SCHNEIDER DOWNS
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Navigating Tariff Uncertainty: A 2025 Guide for CFOs

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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 new, challenging landscape characterized by increasing uncertainty 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 some companies may try to pass on the cost of new or higher tariffs to their customers in an attempt to maintain target margins. Downstream businesses that rely on raw materials and other goods from these companies could, in turn, be directly impacted by tariffs. Here are five actions CFOs can take now in anticipation of tariffs.

1. Build Scenario Plans and Be Ready to Pivot

In today's volatile trade environment, few issues have introduced as much unpredictability into business planning as tariffs. For CFOs, this unpredictability is more than an operational issue, it's a material risk to margins, supply chains, and long-term growth strategies.

As the stewards of financial strategy, CFOs must move beyond reactive cost management and embrace scenario planning as a foundational element of tariff risk preparedness. This approach not only helps companies to quantify potential exposures. It also creates an actionable roadmap for pivoting when policy shifts occur.

Tariff uncertainty can erode profitability with little warning. In many cases, companies feel the impact only after the duties are imposed and the cost hits the bottom line. By then, the damage is done. Scenario planning enables CFOs to get ahead of damage by creating multiple "what if" paths that assess the impact of various tariff regimes. For example, what if a 25% tariff is imposed on raw materials from China? What if trade negotiations stall, extending current tariffs for another 18 months? What if tariff policy reverses course entirely? Each of these questions deserves a modeled scenario that considers revenue, cost, working capital, and supply chain outcomes. Scenario planning doesn't mean predicting the future, it means preparing for a range of plausible outcomes, so you're not caught off guard.

To be effective, your scenario planning process should be rooted in financial modeling, cross-functional collaboration, and real-time data inputs. Here are key components to incorporate:

- **Supply Chain Mapping and Vulnerability Assessment**

  Identify which suppliers and components are exposed to tariff risk. Understanding the full traceability of your supply chain is essential to modeling realistic scenarios.

- **Cost Impact Analysis**

  Determine the direct and indirect costs of various tariff levels. This includes landed cost calculations, margin pressure, and changes in product pricing strategy.

- **Demand Sensitivity Modeling**

  Explore how price changes resulting from tariffs might affect customer behavior and volume. Will customers absorb price increases, or will demand fall off a cliff?

- **Inventory and Working Capital Implications**

  Some companies respond to tariff threats by stockpiling inventory. Although stockpiling inventory can offer short-term protection, it also ties up capital and increases storage costs.

- **Alternative Sourcing Scenarios**

  Evaluate the feasibility, cost, and lead times of sourcing from alternative countries. Consider the investment required to qualify new vendors or shift production.

- **Tax and Compliance Considerations**

  Changing jurisdictions and trade routes has downstream tax and regulatory implications. Involve your tax advisors early in the planning process.

- **P&L and Balance Sheet Forecasting Under Each Scenario**

  Quantify the full financial implications of each scenario, on gross margins, cash flow, EBITDA, and key financial ratios.

Scenario planning has little value if it remains theoretical. CFOs should make sure that each modeled scenario includes not just impact projections, but also specific triggers and execution plans. When will you pull the trigger on shifting production? At what margin pressure do you revise your pricing strategy? How quickly can you renegotiate vendor terms? Work to establish a "playbook" for each scenario.

Tariff uncertainty demands more than reactive tactics. It requires a strategic, forward-looking approach built on scenario planning, real-time intelligence, and a readiness to pivot. CFOs are uniquely positioned to lead this effort, not only by modeling financial impact but by embedding resilience and agility into the company's operating model. Now is the time to build the scenarios, monitor the trends, and be ready to act.

2. Lead the Charge on Supply Chain Risk Assessments

Tariff policy has been front and center in the news in 2025—and U.S. businesses are contending with near daily changes: trade wars, punitive tariffs on specific goods, retaliatory tariffs from major trading partners, and a variety of country-specific measures. Each change has brought a new wave of uncertainty to businesses, altering cost structures, delaying shipments, and, in some cases, forcing sudden shifts in sourcing strategies.

The financial impact is substantial. Tariffs can increase landed costs by 10–25% or more, erode margins, and trigger cascading effects across pricing, working capital, and contractual obligations. When CFOs can't predict what goods will be affected or how long duties will remain in place, it undermines budgeting, forecasting, and strategic planning.

This is why now, more than ever, companies must understand where they are vulnerable. A supply chain risk assessment, led by finance, and executed cross-functionally, is an essential step in building resilience.

A supply chain risk assessment identifies potential threats to the flow of goods and materials that could disrupt operations or negatively impact financial performance. The goal of the assessment is to understand not only where risks exist but also how severe they are and what actions can be taken to mitigate them. This type of assessment allows CFOs and supply chain leaders to transition from reactive damage control to strategic, data-driven decision-making.

Here's a high-level roadmap to executing a supply chain risk assessment focused on tariff uncertainty:

PROCESS	ACTIONS
Map the Supply Chain	Identify Tier 1 and Tier 2 suppliers, catalog the origin of imported materials, highlight dependencies on countries/regions
Assess Tariff Exposure	Cross-reference product categories with tariffs, evaluate financial impact, model cost implications
Evaluate Supplier Risk	Rate suppliers by tariff volatility. Assess each vendor's financial health, flexibility, ability to relocate/adapt
Review Contracts and Pricing Terms	Determine which contracts allow cost pass-throughs, review terms related to lead times, penalties, exclusivity
Prioritize and Mitigate Risk	Identify high-risk components/partners, explore risk-mitigation strategies, integrate tariff risk into ERM framework
Implement Monitoring Tools	Establish a process for monitoring trade policy developments, use digital dashboards to track changes

Once risks are identified, CFOs can work with cross-functional teams to implement meaningful changes. CFOs should own the supply chain risk conversation, lead a disciplined assessment of the company's exposure, work cross-functionally to develop mitigation strategies, and treat the effort not just as a defensive maneuver, but as a competitive differentiator.

In an unpredictable world, companies that understand and manage their supply chain risks will be best positioned to adapt, respond, and thrive.

3. Develop Agile Pricing Strategy and Models

As global trade policy becomes increasingly unpredictable, tariffs have reemerged as a volatile and disruptive factor in supply chain and cost management. For CFOs, tariff unpredictability poses a real challenge: how to maintain profitability and competitiveness when cost structures can shift with a single headline or Presidential executive order.

Tariffs often strike quickly, without warning, and disproportionately impact specific sectors, raw materials, or countries of origin. For example, a tariff might suddenly increase the landed cost of a key input by 10% or more. If pricing remains unchanged, that increase flows directly to the bottom line. For companies operating on thin margins, even a small swing in input cost can be the difference between profit and loss. However, passing-on costs to customers isn't always a viable option. Market dynamics, customer loyalty, and competitive pricing pressures can all constrain a company's ability to raise prices. In some industries, such as consumer goods, electronics, or automotive, price sensitivity is acute, and competitors might absorb the cost to maintain market share.

This is where an agile pricing strategy becomes essential. Agile pricing is not just about speed; it's about adaptability. It refers to the ability to adjust pricing in real time, or near real time, based on changes in input costs, supply chain conditions, competitor behavior, and customer demand. It combines financial modeling, data analytics, and decision-making agility to ensure that the company can respond to shocks without overreacting.

Three reasons why agile pricing should be on every CFO's radar:

- **Tariffs Can Be Short-Term or Long-Term and You Need to Prepare for Both**

  Workers can access project plans, documents, and schedules on their mobile devices, reducing delays and ensuring everyone is on the same page.

- **Not All Costs Can Be Passed Through**

  The ability to raise prices is market-dependent. For commodity products or industries with high substitution risk, attempting to push cost increases to the customer could result in lost business. Agile pricing models allow you to identify when price increases are feasible, and when alternative margin-protection strategies (e.g., product reformulation, supplier renegotiation, or SKU optimization) are more appropriate.

- **Your Competitors Are Watching and Responding**

  In some industries, price transparency is high. Customers can easily compare prices across vendors. If you raise prices in response to tariffs and competitors don't, you risk losing volume. An agile strategy allows you to monitor market signals and adjust quickly if your position becomes uncompetitive.

Transparent communication, internally and externally, is also critical. Sales teams need to have talking points and rationale to explain price changes to customers. Internally, teams need to understand that pricing is now a strategic lever, not just a sales tool. Customers are more likely to accept price increases if they're communicated early, transparently, and framed within the context of a larger economic reality (e.g., supply chain disruptions, rising tariffs, input shortages). CFOs should work with marketing and sales to support that messaging.

Ultimately, pricing agility is about building resilience. In a world where economic policy can change overnight, static pricing strategies put your margins at risk. CFOs must lead the effort to embed flexible, data-informed, and market-aware pricing capabilities across their organizations.

4. Implement Agile Forecasting and Margin Protection

In today's volatile global trade environment, tariffs have become an increasingly unpredictable variable in corporate financial planning. As international relations shift and trade policies evolve, the resulting changes in tariff structures can wreak havoc on a company's supply chain costs, pricing strategy, and, perhaps most critically, profit margins. For CFOs, staying ahead of these changes isn't just about risk management; it's about enabling agility and preserving enterprise value in the face of rapid change.

Tariff uncertainty stems not only from actual changes in rates but also from the unpredictability of when, why, and how they might occur. For example, political shifts, retaliatory trade actions, or sector-specific trade enforcement can introduce abrupt and sweeping changes. Even the threat of new tariffs can cause price swings in raw materials, inventory stockpiling, or disruptions in vendor contracts. What makes tariffs particularly dangerous from a financial standpoint is their ability to erode margins without warning. Unlike labor or operating costs, which are relatively easier to control or forecast, tariff-related costs are externally imposed and can escalate quickly. A product that had a comfortable gross margin last quarter might suddenly become unprofitable if its key input is subject to a 25% tariff.

Traditional, annual, or even quarterly, forecasts might be too slow to capture the fast-moving nature of tariff changes. If your financial models are built once and reviewed sporadically, you're likely flying blind when it comes to responding to trade policy disruptions.

CFOs can respond by transforming their approach to budgeting and forecasting in the following ways:

- **Scenario Modeling with Tariff Sensitivities**

  Every budget and forecast should include a sensitivity analysis of key trade assumptions. This doesn't mean trying to forecast the next tariff announcement, it means structuring "what-if" scenarios for various degrees of cost inflation based on plausible tariff changes. By quantifying the financial impact under multiple scenarios, finance leaders can help their executive teams make informed strategic decisions, including whether to raise prices, shift sourcing, or delay investments.

- **Real-Time Data Feeds and Assumption Triggers**

  CFOs should work with supply chain and procurement teams to establish live or frequently updated inputs into their forecasting models. Inputs include 1) commodity price feeds, 2) currency exchange rates, 3) trade policy alerts, and 4) lead-time or availability data from suppliers. When these indicators breach certain thresholds (e.g., a key material increases by 5%), it should trigger an automatic review or update of forecasts and budgets.

- **Rolling Forecasts for Margin Protection**

  The more frequently you update your financial outlook, the better positioned you are to act decisively. Many leading finance functions have moved from static annual budgets to rolling forecasts updated monthly or quarterly. In a tariff-sensitive environment, this allows for faster response to external shocks. Rolling forecasts also support "in-flight" strategy adjustments. If a tariff scenario starts to materialize, finance can preemptively adjust pricing guidance, reallocate budgets, or pull-forward sourcing decisions. It's a shift from reactive firefighting to proactive margin management.

  Tariffs are more than a policy issue; they're a bottom-line threat. But with the right tools, processes, and mindset, CFOs can transform tariff uncertainty from a blind spot into a strategic advantage. By making forecasting more agile, assumptions more responsive, and communication more transparent, finance leaders can help their companies navigate global turbulence with resilience and protect profit margins.

5. Integrate Tariff Risk into Enterprise Risk Management (ERM)

Many companies still treat tariff-related risks as isolated, operational issues rather than integrating them into their broader enterprise risk management (ERM) framework. For CFOs looking to build resilience into their organizations, this is a missed opportunity. Tariff uncertainty isn't just a trade or logistics issue. It's a strategic risk that has impacts across the broader enterprise, impacting cost structures, pricing strategy, customer relationships, compliance obligations, and even capital allocation decisions.

ERM is designed to help companies identify, assess, manage, and monitor the full spectrum of risks that could affect business performance. But, too often, the framework lags behind the pace of real-world events. Tariff risk is often underappreciated in formal risk registers. It tends to get lumped in within procurement or supply chain departments, with minimal strategic oversight. But, as we are now seeing, the consequences of inaction, or late reaction, can be severe. Given this landscape, treating tariff uncertainty as a minor operational inconvenience is no longer tenable.

Here are three key areas where CFOs can drive meaningful ERM updates:

- **Risk Identification Must Include Trade Dependencies**

  Most organizations have a decent handle on supplier concentration or geographic exposure, but fewer have a holistic view of their tariff exposure. What percentage of our COGS is exposed to tariff-affected imports? Do we rely on any suppliers located in regions with rising trade tensions? What are the tariff classifications of our key inputs, and are there alternative codes available? The goal is to map trade exposure across the enterprise and identify vulnerabilities that might not be obvious on the surface.

- **Scenario Planning Should Include Tariff Shock Events**

  Scenario planning is an essential part of ERM, but it often focuses on economic downturns, cyber breaches, or natural disasters. It's time to add trade shocks to the mix. Run stress tests for sudden 25% tariffs on core inputs. Consider the impact of losing access to key suppliers due to retaliatory tariffs or sanctions. What would you do if a primary distribution market suddenly imposed duties on your products? These scenarios might not be high-probability, but they are high-impact—and they are happening more frequently.

- **Governance Structures Must Involve Cross-Functional Teams**

  Tariff risk is inherently cross-functional. It touches finance, legal, procurement, operations, and strategy. ERM governance must reflect this complexity. Consider creating a standing trade risk task force, or incorporating trade experts into your ERM committee. CFOs should ensure that financial modeling, legal compliance, and supply chain adjustments are aligned and reviewed collectively, not in isolation.

Incorporating tariff uncertainty into ERM isn't just about risk avoidance. It's a chance to create strategic agility. Companies that understand their exposure and build responsive systems will not only avoid downside losses but also capitalize on upside opportunities. As CFOs take on a more strategic role in guiding enterprise resilience, tariff risk should be part of the regular risk dialogue with boards, audit committees, and operating teams. Now is the time to make sure that your ERM framework reflects that reality.

At this point, no one can predict with certainty which goods and jurisdictions 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.

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