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5 Actions CFOs Should Take Amid 2025 Tariff Uncertainty

How can Chief Financial Officers (CFO) prepare for tariffs in 2025?

A CFO's job is never easy. Managing a company's financial strategy, cash flow, and risk are difficult tasks even in stable times. As we move into 2025, CFOs are faced with a challenging landscape characterized by uncertainity around tariffs.

The unpredictable trade policy adds layers of complexity to the CFO role, making it crucial for financial leaders to be forward-thinking, adaptable, and prepared to manage multiple financial risks. Companies must be ready to take both preventative and reactive measures swiftly, in response to tariff-related risks. Agility will be key in mitigating the financial impact, and CFOs need to be more strategic than ever.

We know that many companies plan to pass on the cost of new or higher tariffs to their customers in an attempt to maintain targeted margins. Downstream businesses that rely on raw materials and other goods from these companies will, in-turn, be directly impacted by tariffs.

Here are five actions CFOs should do now:

1. **Reassess Enterprise Risk Management (ERM):** CFOs should consider updating their enterprise risk management framework to account for tariff-related risks. Current risks might not have been identified as significant risks the last time the analysis was done. Given the current climate, identifying areas of exposure and integrating these into broader risk assessments will allow companies to stay ahead of potential disruptions.

2. **Conduct a Supply Chain Risk Assessment:** A thorough assessment of supply chain risks is essential. It's crucial for CFOs to evaluate their supply chain dependencies and understand where disruptions could occur. CFOs should evaluate potential vulnerabilities and develop alternative sourcing plans where necessary to minimize dependency on high-tariff regions. Companies need to pinpoint their tariff exposure as early as possible. Understanding which goods or services are most likely to be affected and being prepared with a rapid response strategy can give businesses an edge.

3. **Develop an Agile Pricing Strategy in Response to Uncertainty:** CFOs should assess their pricing strategies carefully to ensure competitiveness while managing rising costs. This involves building flexible pricing models that account for potential cost increases, conducting scenario analyses to prepare for different tariff outcomes, and closely monitoring competitor pricing strategies to stay competitive. Dynamic pricing tools can help automate real-time adjustments, and transparent communication with customers about price changes can assist in preserving trust and long-term relationships. Ultimately, agility in pricing will enable companies to swiftly respond to fluctuating tariffs, ensuring financial resilience and strategic positioning in the market.

4. **Monitor Forecasts and Budgets for Increased Uncertainty:** CFOs should continuously monitor forecasts and budgets to account for the heightened uncertainty surrounding tariffs. A sensitivity analysis can help assess how various tariff changes would impact costs, revenues, and overall profitability. CFOs should also ensure that their budgets are flexible enough to accommodate unexpected cost increases or supply chain disruptions and consider establishing contingency reserves within the budget to manage unforeseen expenses. By building in flexibility and constantly re-evaluating projections, companies can better prepare for and swiftly adapt to tariff fluctuations, ensuring financial stability amidst uncertainty.

5. **Build Scenario Plans:** Scenario planning is a crucial tool for CFOs to navigate tariff uncertainty, enabling businesses to prepare for a range of possible outcomes. By modeling different tariff scenarios, CFOs can assess how each situation would impact costs, supply chains, and profitability. This approach helps companies to identify their vulnerabilities and opportunities, allowing them to develop contingency plans for various tariff levels. Once scenarios are developed, companies can create actionable strategies, such as adjusting pricing, diversifying suppliers, or reallocating resources. By anticipating multiple possibilities, businesses can remain agile and better equipped to protect margins and market position.

At this point, no one can predict with certainty which goods will be impacted by tariffs and to what extent. This unpredictability adds complexity to the CFO role, as companies must prepare for a variety of possible outcomes and downstream effects. CFOs should remain proactive and agile, ensuring that their businesses can respond to any new tariffs or trade policy changes swiftly and strategically.

About the Author

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As Practice Unit Leader of Schneider Downs' Consulting practice, Adam delivers a full spectrum of consulting services to clients to meet ever-changing needs. Adam has diverse experience advising companies on broad range of business issues, including accounting and finance topics. Adam is trusted by his clients' owners, c-suite, board of directors and investors to provide innovative and practical solutions to business challenges.

If you'd like to learn more about how Schneider Downs' Consulting team can assist in navigating these uncertainties, please contact our team at contactsd@schneiderdowns.com.

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