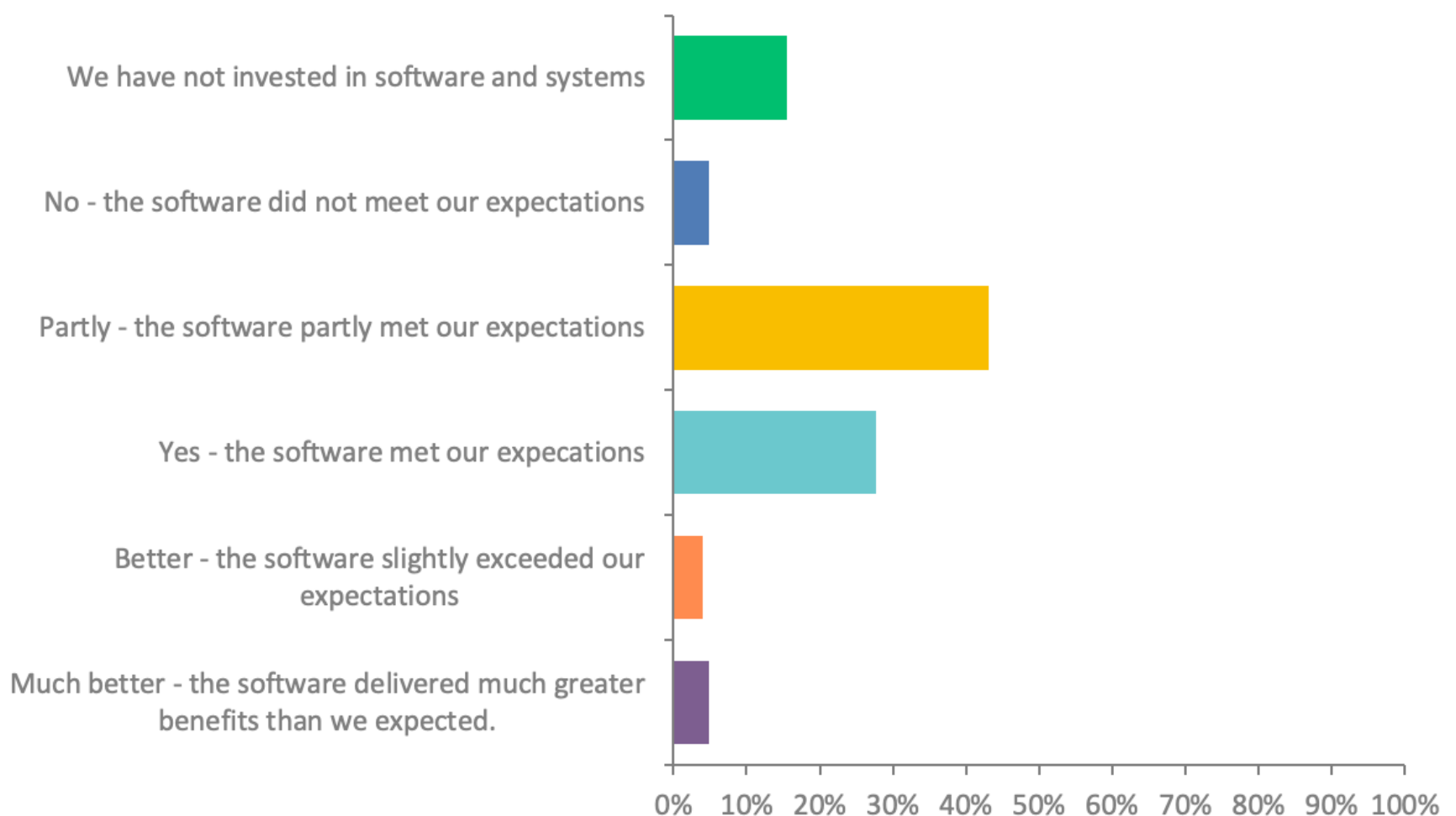
Have your recent process automation & equipment investments met your expectations



These results point to a significant issue in the selection and implementation of new technologies within the manufacturing sector. They may also reflect a broader problem of inflated promises from software and technology vendors, leading to unrealistic expectations and underwhelming outcomes.

This gap between promise and performance underscores the need for more careful planning, clearer ROI assessment, and better alignment between technology solutions and operational needs.

Have your recent software and systems investments met your expectations?



INSIGHTS FROM TXM ON THE CHALLENGE OF IMPLEMENTING TECHNOLOGY

Investing in new technology can unlock significant improvements in productivity, quality, and efficiency. However, many companies underestimate the human element involved in implementing these solutions. New technologies often require a very different skill set than those used in traditional, manual processes. As a result, organisations that fail to consider the workforce implications may find their systems underperforming, as staff struggle to adapt or resist the changes altogether.

To mitigate this, it's essential to actively engage employees early in the process. Consulting with frontline staff about upcoming technology changes not only helps them prepare for what's coming, but also provides valuable insights that can improve system design and usability. Involving users helps foster a sense of ownership and reduces resistance to change.

Technology investment should never be considered in isolation. It is part of a broader business ecosystem that includes recruitment, training, workflows, integration with existing systems, and long-term maintenance. If any one of these elements is overlooked, businesses may encounter hidden costs, employee dissatisfaction, or fall short of the expected performance improvements.

A powerful tool to support this planning is value stream mapping. By visualising the end-to-end flow of work, businesses can pinpoint inefficiencies, clarify where technology will add the most value, and ensure that changes are aligned with real business needs. This structured approach ensures that technology is integrated in a way that enhances the entire operation and maximises return on investment.

In short, successful technology adoption requires more than just a budget and a vendor—it demands a thoughtful strategy that includes your people, processes, and long-term capability needs.



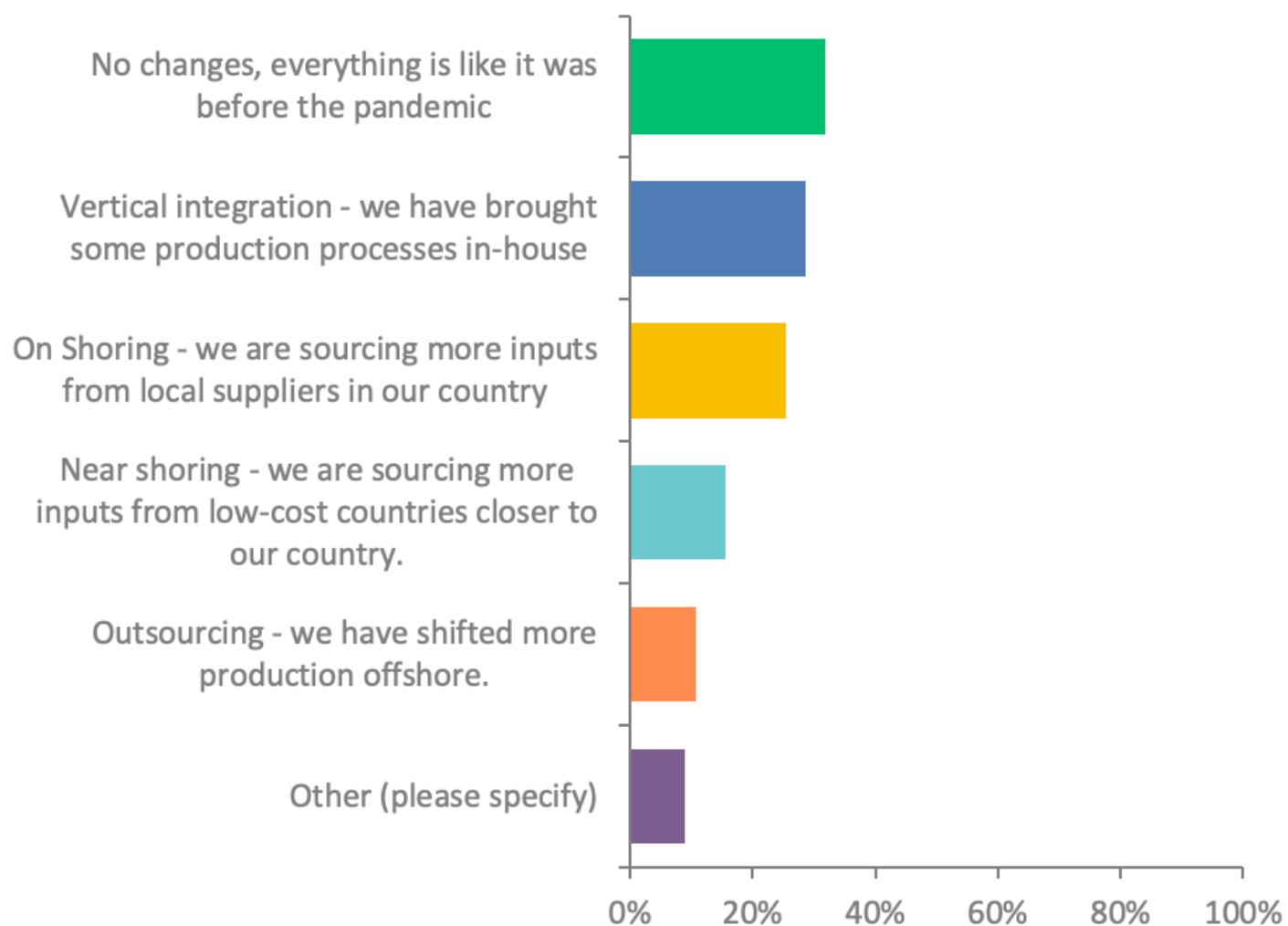
MOST BUSINESSES HAVE ADJUSTED THEIR SUPPLY CHAIN SINCE THE COVID-19 PANDEMIC

Around 70% of manufacturers have made changes to their supply chains since the pandemic, reflecting a widespread reassessment of global sourcing strategies. One of the most notable shifts has been the renewed interest in vertical integration, with 30% of companies bringing manufacturing operations back in-house to regain control and improve resilience.

Additionally, 25% of manufacturers have moved supply to local suppliers, while a further 15% have shifted to suppliers in neighbouring countries—demonstrating a clear trend toward on-shoring and near-shoring. These changes suggest that many businesses have learned valuable lessons from the disruptions of the pandemic and are now prioritising shorter, more responsive supply chains to reduce risk.

Interestingly, an analysis of total supply chain costs indicates that many previous outsourcing initiatives failed to deliver the expected savings. Despite this, 10% of surveyed companies have doubled down on outsourcing, showing that some still see value in global supply models under the right conditions.

What changes have you made to your supply chain since the COVID-19 Pandemic

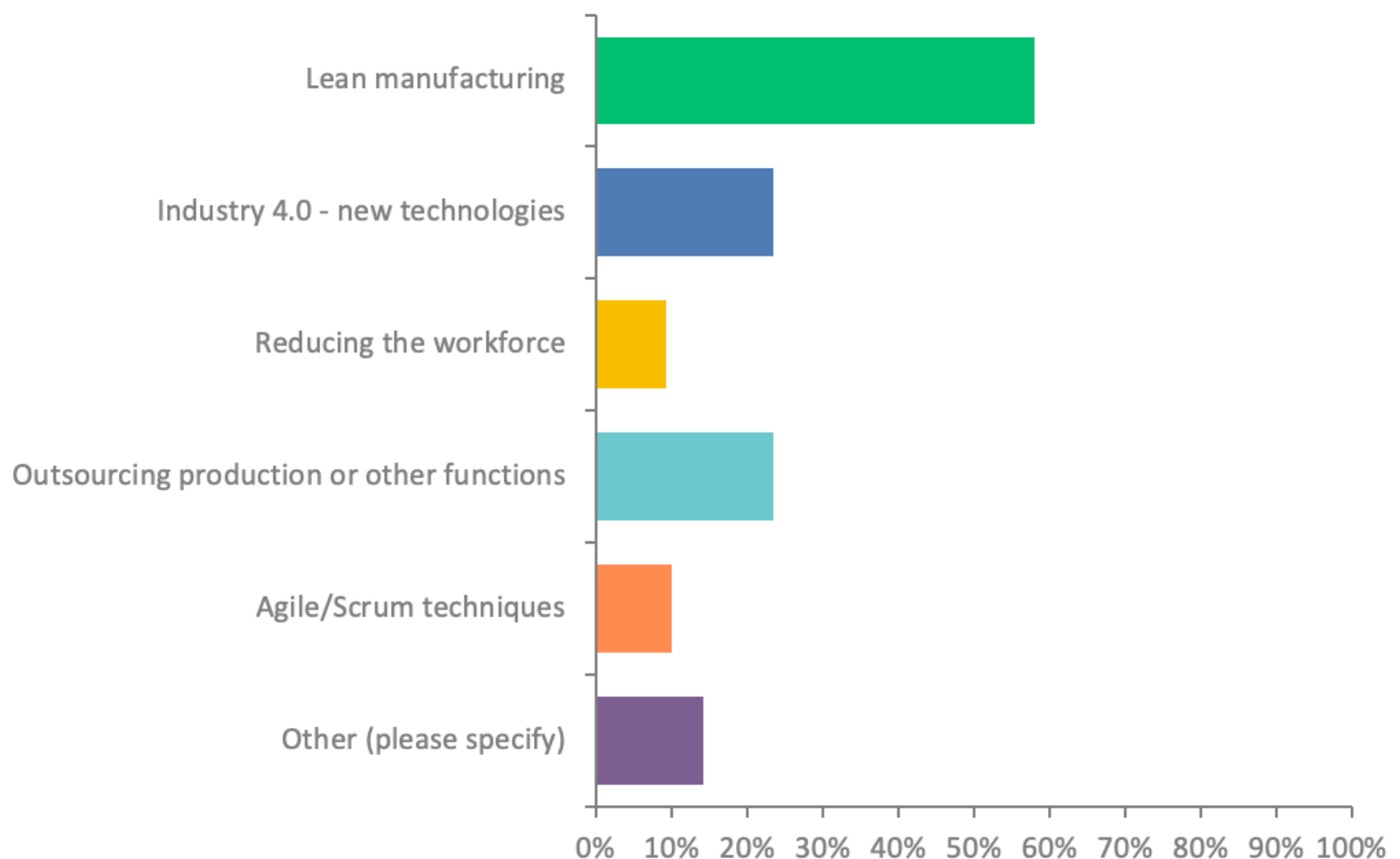


LEAN MANUFACTURING REMAINS THE PREFERRED APPROACH TO IMPROVING OPERATIONAL PERFORMANCE

Almost 60% of companies indicated plans to adopt Lean manufacturing as a strategy to improve operational performance. This strong interest reflects Lean's reputation for delivering proven results through process efficiency, waste reduction, and continuous improvement—often with relatively low capital investment compared to other approaches.

In contrast, around 25% of manufacturers were looking to technology as their main lever for performance improvement, while a similar proportion were planning to outsource production or back-office functions. This mix of strategies suggests that while digital tools and outsourcing remain part of the performance equation, Lean remains the preferred and most accessible path for many businesses seeking measurable, sustainable gains.

What approaches do you plan to adopt to improve operational performance in 2025?



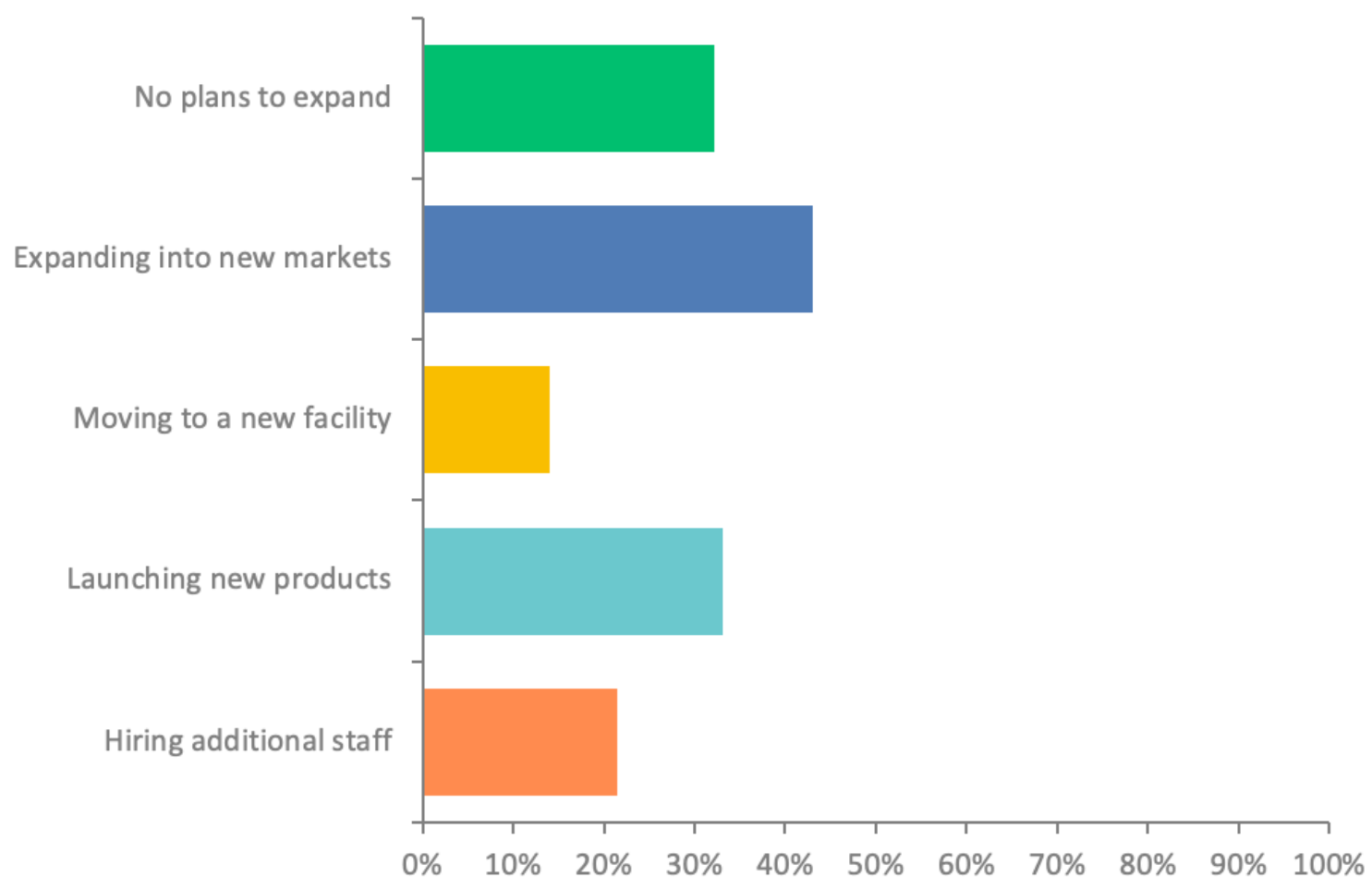
DESPITE TOUGH TIMES MANUFACTURERS ARE MAINTAINING A POSITIVE OUTLOOK WITH MOST FOCUSSED ON GROWTH

Confidence is returning to the manufacturing sector, with nearly 70% of manufacturers planning to expand their operations in the coming year. This growth mindset is being driven by a range of strategies—over 40% of businesses are targeting new markets, while more than 30% are preparing to launch new products to diversify and strengthen their offering.

To support this anticipated growth, around 20% of manufacturers are planning to hire additional staff, and 15% are looking to relocate to larger or more advanced facilities. These planned investments reflect a broader trend of renewal and transformation across the industry.

This wave of expansion highlights the remarkable resilience and forward-thinking leadership within the sector. Despite ongoing challenges such as labour shortages, supply chain disruptions, and rising costs, manufacturing businesses are positioning themselves for long-term success by investing in innovation, talent, and infrastructure.

Are you planning to expand operations in the next year?



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