Navigating uncertainty with confidence

Investment priorities for 2025

Capgemini RESEARCH INSTITUTE

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Executive summary

Organizations are clearly dealing with major uncertainties in the global economy and are likely to be for the next year. Shifts in policies, technological advances, protectionism, and the green transition are both accelerating and, in some cases, hindering growth. This report will help organizations deal with the unpredictability, and is intended as a companion piece to the World Economic Forum's (WEF) Annual Meeting 2025 in Davos. It serves as a strategic guide for CEOs seeking to align their 2025 investment strategies with emerging trends and complexities.

This third edition of our annual report provides a comprehensive analysis of global investment trends for 2025, and includes an in-depth discussion with Jeremy Jurgens, Managing Director and Head of the WEF's Centre for the Fourth Industrial Revolution. Drawing on a survey of 2,500 senior executives from 17 countries across nine industries, the findings in this report underscore the critical areas of focus for organizations seeking resilience and growth amid uncertainty.

In our 2024 edition, business sentiment was on the up, with business leaders exhibiting confidence in their organizations' growth potential for the year ahead despite a backdrop of shifting business, macroeconomic, and geopolitical risks. Despite a still volatile global environment, 62% of large organizations express optimism about their growth potential for 2025, up from 56% in 2024. However, this confidence contrasts with a more cautious view of the broader global economy.

Cost reduction is a key objective for 2025:

- **Strategic focus on cost reduction:** In the current uncertain market environment, 56% of organizations expect to prioritize cost reduction over revenue growth in 2025.
- **Cost-efficiency imperative:** Despite the cost containment imperative, 50% of organizations plan to increase overall investment in 2025 to drive efficiency and long-term competitiveness.

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Top investment priorities for 2025:

- **Customer experience, and engineering, R&D, and innovation:** These remain the top two investment areas for business leaders in 2025, with 78% and 74% of business leaders planning to increase their investments in these areas, respectively.
- **Supply chain transformation:** With 63% of business leaders planning to ramp up investment (a 15-percentage-point increase from last year), organizations are prioritizing resilient, technology-driven supply chains. Key trends include de-risking, friendshoring, and harnessing AI and the Internet of Things (IoT) to boost efficiency.
- **Sustainability:** Sustainability investment remains paramount, with 62% of business leaders planning to increase investments in 2025, an increase of 10 percentage points (pp) from last year. However, sustainability investment growth has slowed from last year. Among large organizations planning to increase investments, the anticipated increase has declined from 12.2% in 2024 to 10.5% in 2025. Regulations will continue to be a key sustainability driver. Climate technologies, sustainable product design, biodiversity, and water are top investment priorities.
- **Technology investment:** US organizations (especially mid-size ones) are projected to outspend their global peers on tech investments. AI and generative AI (Gen AI) rank as top priorities. Higher US tech investment will continue to hinder European competitiveness – particularly within the European middle market– worsening a trend that the European Commission's Draghi report had identified.

Key challenges and risks for 2025:

- **Trade disputes and tariffs:** Protectionist policies could jeopardize supply chain stability and global market access. Rising trade barriers could exacerbate inflationary pressures

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and economic fragmentation. Seven in 10 executives around the world are worried about rising tariffs and trade disputes.

- **Talent scarcity:** The tech and digital talent shortage poses a risk to growth and competitiveness. The majority (61%) of business leaders agree that the lack of tech skills is severely hindering their organization's ability to be competitive.

Recommendations for CEOs and their leadership teams:

- **Harness sustainability as a value driver:** Embed sustainability across operations and capitalize on climate technology advancements to align with consumer and regulatory expectations.
- **Prepare for regulatory changes and geopolitical uncertainty:** Anticipate and prepare for regulatory changes and geopolitical uncertainties that could impact sustainability investments.
- **Build resilient and agile next-gen supply chains:** Focus on diversification, sustainability, and technology integration to reduce geopolitical risks and enhance operational efficiency.
- **Develop a strong partner ecosystem to support nearshoring and/or friendshoring strategies:** Industry collaboration and partnerships can secure raw materials and value chain positions, while advanced manufacturing and circular business models need continuous collaboration with regulators and governments to sustain local economies.
- **Accelerate digital transformation and tech investment:** All organizations and particularly for European mid-size organizations, prioritize AI, cloud, and advanced manufacturing technologies, while using strategic talent initiatives to bridge the skills gap. As the European Round Table for Industry (ERT) recently emphasized, the urgency to ramp up Europe's digital transformation in six key areas: connectivity, data, AI, cloud, cybersecurity, and sustainability cannot be overstated.[1]

Who should read this report and why?

First and foremost, this is a report for CEOs and their leadership teams. It offers benchmarks to help CEOs and their executive and management teams to understand the global business environment and predict investment trends in the year ahead. This report offers detailed insights into two investment areas that will be priorities for the global corporate sector in 2025: supply chain and sustainability. The report also explores technological investment and competitiveness, revealing the investment and skills gaps between the US, Europe, and APAC. Large organizations across industries (including automotive, consumer products manufacturing, industrial manufacturing, banking and capital markets, insurance, retail, energy and utilities, telecom, media, and high-tech, and life sciences and healthcare) will find this report valuable.

This report analyzes the findings from a comprehensive survey of 2,500 senior executives (director level and above) across 17 countries. The majority (70%) of organizations have annual revenue above $1 billion. Thirty percent of the sample are mid-size organizations with $10 million to $1 billion in annual revenue.

Please see the research methodology at the end of the report for more details.

01 Despite ongoing uncertainty, executives remain convinced of their organization's optimistic outlook

Optimism for 2025 growth potential remains high

Most business leaders (62%) at large organizations (with more than $1 billion in annual revenue) are optimistic about their organizations' prospects in 2025, up from 56% in 2024 and 42% in 2023 (see figure 1). However, like last year, their view of the global operating environment is more pessimistic. In 2025, only 37% of business leaders are optimistic about the global operating environment in the next 12–18 months, slightly up from 30% in the 2024 research. This reflects executives' confidence in their organizations' resilience to the harsh and unpredictable current state of global markets.

The International Monetary Fund (IMF) expects global growth to remain stable, albeit underwhelmingly so, in 2024. Its latest forecast projects world real GDP growth of 3.2% in 2024 and 2025, slightly down from 3.3% in 2023.[2] In our research, Sweden (76%) had the highest proportion of business leaders who were optimistic about their organizations' outlooks. Sweden's real GDP growth in 2024 is projected to be 0.9%, rising to 2.4% in 2025. This represents the largest percentage-point increase (+1.5%) among the countries in our research.[3] The strong performance of the Swedish economy is undoubtedly a driving factor in this.

62%

of business leaders at large organizations are optimistic about their organizations' prospects in 2025

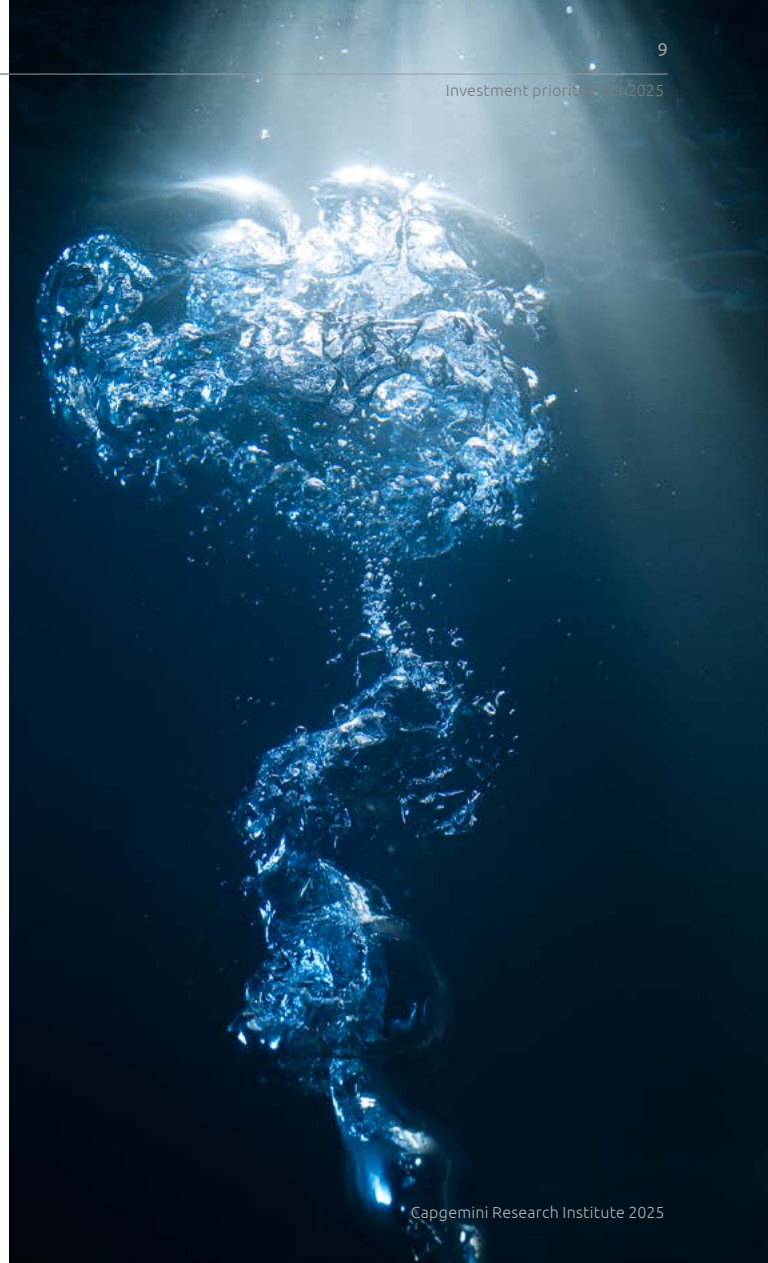
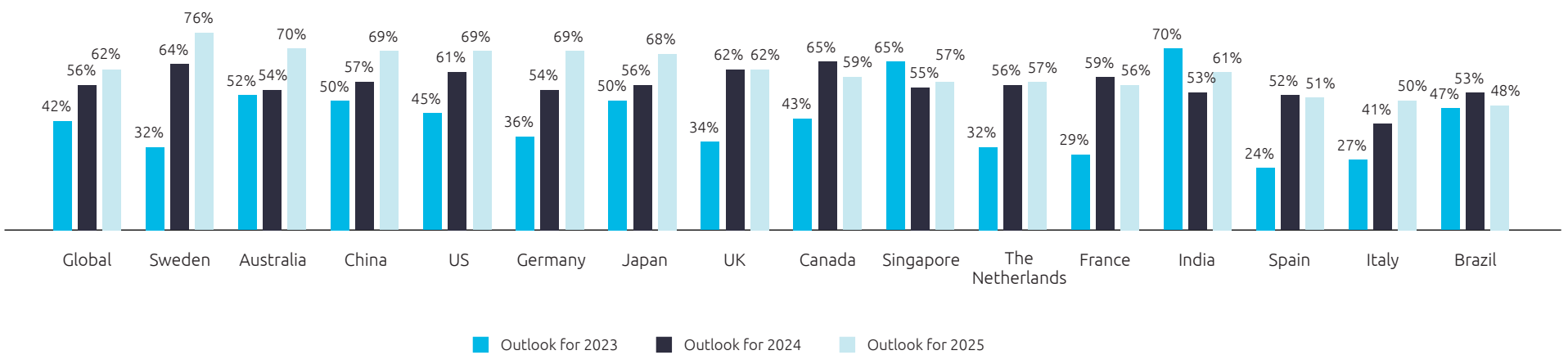


Figure 1.
Six in 10 business leaders are optimistic about the future of their organizations

Percentage of business leaders who are optimistic about the outlook for their organization, grouped by country of primary residence



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 1,577 business leaders; Capgemini Research Institute, *Global Investment Research* (Edition 2), November 2023, N = 2,000 business leaders; Capgemini Research Institute, *Global Investment Research* (Edition 1), November 2022, N = 2,000 business leaders.
*2024 data in the chart excludes Denmark, Switzerland, and mid-size organizations.

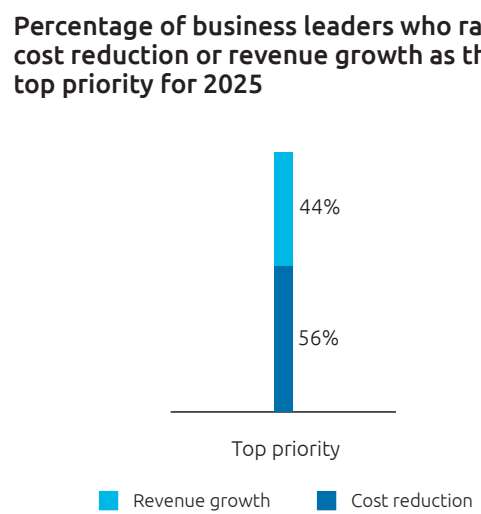
Cost reduction is a priority for 2025

The dynamic of business leaders having lower confidence in the global market than in their own organizations for the coming year (37% versus 62%, respectively) is likely driving the strategic focus on cost reduction for over half of organizations globally. The remaining 44% say revenue growth is their priority for 2025 (see figure 2), a trend consistent across both large and mid-size organizations. Cost reduction is not only about reducing operational costs but also gaining cost efficiencies. Optimizing business processes and resource utilization is also meant to boost sustainability and competitiveness.

The actions organizations are implementing to preserve cash/liquidity in 2025 include the following:

- 71% are reducing or deferring capital expenditure
- 70% say they will curb operating expenditure (OpEx)
- 68% will evaluate non-core aspects of the business to improve P&L.

Figure 2.
Over half of organizations globally will prioritize cost reduction in 2025



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 1,381 business leaders.
* Data in the chart excludes mid-size organizations.
** The question asked was: What is your key priority for 2025? Please rank 1 to 2, where 1 = top priority for 2025.

Despite the cost containment imperative, half of global organizations are projected to increase investment in 2025

There are many ways an emphasis on cost reduction can justify and encourage investment. For example, investing in automation technologies can reduce downtime, waste, and operational inefficiencies, bringing down operational costs in the long term. Another example is making investments to scale production, such as expanding manufacturing facilities, which can reduce the per-unit cost of production. In addition, investments to modernize crumbling infrastructure can reduce the frequency and cost of repairs. Investments in energy-efficient equipment can lower utility costs over time. Food and beverage multinational Nestlé, for example, plans to cut costs by $2.8 billion by 2027 to accelerate growth while simultaneously increasing investment in advertising and marketing to 9% of total sales by 2025.[4]

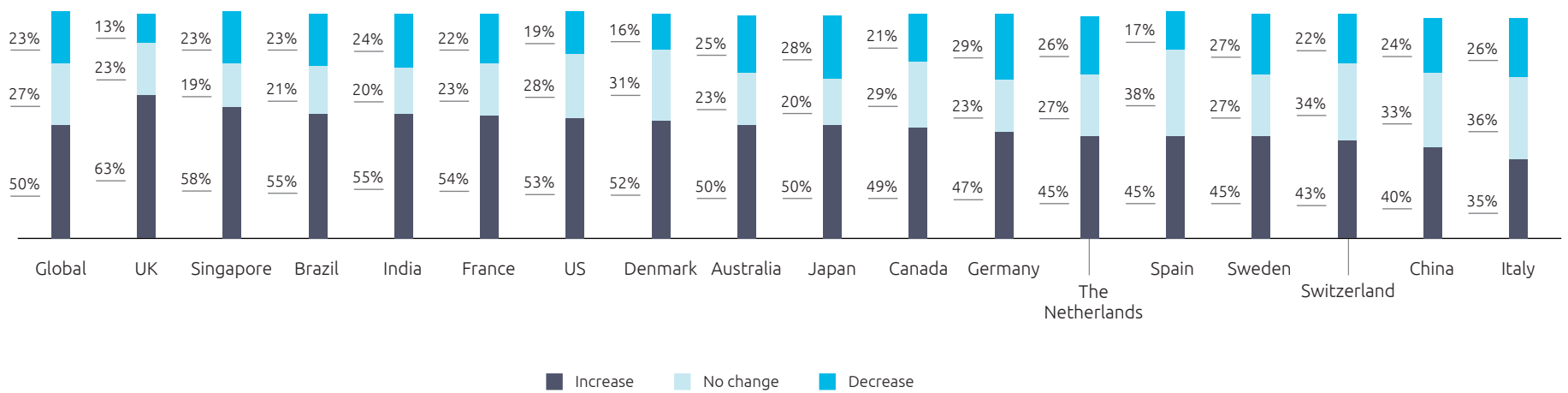
Half of the business leaders we surveyed this year say that their organization expects to increase its overall investments in 2025. Under one-third (27%) expect no change in their investment levels in 2025, and nearly one-quarter (23%) expect to decrease investments (see figure 3).

50%

of business leaders expect to increase overall investment in 2025

Figure 3.
Half of large organizations plan to increase overall investment in 2025

Percentage of business leaders who say their organization's investments will increase, decrease, or stay the same in 2025

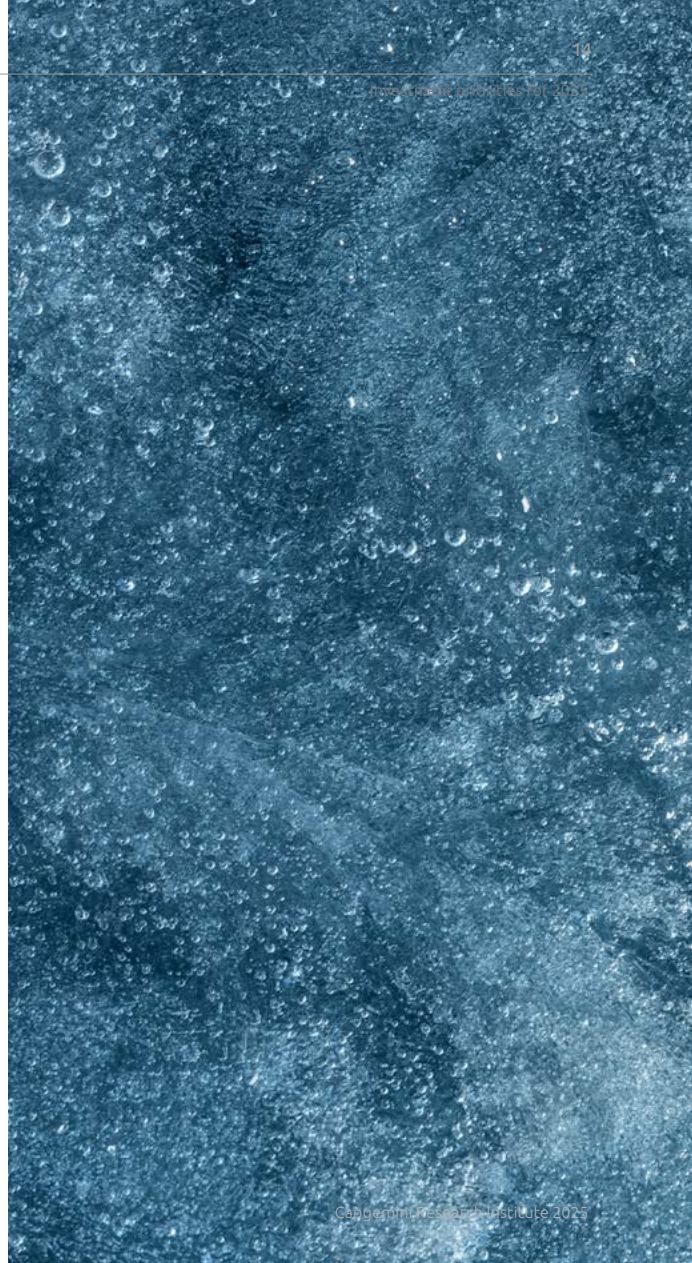


Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 1,750 business leaders.
*Data in the chart excludes mid-size organizations.
**Data in the chart may not sum to 100% due to rounding.

A similar share of mid-size organizations globally (46%) plan to increase investments in 2025. In most countries in our research, a greater share of large organizations plan to increase investments than mid-size organizations. Interestingly, for a few countries, the opposite is true, notably:

- Italy (51% of mid-size vs. 35% large)
- Sweden (57% vs. 45%)
- Switzerland (54% vs. 43%)

This dynamic is a testament to the strength of the middle market in Italy, Sweden, and Switzerland. Italy's four million[5] small and medium-sized enterprises (SMEs) with an annual revenue of less than €50 million represent the highest number in the EU, generating more than 65% of the country's added value (defined as the value generated by producing goods and services).[6,7] Italian SMEs also constitute an important link in the European supply chain, contributing 53% of the country's exports (compared with a European average of 40%), reflecting the country's prioritization of advanced manufacturing and digitalization.[8] Sweden has long been considered a European SME investment hub, including in terms of stock-exchange listings.[9]



02 Organizations expect to accelerate investments in supply chain and sustainability

The supply chain is the fastest growing investment priority

Among the areas we analyzed for 2025, more organizations plan to increase their investments compared to 2024 in all areas except for talent and skills, and real estate. Supply chain is the investment area that increased most from our 2024 research. Sixty-three percent of business leaders say they will increase supply chain investments in 2025, compared with 48% in 2024. For sustainability, 62% of business leaders will increase investments in 2025, up from 52% last year. Figure 4 illustrates the share of business leaders saying they will increase investment from 2024 to 2025 as well as the percentage-point change.

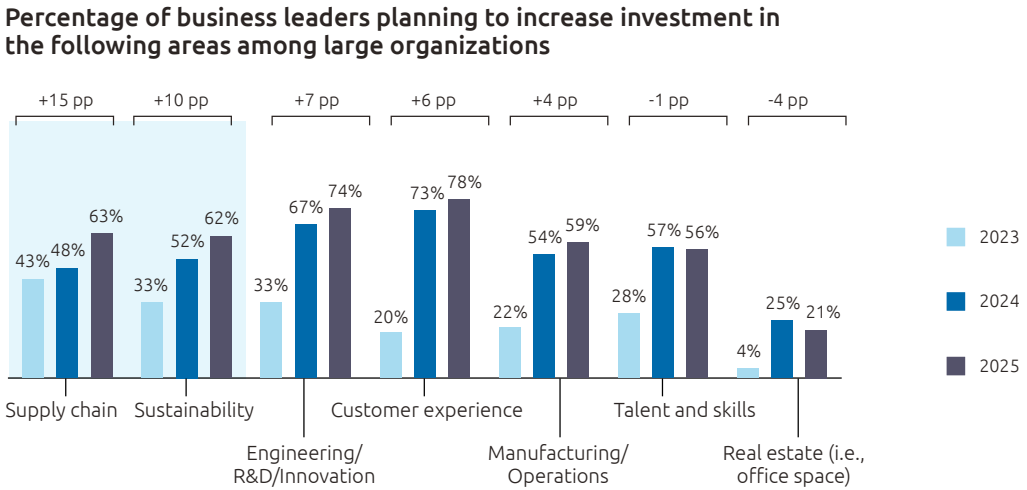
More business leaders plan to increase investment in supply chain in 2025, but a slowdown is expected

In 2025, 15% more leaders plan to increase their supply chain investment compared to 2024, marking the highest percentage increase among all investment areas. Among organizations globally planning to increase their supply chain investments in 2025, the average expected increase is 9.4%. US business leaders expect to increase their supply chain investments by 9.7% in 2025 compared to 9.2% and 9.5% for

63%

of business leaders will increase supply chain investments in 2025

Figure 4.
The number of large organizations planning to increase supply chain investment in 2025 rose 15 percentage points



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 1,577 business leaders; Capgemini Research Institute, *Global Investment Research* (Edition 2), November 2023, N = 2,000 business leaders; Capgemini Research Institute, Global Investment Research Edition 1, November 2022, N=2,000 business leaders.
*2024 data in the chart excludes Denmark, Switzerland, and mid-size organizations.

their European and APAC counterparts, respectively. Although, more business leaders plan to increase their supply chain investments in 2025, the average investment increases will be lower than last year (13% on average in 2024) (see figure 5). Cost efficiencies are a key driver for supply chain investments worldwide. For example:

- Optimizing inventory management through just-in-time (JIT) systems
- Harnessing AI, IoT, cloud, and other technologies to invest in real-time supply chain analytics for improved visibility and operational efficiency
- Adopting advanced manufacturing and robotics to improve warehouse efficiency through space utilization and automation.

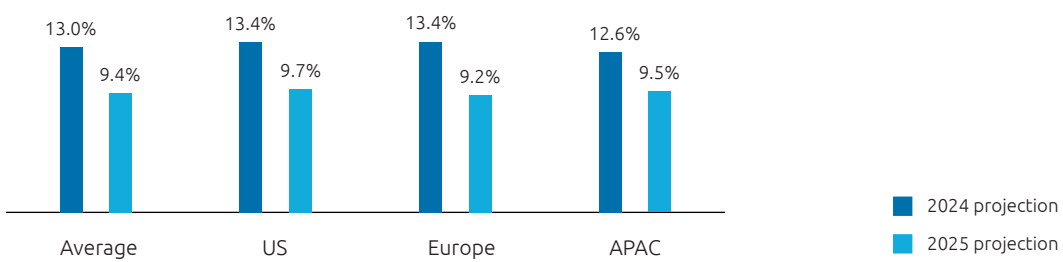
The supply chain landscape is currently undergoing a transformative shift toward sustainability and innovation. Regulations associated with sustainability and supply chain pressurize organizations to be more vigilant about their supply chain activities. This pressure can be felt through the EU's Battery Materials Traceability regulation, which requires products to meet traceability requirements from sourcing to collection, recycling, and repurposing.[10] This necessitates the formation of more AI-driven, sustainable, and resilient new-generation supply chains. In our recent research, 70% of executives agree that new-generation supply chains will be a top tech trend for 2025.[11] New-generation supply chains integrate AI and IoT to enhance efficiency, reduce waste, and support sustainability goals.

Data and AI enhance supply chain visibility by enabling real-time tracking and predictive analytics, leading to improved decision-making, reduced costs, and increased responsiveness to market changes.

In our research into the resurgence of manufacturing, 50% of executives we surveyed globally in February 2024 said that the desire to reduce logistical and supply chain costs was a top driver of their reindustrialization strategies (i.e., reconfiguring domestic manufacturing and production processes).[12] Enhancing supply chain resilience is a leading driver of reindustrialization for 69% of organizations.[13]

Figure 5.
A slowdown in supply chain investment growth is expected

Average increase expected in 2024 and 2025 among large organizations planning to increase supply chain investments



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 988 total business leaders from large organizations who expect to increase supply chain investments in 2025, N = 100, 450, and 314 business leaders from large organizations in the US, Europe, and APAC, respectively, who expect to increase supply chain investments in 2025; Capgemini Research Institute, *Global Investment Research* (Edition 2), November 2023, N = 943 total business leaders from large organizations who expect to increase supply chain investments in 2024, N = 82, 381, and 273 business leaders from large organizations in the US, Europe and APAC, respectively, who expect to increase supply chain investments in 2024.
* Data in the chart excludes mid-size organizations.

Most large organizations are de-risking their supply chains and friendshoring

Cooling trade relationships between the US and China, separating trade, technology, financial systems, and investment flows, could lead to fragmented supply chains, competing technological standards, reduced innovation, and slower global economic growth. Proponents of US-China decoupling point to enhanced national security, diversified supply chains, domestic manufacturing growth, and strengthened alliances with like-minded countries, among other benefits. Lakshmanan Chidambaram, President and Head of Americas, Mahindra Group, says: *"It is imperative to diversify supply chains […] to foster innovation and create a more balanced and stable global economy."*[14]

In this year's research based on our survey conducted in November 2024, we see a considerable increase in the percentage of business leaders who say their organization is reducing supply chain reliance on China. This share increased from about half in 2024 to nearly three-quarters in 2025.

In addition, 64% of business leaders say that friendshoring will represent a significant proportion of their sourcing and/or production going forward, up from 45% last year (see figure 6). It is important to note that moving supply chains to other countries and friendshoring is a costly proposition and requires significant upfront capital expenditure.

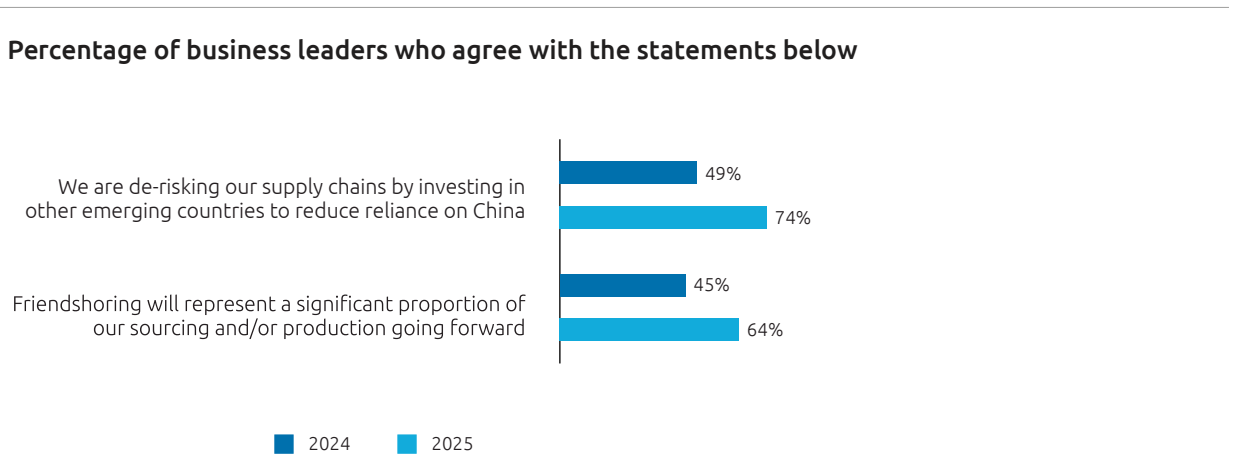
Over half of business leaders across all countries in our survey conducted in November 2024 say they are de-risking their supply chains by investing in other emerging countries in 2025, representing an increase in all countries from 2024, except for Spain. This trend is consistent across all industries in our research.

- By country, the greatest increases from 2024 to 2025 in the share of business leaders who are de-risking supply chains are in Brazil (+37 pp), India (+36 pp), and Singapore (+30 pp) (see figure 7).
- By industry, industrial manufacturing (+34 pp) and automotive (+33 pp) increased the most (see figure 8).

Organizations are increasingly relocating their critical assets (e.g., manufacturing, warehouses, logistics centers) to countries and regions such as India, Thailand, Vietnam, Mexico, and Africa. Our previous research on reindustrialization conducted in February 2024 revealed that 65% of executives expected to significantly increase investment in India in the next three years. Regionally, 60% of executives said the same for Southeast Asia and 54% for Africa.[15]

Apple, Google, and Samsung have already set up production facilities in Vietnam.[16] Other tech organizations, including HP and Dell, are also shifting production away from China. HP has set a goal of making up to 70% of its notebooks outside of China within three years. The organization is building new

Figure 6.
More large organizations anticipate de-risking supply chains and friendshoring in 2025



Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 1,454 business leaders responding to the de-risking statement, N = 1,577 business leaders responding to the friendshoring statement; Capgemini Research Institute, *Global Investment Research* (Edition 2), November 2023, N = 1,860 business leaders responding to the de-risking statement, N = 2,000 business leaders responding to the friendshoring statement.
*2024 data in the chart excludes Denmark, Switzerland, and mid-size organizations.
**The statement on de-risking supply chains was not asked of respondents from China.

manufacturing facilities and warehouse hubs in Thailand, Mexico, and Vietnam, and plans to set up a design hub in Singapore.[17] Dell has also shifted a significant percentage of its laptop production to Vietnam and planned to phase out China-made chips by the end of 2024.[18]

Major automotive organizations are also moving away from China to address tariff concerns, reduce costs, and meet regional requirements. Volvo is shifting its electric vehicle (EV) production from China to Belgium as the EU imposes tariffs on Chinese EVs.[19,20] Other automotive players such as BMW and Volkswagen have announced major expansions of their facilities in Mexico to produce EVs. BMW is investing €800 million,[21] while Volkswagen announced an investment of $1 billion[22] in Mexico to accelerate EV production.

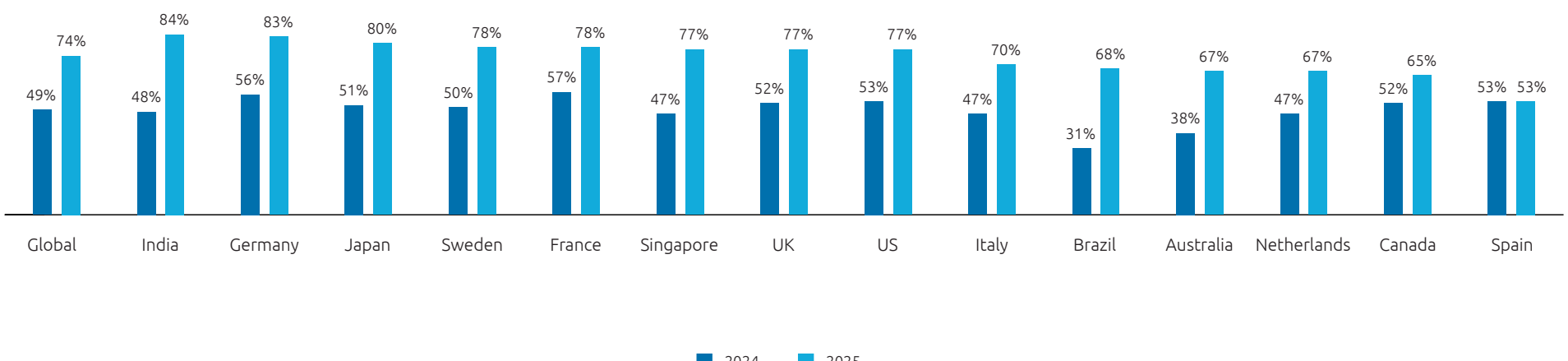
A general manager at a European automotive original equipment manufacturer (OEM) says: *"Nearshoring is a strategic goal for us. In view of political pressures and availability of raw materials, at least 75% of the supply chain needs to be nearshored or moved to domestic markets in the long run."*[23] Other industries are following suit. For example, the US Food and Drug Administration (FDA) recently advised US

healthcare organizations to avoid Chinese-made plastic syringes owing to reported quality and performance issues.[24] Following the US presidential election in November 2024, shoe manufacturer Steve Madden announced that it would accelerate its plans to shift its China-based production to factory bases in other countries such as Cambodia, Vietnam, Mexico, and Brazil, in order to mitigate Chinese tariffs that the new US administration might impose.[25]

Chinese companies are increasingly turning their attention to international markets, particularly in the global south, after years of focusing on domestic growth. China's outbound greenfield foreign direct investment (FDI)—such as building new mines or factories—reached $162 billion in 2023, a significant increase from $50 billion in 2022. Nearly 75% of this investment was in manufacturing.[26] This international push reflects both the intense competition within China's domestic market and a strategic move to circumvent trade barriers by shifting production to other developing countries. For example, after being barred from the US market in 2012, Chinese solar panel manufacturers like JinkoSolar, Trina Solar, and Longi established factories in Southeast Asia. In July 2024, BYD, a Chinese electric vehicle (EV) company, launched its first car factory in Southeast Asia, located in Thailand. Similarly, CATL, a Chinese battery manufacturer, is expanding its operations in Southeast Asia while exploring investment opportunities in Morocco and Turkey.[27]

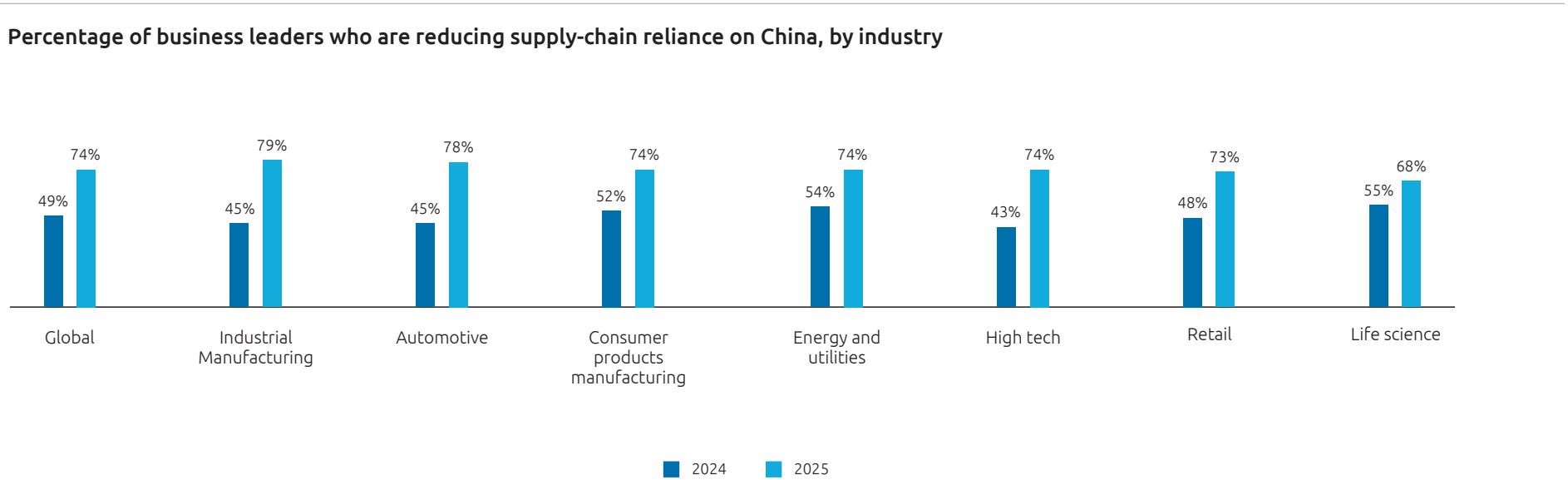
Figure 7.
Large organizations across countries are accelerating investments to de-risk supply chains

Percentage of business leaders who are reducing supply-chain reliance on China, by country

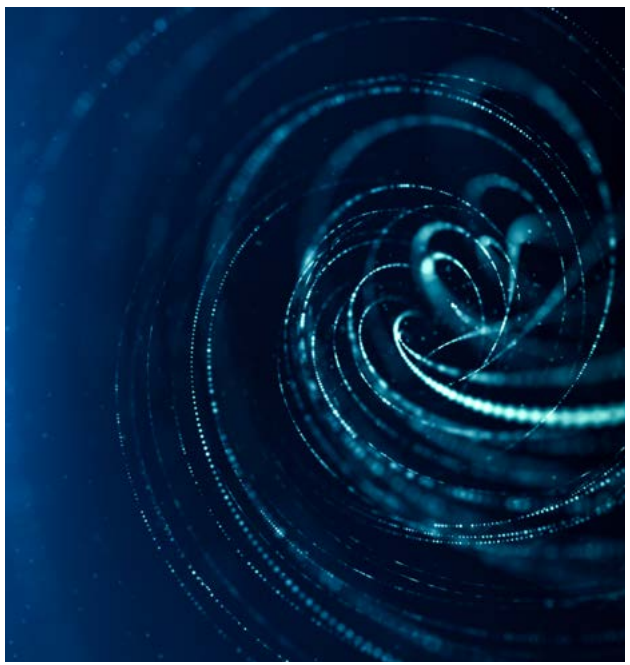


Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 1,454 business leaders; Capgemini Research Institute, *Global Investment Research* (Edition 2), November 2023, N = 1,860 business leaders.
*2024 data in the chart excludes Denmark, Switzerland, and mid-size organizations.

Figure 8.
Large organizations across industries are accelerating investments to de-risk supply chains



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 1,454 business leaders; Capgemini Research Institute, *Global Investment Research* (Edition 2), November 2023, N = 1,860 business leaders.
* 2024 data in the chart excludes Denmark, Switzerland, and mid-size organizations.



Sustainability continues to be a prime focus for 2025

In 2025, sustainability is expected to remain a top priority, even among increasing cost pressures. In our recently published sustainability research, only 23% of executives surveyed globally agreed that the cost of sustainability initiatives outweigh the benefits.[28] Not only can investing in sustainability help organizations reduce costs and improve efficiency, it can also be a driver of business value.

For example, investing in renewable materials and adopting circular economy principles can affect cost reduction by minimizing waste and can also support the development of new business models. US retailer Patagonia, with its focus on sustainable clothing production and ethical consumption, promotes product longevity through reuse and recycling. Patagonia developed a new revenue stream through its repair services, while fostering strong customer loyalty.[29]

Regulation continues to be another key driver for organizations' focus on sustainability. In our recent sustainability research, 69% of executives agreed that anticipating or pre-empting stricter future regulations drives sustainability initiatives, and 65% highlighted that regulation underpins new sustainability efforts.[30]

This year, we see continued movement in the share of organizations planning to increase sustainability investment (62%, up from 52% in 2024). Climate technologies, sustainab product design, biodiversity, and water are projected to be t top sustainability investment priorities in 2025 (see figure 9)

Three-quarters of executives in our sustainability research have implemented a water stewardship program, up from 55% in 2022, and 66% have invested in natural habitat conservation, up from 43% in 2022.[31] A smaller share (45%) c business leaders in our current research anticipate increasin investment for carbon credits/offsets in 2025. Only 15% or less of business leaders say they will be decreasing investme in these areas in 2025, and 20–30% will maintain current investment levels.

Kristen Siemen, Chief Sustainability Officer at General Motors, comments: *"The biggest impact we can make is through a transition to an all-electric future. That said, other initiatives are also important, including supply chain, logistics, and Scope 1 and 2. We also consider priorities such as saving water and eliminating waste from a financial perspective. However, just as in school, you can't ignore any subject – you just might have to put more effort into some areas than others."*[32]

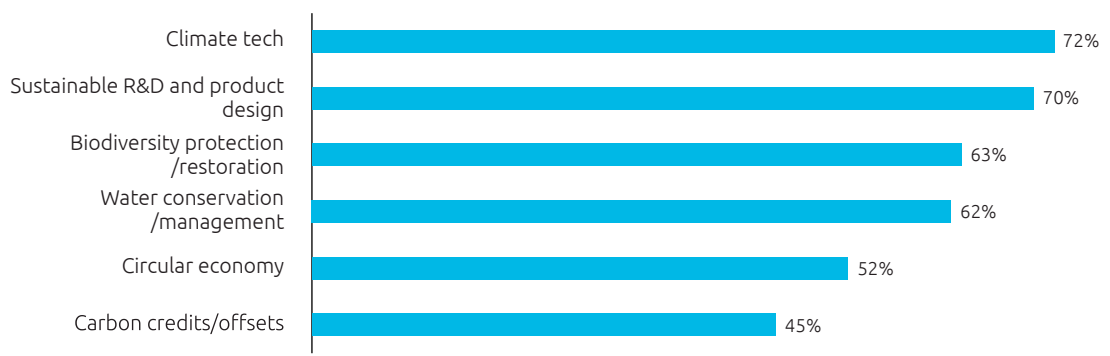
62%

of business leaders will increase sustainability investments in 2025

Figure 9.

Most large organizations will increase investments in climate tech, sustainable product design, biodiversity, and water in 2025

Percentage of business leaders of large organizations planning to increase investment in the following sustainability areas in 2025



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 1,750 business leaders.
*Data in the chart excludes mid-size organizations.

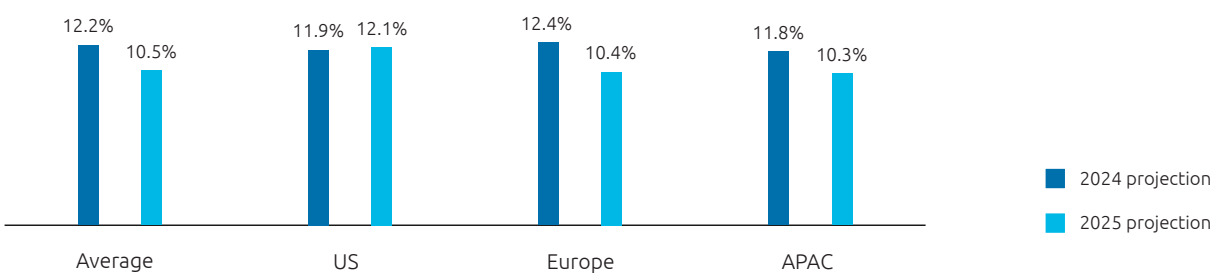
A slowdown in sustainability investment growth is expected

Among the 62% of business leaders globally planning to increase sustainability investments in 2025, the average increase expected is 10.5%. Sustainability investment growth is slowing as the anticipated increase in sustainability investment by large organizations was 12.2% in 2024. Our recent research on sustainability highlights the impact of geopolitics on sustainability investments, with 65% of executives citing them as a negative factor.[33] But, in certain situations, geopolitics can also serve as an accelerator for sustainability investments. For example, following Russia's invasion of Ukraine, the German government set a new target to transition to 100% renewable electricity sources by 2035 in order to reduce reliance on Russian energy imports.[34]

For 2025, US business leaders expect a 12.1% increase on average, outspending their European and APAC counterparts (see figure 10). US investment in clean tech and the availability of subsidies and tax credits for renewables, carbon capture, and electrification, among other green tech areas, through the US Inflation Reduction Act (IRA), may be driving this difference.[35] Comparable to the EU 2030 goal, the US set goals to cut net greenhouse gas (GHG) emissions by 50-52% from 2005 levels by 2030 and achieve net-zero emissions by 2050 through various initiatives such as promoting EV and heat pump use; reinforcing national power grid infrastructure; increasing sustainability of supply chains with "buy clean" initiatives for low-carbon materials; and a sustainable products policy.[36] The US may face shifting climate policy due to the changing geopolitical landscape in the coming months.

Figure 10.
Among large organizations planning to increase sustainability investment in 2025, US organizations will invest more than their European and APAC peers

Average increase expected in 2024 and 2025 among large organizations planning to increase sustainability investments



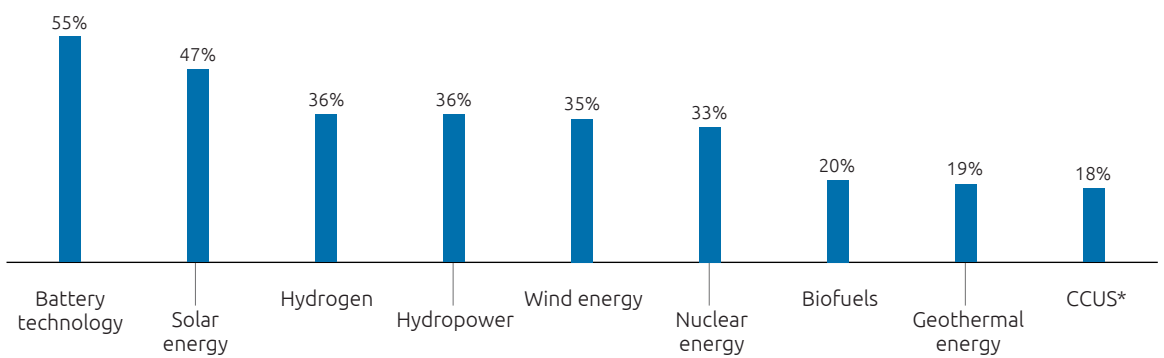
Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 971 total business leaders from large organizations who expect to increase sustainability investments in 2025, N = 103, 453, 296 business leaders from large organizations in the US, Europe, and APAC, respectively, who expect to increase sustainability investments in 2025; Capgemini Research Institute, *Global Investment Research* (Edition 2), November 2023, N = 1,025 total business leaders who expect to increase sustainability investments in 2024, N = 88, 420, and 295 business leaders from large organizations in the US, Europe, APAC, respectively, who expect to increase sustainability investments in 2024.
*Data in the chart excludes mid-size organizations.

Increased investment in climate technologies is expected in 2025

As figure 9 shows, we anticipate that climate tech will receive the largest share of increased sustainability investment in 2025. Our recent sustainability research reveals that 67% of executives believe that their organizations will not be able to achieve their sustainability goals without climate tech.[37] Our current research reveals that 72% of business leaders say they will increase investment in climate tech – including hydrogen, renewables, nuclear, batteries, and carbon capture – in 2025. Max-Christian Lange, Deputy Head of Sustainability at Deutsche Bahn, Germany's national railway organization, comments: *"As a mobility company, we are 1) increasing renewable energy use; 2) phasing out fossil fuels by testing alternative fuels such as green hydrogen; and 3) transitioning to sustainable heating solutions for our buildings."*[38]

Figure 11.
Batteries are the top climate technology investment area for 2025

Top climate technologies business leaders are prioritizing for investment in 2025 (% ranked in top three climate technologies)



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 2,500 business leaders.
*Carbon capture, utilization, and storage.

Batteries are the top climate tech investment in 2025, with 55% of business leaders ranking it among their top three. This rises to 59% among automotive organizations and 64% among industrial manufacturers. Sixty-one percent of US organizations rank batteries as their top climate tech investment priority compared with 53% of European organizations. Nearly half (47%) rank solar energy, and around one-third rank hydrogen, hydropower, wind, and nuclear among their top three climate technologies for investment in 2025 (see figure 11).

72%

of business leaders will increase climate tech investments in 2025

Customer experience remains the top investment priority in 2025

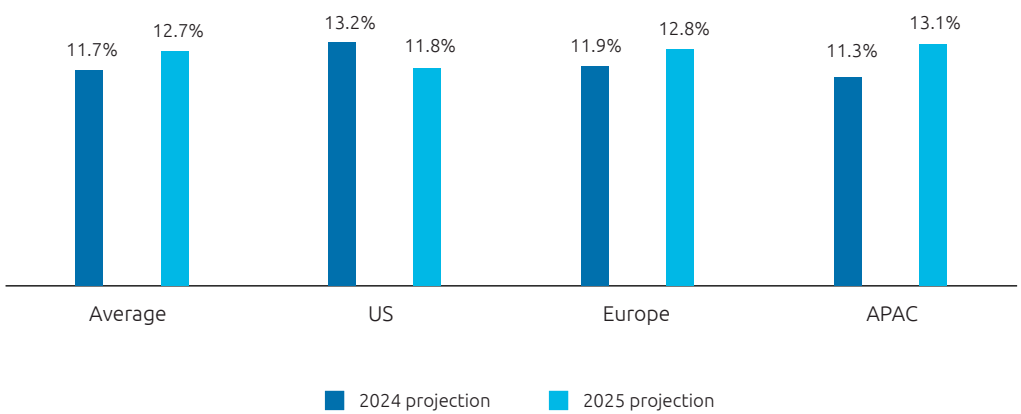
Customer experience (CX) is the area with the largest share of business leaders saying they will increase investments in 2025. In today's fast-paced and competitive market, customer expectations are higher than ever, leading 78% of organizations to invest in CX in 2025, up from 73% in 2024 (see figure 4). By prioritizing CX, organizations can build stronger, more meaningful relationships with their customers. Our research highlights that a slightly larger share of organizations from the automotive (82%) industry will increase their investments in 2025. Our previous CX and automotive research conducted in August 2024 highlights an average automaker invests nearly $110 million annually to improve CX. The "value at risk" (extra revenue from superior CX and revenue loss from poor CX) calculated in the research for automotive OEMs and dealers ($145-196 million per year) compares well with this investment. Purely from a return on investment perspective, automakers are recovering their investment in CX in less than a year.[39]

Average investment in customer experience will increase in 2025 compared to 2024 across all geographies

Among large organizations planning to increase CX investments, the average increase for 2025 is 12.7%, up from 11.7% in 2024. This trend is uniform across geographies except the US, where the investment increase is expected to slightly drop to 11.8% in 2025 from 13.2% in 2024 (see figure 12).

Figure 12.
Average investments in CX is expected to increase across all regions

Average increase expected in 2024 and 2025 among large organizations planning to increase customer experience investments



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 1,231 total business leaders from large organizations who expect to increase customer experience investments in 2025, N = 124, 560, and 391 business leaders from large organizations in the US, Europe, and APAC, respectively, who expect to increase customer experience investments in 2025; Capgemini Research Institute, *Global Investment Research* (Edition 2), November 2023, N = 1,427 total business leaders from large organizations who expect to increase customer experience investments in 2024, N = 129, 588, and 396 business leaders from large organizations in the US, Europe and APAC, respectively, who expect to increase customer experience investments in 2024.
* Data in the chart excludes mid-size organizations.

Engineering, R&D, and innovation is among the top investment priorities in 2025

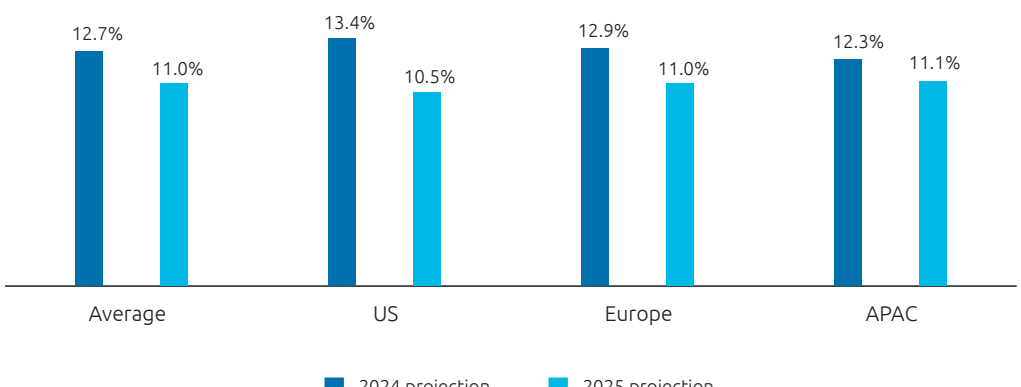
Engineering, R&D, and innovation follows customer experience as the priority with the second largest share of business leaders planning increased investments in 2025. Like in 2024, organizations are continuing to boost their engineering and R&D investments in 2025. Our research reveals that 74% of business leaders globally intend to increase their investments in engineering, R&D, and innovation in 2025, up from 67% in 2024 (see figure 4). The majority of business leaders across all sectors, notably industrial manufacturing (78%), life sciences and healthcare (76%), and automotive (75%) are planning to increase their engineering, R&D, and innovation investments in 2025. For example, Spanish utility company Iberdrola plans to double its R&D investments by 2030, with a goal of surpassing €4 billion over the next decade. These funds will mainly support projects in renewable energy, smart grids, digital transformation, and tailored solutions for consumers.[40]

The increase in investments in engineering, R&D, and innovation is expected to slow down

Among the 74% of business leaders planning to increase their engineering, R&D, and innovation investments in 2025, the average increase is expected to be 11% in 2025, lower than the 12.7% average in 2024 (see figure 13).

Figure 13.
The average increase in engineering, R&D, and innovation investment estimated for 2025 will be lower than in 2024

Average increase expected in 2024 and 2025 among large organizations planning to increase engineering, R&D, and innovation investments



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 1,167 total business leaders from large organizations who expect to increase engineering/R&D/ innovation investments in 2025, N = 114, 543, and 367 business leaders from large organizations in the US, Europe, and APAC, respectively, who expect to increase engineering/R&D/ innovation investments in 2025; Capgemini Research Institute, *Global Investment Research* (Edition 2), November 2023, N = 1,338 total business leaders from large organizations who expect to increase engineering/R&D/innovation investments in 2024, N = 128, 563, and 366 business leaders from large organizations in the US, Europe and APAC, respectively, who expect to increase engineering/R&D/innovation investments in 2024.
* Data in the chart excludes mid-size organizations.

Business leaders' 2024 predictions materialized – in certain areas

In 2024, global business leaders were optimistic about future growth, driving investment, in contrast with 2023's widespread "wait-and-watch" approach. Customer experience (CX), engineering and R&D, talent and skills, manufacturing/operations, and sustainability were forecasted to be key investment areas. Here's how it panned out in reality:

Global investments in clean tech and energy transition rose

- Investment in clean energy tech and infrastructure – including renewables, EVs, nuclear power, grids, storage, low-emission fuels, efficiency improvements, and heat pumps – is on track to reach $2 trillion globally for 2024, almost double the amount that has gone to fossil fuels.[41] In 2024, the IEA projected that EU spending would be $121 billion in low-emission electricity and $81 billion in grids and storage, among other areas.[42]
- The energy transition has been a focal point for the EU. In the first six months of 2024, around half of the EU's electricity came from renewable sources.[43] The US IRA continues to spur climate investment. As of September 5, 2024, the Biden Administration had allocated $61 billion from the IRA to climate programs (excluding loans, direct government spending, and tax credits), with an estimated $33 billion remaining. Three-quarters of this funding was made in 2024 alone, accelerated by the $27 billion to the Greenhouse Gas Reduction Fund (GGRF) in Q2 2024.[44]

Engineering/R&D investments have been substantial in 2024

- There is growing demand for industrial robots, industrial automation, and Industry 4.0 technologies. Additionally there is a growing interest for emerging technologies such as AI/machine learning (ML), IoT, augmented and virtual reality (AR/VR), as along with the need for specialized skills and expertise.[45] R&D investment globally is expected to be $2.53 trillion in 2024, an 8.3% increase on the 2022 forecast.[46] In addition, in 2024, industrial R&D has accounted for 39% of global R&D, and is typically the largest share of R&D in industrialized countries. In the US, for example, industrial R&D exceeds 75% of total R&D.[47]

While business leaders predicted increased manufacturing/production, talent and skills, and CX investment in 2024, these areas have experienced a less healthy investment atmosphere than anticipated.

Manufacturing/production saw sluggish growth in 2024

- Global manufacturing grew 1.8% during Q2 2023, but only 1% in Q2 2024.[48,49] Most higher-tech manufacturing industries, such as computers, motor vehicles, pharma, and chemicals, saw moderate growth in Q2 2024, while many lower-tech industries continued to face challenges.[50] Despite a sluggish environment, organizations continued to allocate resources to manufacturing and production, albeit often in different forms or on different scales than initially planned, indicating commitment to investment strategies.

CX faces challenges globally

- CX saw weaker-than-anticipated investment in 2024. In the US, Forrester's annual CX Index found that only 3% of organizations in 2024 are "customer-obsessed" (i.e., prioritizing the needs of their customers above all else).[51] According to Forrester's 2024 European Banking CX Index rankings, CX quality has dropped significantly in 2024. Regionally, the UK provides the highest-quality CX, with half of the top-10-ranking banks in Europe.[52] In Singapore, financial services customers overall rated their experiences as just "OK" in 2024.[53]

Talent and skills remained a public sector investment priority, but spending still fell

- Governments worldwide are addressing the global talent shortage. The European Commission is focusing on talent and skills growth. Along with member states, it has invested over €67 billion in skill development through cohesion funds (an EU fund that finances programs in shared responsibility between the Commission and member states).[54] In September, the US government awarded around $71 million in grants to expand access to jobs in critical sectors and train workers through the Biden administration's Investing in America agenda.[55]
- In the US, training expenditure decreased 3.7% to $98 billion in 2024. Additionally, organizations allocated an average of 13% of their training budgets to learning tools and technologies, down from 16% in 2023.[56,57] This shift reflects a broader trend of reducing overall training costs while sustaining investment in employee development, with a view to enhanced retention and growth. Rather than large-scale training programs, organizations have opted for more agile and strategic talent initiatives.

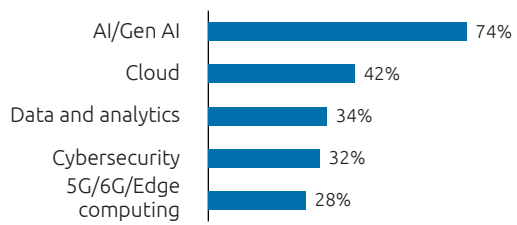
03 Increasing tech investment is a key priority, but the US-Europe gap will continue to hinder European competitiveness

Organizations are prioritizing AI investment

Nearly three-quarters (74%) of business leaders ranked AI and generative AI (Gen AI) in their top three technologies for investment in 2025. Four in 10 business leaders ranked cloud, and a third ranked data and analytics among their top three (see figure 12). On average, 72% of European business leaders will prioritize AI/Gen AI in 2025, compared with 81% of US business leaders. Tiago Jorge Candeias, Senior Director of Operational Planning at Infineon Technologies, a German semiconductor manufacturer, says: *"Currently, most new factories are fully automated, with systems handling all transactional events autonomously. This generates vast amounts of data and, consequently, we are making significant investments in data analytics and AI to optimize workflows, processes, and tasks."*[58]

Figure 14.
AI is the top technology investment area for 2025

The top five technologies that business leaders are prioritizing for investment in 2025 (% ranked in top 3 technologies out of 13 assessed)



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 2,500 business leaders.
*13 technologies were assessed in the survey, and the top five are listed in figure 12.

US organizations will outspend their European counterparts on tech in 2025

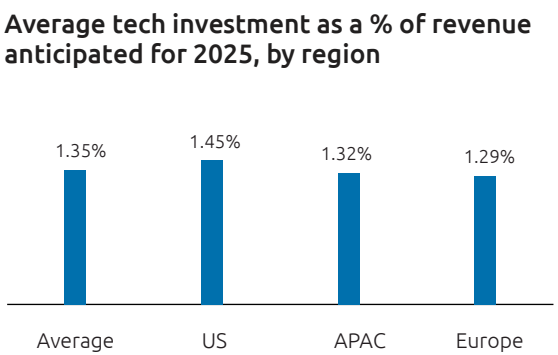
On average, according to our research, organizations worldwide will allocate 6% of their total annual revenues to overall IT/tech budgets including 1.35% to technology investments in 2025. This estimate is consistent with external benchmarks. According to the latest benchmarks published by analyst firms Gartner and IDC, IT spending as a percentage of annual revenues ranged between 4%[59] and 6%.[60]

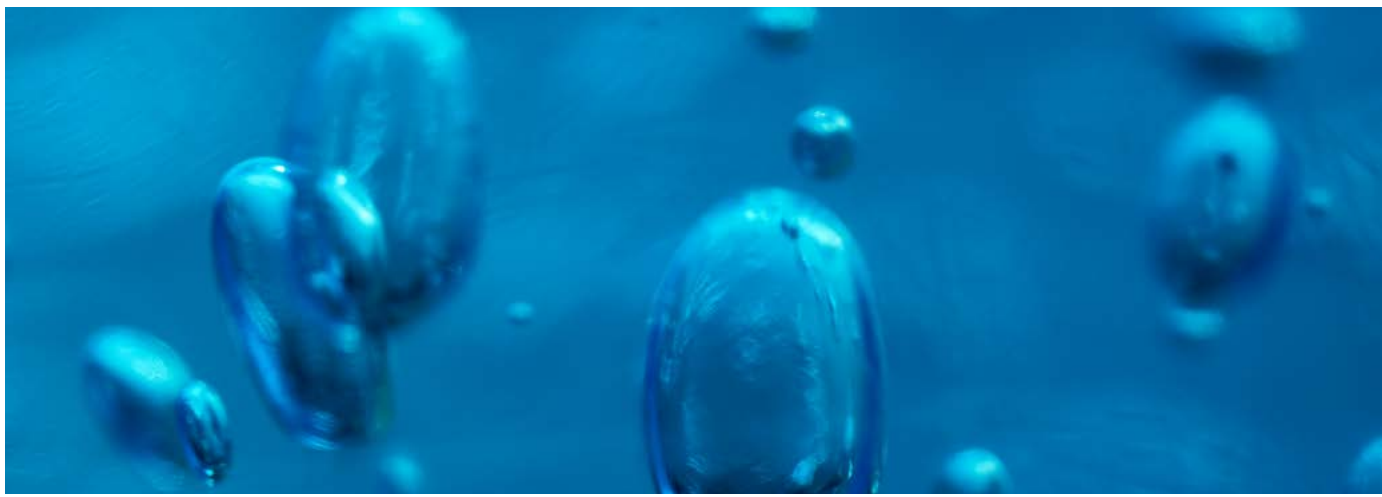
In our research:

- The overall IT/tech budget encompasses all running costs and fixed costs (e.g., salaries, rent, maintenance/operating of legacy systems) and all investments in technology across IT, engineering, and manufacturing/operations budgets.
- Technology investment is defined as investments made to acquire, develop, and adopt technology across IT, engineering, and manufacturing/operations budgets. It excludes running and fixed costs such as salaries, rent, and maintenance/operating of legacy systems.

On average, US organizations in our survey will invest 1.45% of their annual revenue in technology in 2025, outpacing both European and APAC organizations (see figure 15). Our estimate reveals an investment gap of $165 billion between the US and Europe. Jeremy Jurgens, Managing Director and Head of the WEF's Centre for the Fourth Industrial Revolution, shares: "The larger market size of the US provides significant advantages for scaling technology investments compared with Europe. Scaling technology across multiple smaller countries can be challenging, given the cultural differences, market fragmentation, and weaker investment environment."[61]

Figure 15.
Tech investment among US organizations is anticipated to outpace that among APAC and European organizations in 2025*





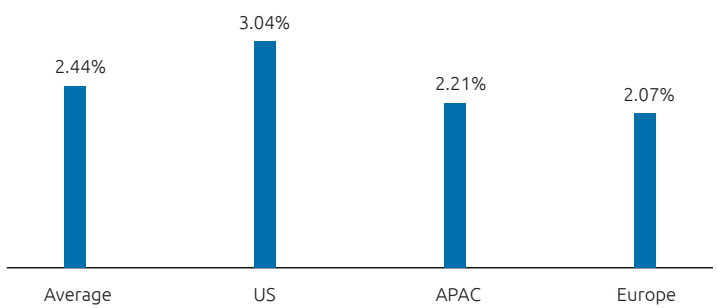
Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 207 US organizations; 1,184 European organizations; 650 APAC organizations. Europe includes organizations in Denmark, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland, and the UK. APAC includes organizations in Australia, China, India, Japan, and Singapore.
*Please note that tech investment as a share of revenue data point was calculated for both mid and large organizations separately. Then their shares were weighted based on mid and large organizations' contributions to the country or region's GDP. GDP contribution estimates were derived for the US from the US Bureau of Economic Statistics and for Europe from EuroStat, the European Statistical Office. For APAC, GDP contribution data was pulled from the Asia-Pacific Economic Cooperation and the Government of India's Ministry of Micro, Small and Medium Enterprises.
Assumptions in this calculation include: on average, large US organizations contribute 61% of US GDP and SMEs 39%. Large European organizations contribute 50% of European GDP and SMEs 50%. Large APAC organizations contribute 51% of APAC GDP and SMEs 49%. In this calculation, mid-size organizations are defined as having annual revenue of $10 million to $500 million and large organizations $1 billion or more.

The tech investment gap at mid-size organizations is even bigger

On average, mid-size US organizations in our survey will invest 3% of their annual revenue in technology in 2025, outpacing both European and APAC mid-size organizations (see figure 14).

Figure 16.
The US-Europe tech investment gap among mid-size organizations is anticipated to be even bigger for 2025*

Average tech investment as a % of revenue among mid-size organizations anticipated for 2025, by region



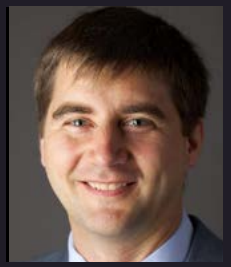
Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 47 US mid-size organizations; 295 European mid-size organizations; 158 APAC mid-size organizations. Europe includes organizations in Denmark, France, Germany, Italy, the Netherlands, Spain, Sweden, Switzerland, and the UK. APAC includes organizations in Australia, China, India, Japan, and Singapore.
*In this calculation, mid-size organizations are defined as having annual revenue of $10 million to $500 million and large organizations as having $1 billion or more.

The major drivers of the gap between the US and Europe are well documented in the European Commission's competitiveness report, as highlighted below. Our research suggests that this gap could be exacerbated in 2025, given the lower planned European tech investment.

- **Innovation and commercialization:** Europe trails the US in converting research and innovation into marketable products. Challenges include lower levels of investment in advanced technologies and limited integration between research institutions and innovation ecosystems (e.g., startups and venture capital).
- **Public and private investment gaps:** European organizations invest less in R&D relative to GDP compared with their US peers. Public funding for innovation is also comparatively low and often faces bureaucratic hurdles.
- **Brain drain:** A significant portion of European startups relocate their headquarters to the US, attracted by more supportive ecosystems for growth and innovation.

- **Regulatory barriers:** The EU's fragmented regulatory environment hinders business growth. Complex procedures for intellectual property (IP) rights, inconsistent digital regulation, and high compliance costs reduce competitiveness.
- **Scale of enterprises:** The EU's fragmented single market prevents organizations from scaling effectively. Smaller enterprise size reduces the ability to spread fixed costs associated with adopting new technologies, limiting competitiveness. For example, in 2023, 30% of large businesses in the EU had adopted AI, compared to only 7% of SMEs.
- **Focus on mature technologies:** While the US has driven innovation through investments in emerging technologies, Europe has concentrated on mature industries, limiting opportunities for disruption.[62]

A discussion with



Jeremy Jurgens
Managing Director and Head of the Centre for the Fourth Industrial Revolution at the World Economic Forum

How are geopolitics shaping global investment trends?

"The push for technological sovereignty is creating uncertainty, as complex global supply chains make true independence difficult to attain. These tensions affect cross-border investments, causing hesitation among organizations considering international ventures."

What do you make of the US/China-Europe tech gap?

"It's primarily due to differences in market size and economic conditions. The US benefits from a large population and high median income, enabling better scalability for technology investments. While China, with a similarly large market, provides a more conducive environment for tech organizations. In contrast, Europe's fragmented market hinders growth and limits competitiveness."

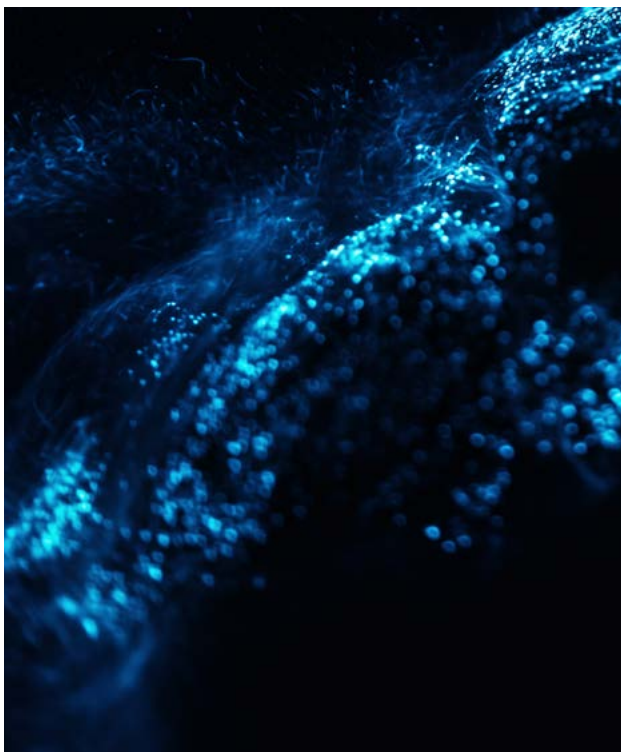
How can digital technologies and AI improve competitiveness?

"The COVID-19 pandemic highlighted the importance of digital infrastructure. Organizations with established systems like virtual private networks [VPNs] and mobile devices quickly adapted to remote work, while those lacking such infrastructures struggled. SMEs without adequate digital infrastructure were particularly vulnerable during this time. Organizations already advanced in digitalization are better positioned to harness AI, provided they have a strong data strategy. Without solid data foundations, AI adoption is unlikely to succeed, leaving unprepared organizations behind. Those that integrate Gen AI effectively into their operations can gain a significant competitive edge."

How do organizations stand to benefit from tech convergence?

"Technological advancements are branching into areas like ML, biotechnology, quantum computing, and semiconductors. This branching leads to exponential growth, driven by advances in computing power and algorithms. As these technologies evolve, they create new opportunities and synergies, compounding their impact across industries. Strategic investment in technology is essential for competitive advantage. Organizations focusing on data, automation, and technology development can reap significant rewards, particularly in sectors like consumer, healthcare, manufacturing, and retail, where data-driven customization is increasingly cost-effective and important."

Source: Capgemini Research Institute, Interview with Jeremy Jurgens, December 3, 2024.



Most business leaders do not believe they are making sufficient technology investments

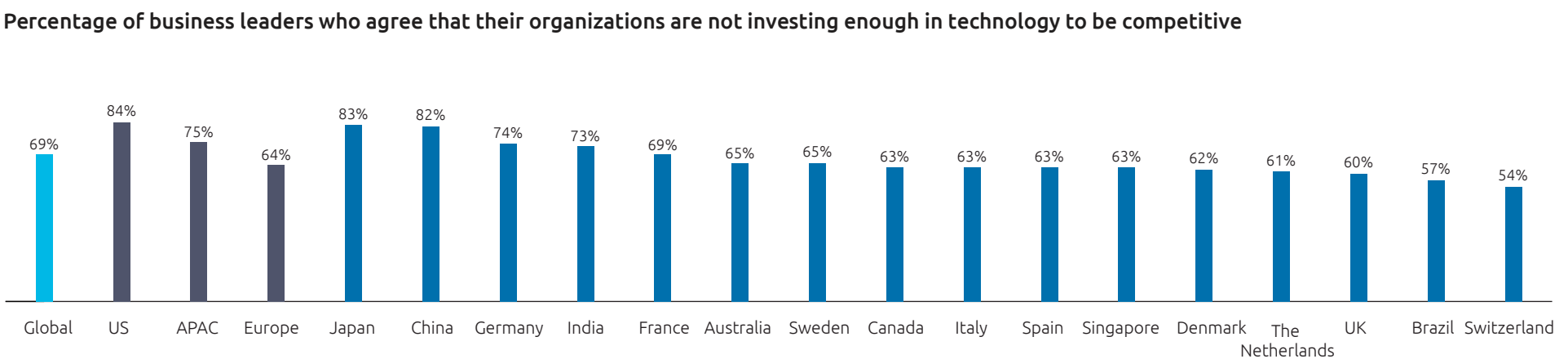
Globally, 69% of business leaders believe their organizations must invest more in tech to be competitive. This sentiment is echoed by 84% of US business leaders versus 64% of European executives (see figure 15). Jeremy Jurgens of the WEF says: *"The digital divide has been widening, with digitally savvy organizations gaining a competitive edge. Organizations already advanced in their digital journeys are better positioned to benefit from technologies like generative AI, as they can integrate it into their existing tools and processes."*[63]

Our research reveals low European tech investment levels compared with the US and a lack of awareness of the urgency to catch up among European industry. By industry, respondents from the telecom, media, and high-tech industries (81%) are more likely to say they are not investing enough in technology, and retail respondents (60%) are least likely to say so.

84%

of business leaders from the US believe they are not investing enough in technology to be competitive

Figure 17.
A greater share of US than European executives believe they are not investing enough in technology



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 2,500 business leaders.

The tech talent gap could hinder competitiveness

The IMF predicts the weakening of labor markets could impact the global growth projection for 2024 and 2025,[64] a sentiment shared by the business leaders we surveyed. In 2025, over half (64%) of business leaders from large organizations globally agree that scarcity of talent poses a risk to business growth in the next 12–18 months, compared to 59% in 2024. Additionally, 65% of business leaders from large organizations say that difficulty in retaining talent is a risk to growth in 2025 as compared to 61% in 2024.

The tech skills gap poses not only a risk to growth but also to competitiveness. Globally, 61% of business leaders agree that the lack of tech talent and skills severely hinders competitiveness. This share increases to three-quarters among US executives versus 57% among European business leaders (see Figure 16). By industry, respondents from the telecom, media, and high-tech and life sciences industries (71%) are more likely to say the tech gap hinders competitiveness and insurance respondents (51%) are least likely to say this. Laurence Montanari, VP of Transportation and Mobility at Dassault Systèmes, a French digital twin specialist, highlights: *"There is a shortage of new talent in the automotive industry. We need skills such as molecular chemists and systems engineers to develop the next generation of EVs, batteries, and mobility experiences."*[65]

75%

of business leaders from the US believe the tech gap is hindering their organization's competitiveness

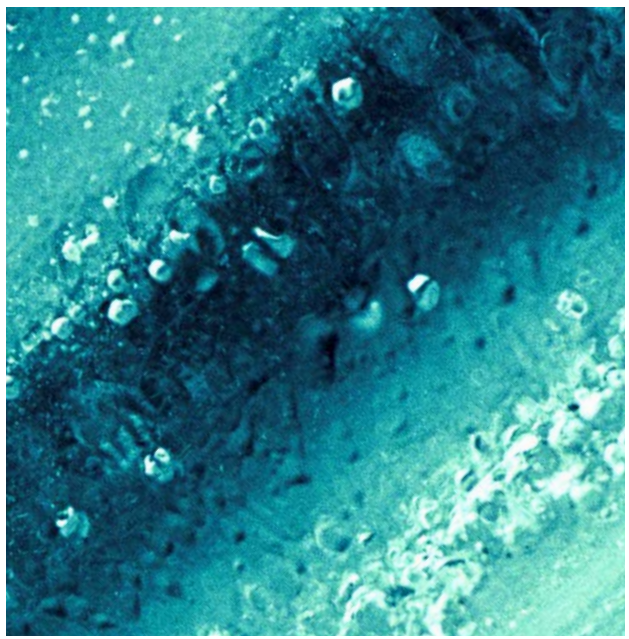
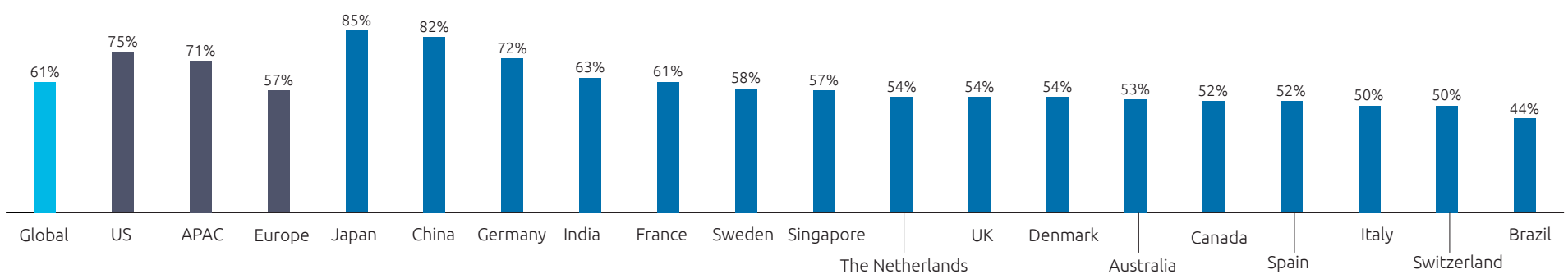


Figure 18.
A greater share of US than European business leaders say the tech gap is hindering their competitiveness



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 2,500 business leaders.

Converging technologies will drive business benefits

Technological advancement, combined with increased computational power and access, is enabling more complex integrations and applications. Tech convergence – the blending of distinct technologies into a unified system or platform to provide more extensive solutions – is likely to become a driver of technological benefits for most organizations. Convergent applications cut across many technology domains, from advanced materials and robotics to bioengineering, next-gen energy, AI, and quantum.

"The growth of different industries can be accelerated by layering branches of various technologies. This combinatorial approach harnesses advancements in each technology, creating a compound effect that drives progress. At the core of this is the idea of enhanced computation. Industries that rely heavily on data stand to gain the most from innovations in automation, customization, and more."

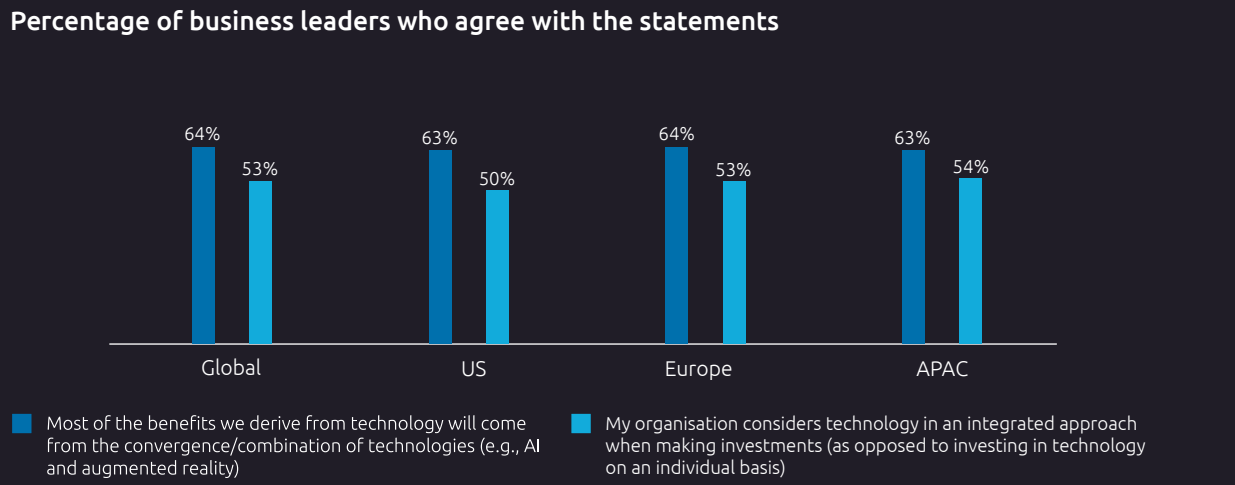
Jeremy Jurgens
Managing Director and Head of the WEF's Centre for the Fourth Industrial Revolution

The majority (64%) of business leaders globally agree that most of the benefits they will derive from technology will come from the convergence and/or combination of technologies. The sentiment is consistent across all regions. Slightly over half of business leaders globally and across all regions also say that their organization considers technology in an integrated approach when making investments, as opposed to investing in technology on an individual basis (see figure 17).

64%

of business leaders globally agree that most benefits from tech will come from the convergence of technologies

Figure 19.
Most business leaders view tech convergence as a primary driver of benefits and consider technology in an integrated manner when making investment decisions



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 2,500 business leaders globally, N=225, 1,275, and 700 business leaders from the US, Europe, and APAC respectively.

04 Tariffs and trade disputes could challenge the optimistic outlook

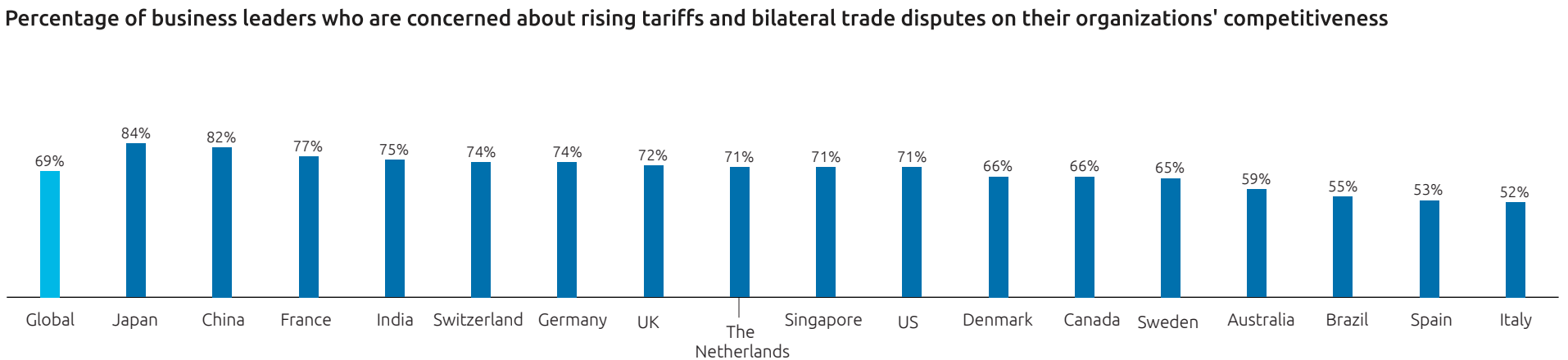
Business leaders are concerned about the impact of rising tariffs

The IMF concedes that the ratcheting up of trade protections could impact global growth projections for 2024 and 2025.[66] Therefore, both tariffs and trade policy uncertainty are downside risks to global forecasts.[67] Globally, 70% of business leaders surveyed in November 2024 share this view. Notably, nearly seven in 10 are also concerned about the long-term impact of rising tariffs and bilateral trade disputes on their organizations' ability to compete globally (see figure 18). This concern is consistent across countries and industries.

Jacqueline Gelb, President of American Truck Dealers, says: *"The truck industry is already experiencing record-high vehicle costs for zero-emission trucks. Levying tariffs on batteries, where currently there is no commercially available US-based battery-cell manufacturer, will result in higher vehicle purchase prices and put more inflationary pressure on our industry and supply chain."*[68]

Lucas Keh, Third Bridge Semiconductor Analyst, adds: *"The biggest questions are: whether the US fab capacity and supply chain outside of China can ramp up adequately in 2024-early 2025 to meet the industry demand that China [used to meet]; what the inflationary impact on consumers will be; and how this could stagnate the semiconductor and EV industries."*[69]

Figure 20.
Close to 70% of executives across countries are concerned about the impact of rising tariffs and bilateral trade disputes on their organization's competitiveness

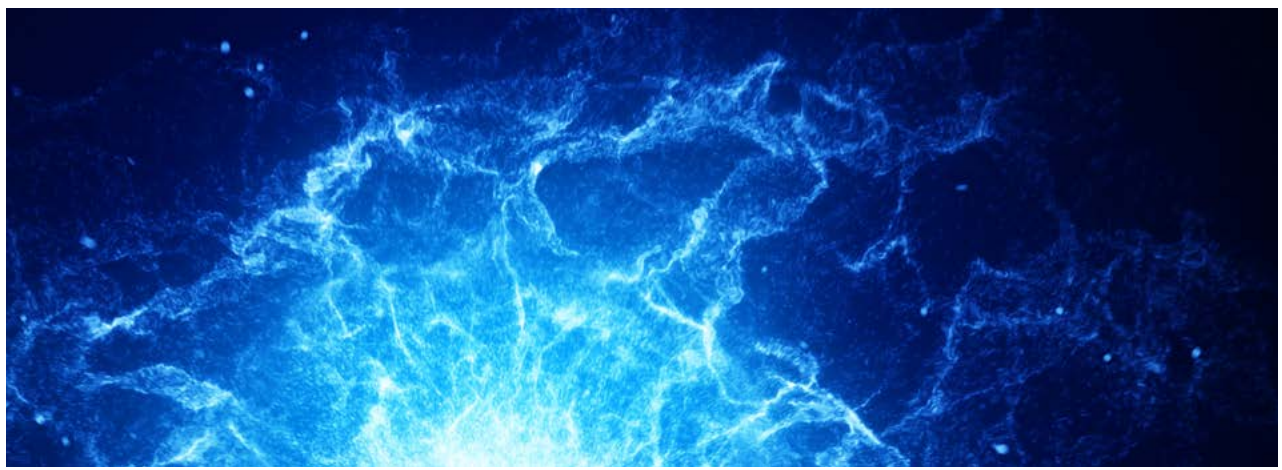


Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 2,500 business leaders.

Business leaders are worried about the risk of a global trade war

Many business leaders are also concerned about the impact of a potential global trade war on their organizations' operations and market access. This sentiment is echoed across countries, with 80% of business leaders in France and 77% in Germany concerned. In contrast, 53% of business leaders in China and Japan say the same (see figure 19). A global trade war is also a concern across industries.

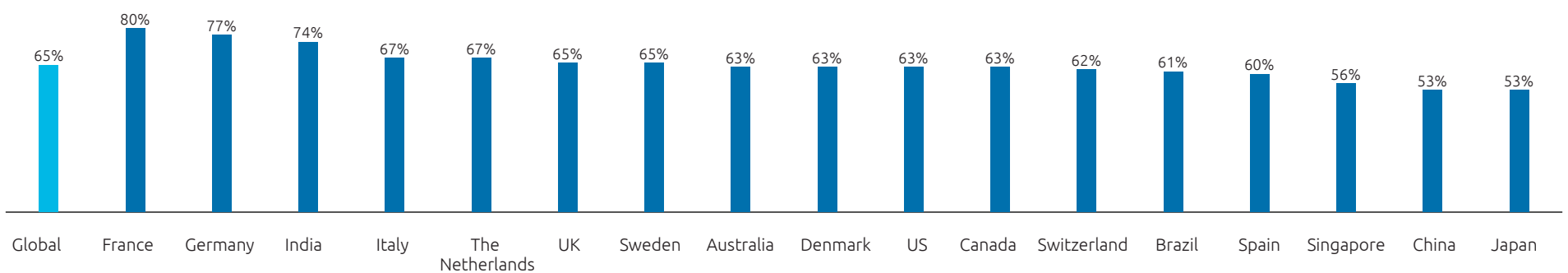
Jeremy Jurgens explains: *"The pursuit of technological sovereignty by countries like the US and China could lead to a chilling effect on cross-border investment. Organizations might become skeptical about investing in certain markets in anticipation of increased political tension."*[70] Trade disputes have already disrupted global supply chains, resulting in higher prices and market volatility. The IMF projects that rising trade restrictions could diminish global economic output by as much as $7.4 trillion.[71]



65%

of business leaders globally are concerned about the impact of a potential global trade war

Figure 21.
Business leaders across countries are concerned about the impact of a potential global trade war on their organizations



Source: Capgemini Research Institute, *Global Investment Research* (Edition 3), November 2024, N = 2,500 business leaders.

Recommendations for CEOs and their leadership teams

As we look to 2025, organizations face a critical inflection point in navigating uncertainty with resilience and confidence. CEOs need to maintain a forward-looking approach to turn economic uncertainty into an opportunity for growth and innovation. This means tightening the focus to **build resilient, sustainable, technology-driven organizations.** CEOs should act decisively to build resilient, adaptive enterprises that can not only weather volatility but thrive in shaping a more innovative, sustainable, and inclusive global economy.

Practically speaking, to prepare for the lack of predictability, scenario planning must be conducted to create forecasts for various economic conditions. Preparing for a range of outcomes that result from interest rate shifts, geopolitical events, increased tariffs, or supply chain disruptions will allow CEOs and their leadership teams to react and pivot quickly.

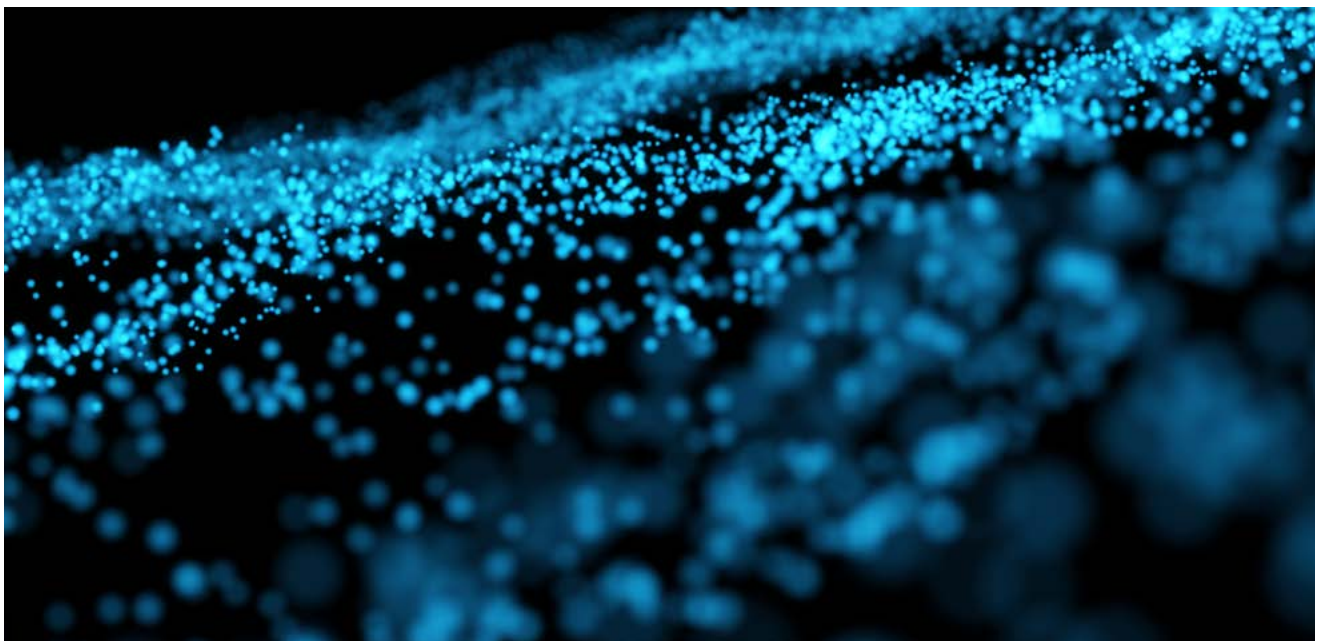
- **Business leaders should sharpen their focus on sustainability as a business value driver**
  There is a consensus among executives that the benefits of sustainability initiatives outweigh the costs. CEOs will have to articulate the potential for sustainability investments to drive innovation and create business value across their enterprise, from operations to manufacturing, to products and services to technology and people. The value in setting sustainability goals lies not only in compliance but in driving growth and resilience. Accurate measurement and reporting supports this value creation and accelerates sustainability goals as data is required to demonstrate tangible outcomes. Sustainability reporting can no longer be regarded solely as the purview of the CFO; it is a complex business imperative that requires broad collaboration across the organization.

- **Business leaders need to anticipate and prepare for regulatory changes and geopolitical uncertainties that may affect sustainability investments**
  Sustainability remains geopolitically and politically sensitive. Some governments are implementing stricter regulations and ambitious goals to address the climate emergency, while in other nations regulations are being challenged and/or targets are changing. Business leaders should track regulatory developments and analyze geopolitical and climate changes to build a robust regulatory intelligence program. Integrating this intelligence into decision-making ensures better compliance. As our recent sustainability research revealed, geopolitics is slowing sustainability investments, so leaders should assess geopolitical risks before starting sustainability projects and emphasize domestic manufacturing to shorten supply chains and reduce emissions. Diversifying supply chains to avoid risk exposure from relying on a single source and maintaining an open dialogue with regulators can help mitigate risks and stay informed about industrial developments.

- **Business leaders should focus on building resilient and agile next-gen supply chains**
  CEOs will have to build resilience into their supply chains and optimize operations to improve competitiveness and productivity, reduce costs, and gain efficiencies. Regardless of intent to de-risk or diversify supply chains, every CEO should undertake a strategic evaluation of geopolitical factors affecting their business outlook. For example, it is crucial for organizations to consider market access and political relationships between countries, country stability and security, and trade policies and tariffs. Our previous research on reindustrialization revealed that more executives recognize the impact of geopolitics on their business and acknowledge globalization is not the only path to growth.[72] Indeed, bringing manufacturing and production closer to the domestic market can have sustainability, cost, and resilience benefits. A key challenge CEOs must address is the need to launch reshoring, nearshoring, or friendshoring initiatives while maintaining existing supply chains and supporting their transformation, without negatively impacting products and customers. To enhance supply chain agility, CEOs should adopt technologies that enable real-time data sharing and enhance decision-making, with flexibility and scalability as core KPIs.

- **Business leaders should focus on developing a strong partner ecosystem to support nearshoring and/or friendshoring strategies**
  Nearshoring or friendshoring can disrupt supply chains, involving complex logistics and high costs like new supplier relationships and re-establishing local supply chains, and adapting inventory management practices. CEOs should focus on collaboration across industries, which can share resources and solutions, including nearby suppliers. Expanding this collaborative ecosystem to include not only domestic suppliers but also those in close proximity can prove advantageous. Partnerships help access raw materials, securing positions in the value chain for critical products like batteries, semiconductors, and medicines. The shift to advanced manufacturing, especially in circular business models, requires new value chains and continuous collaboration with regulators and governments to sustain and expand local economies.

- **Business leaders should place their technology bets wisely to accelerate their digital transformation and tech investment**
  The US-Europe tech gap is most significant among mid-size organizations. European middle market CEOs should harness data and digital technologies such as AI, digital twin, cloud, and IoT to boost innovation. Investing more in technology is critical to accelerate Europe's digital transformation and enhance its competitiveness as concluded in the recent Draghi and ERT reports.[72] In addition, to enhance domestic manufacturing or "friend-shored" production capabilities, organizations should embrace these technologies and cultivate strategic partnerships with technology providers. Additionally, focusing on upskilling and hiring key skills, such as supply chain management, data analytics, digital twin, AI/ML, cloud computing, and robotics, is crucial. European middle market CEOs should also prioritize investment in climate tech solutions that can help reduce emissions, optimize resources, and enhance resilience. Examples of climate tech include renewable energy, carbon storage, biofuels, low-carbon hydrogen, and engineering biology.



Research methodology

We carried out extensive research to understand the global economic climate and its impact on the investment landscape. We surveyed 2,500 business leaders across 2,500 organizations across 17 countries in North America, Europe, and Asia-Pacific and nine industries and sectors: automotive, consumer products, banking and capital markets, insurance, retail, life sciences, telecom, media, and high-tech, manufacturing, and energy and utilities. Across the total 2025 sample, 70% of respondents are from organizations with more than $1 billion in annual revenue and 30% are mid-size organizations with $100 million to $1 billion in annual revenue.

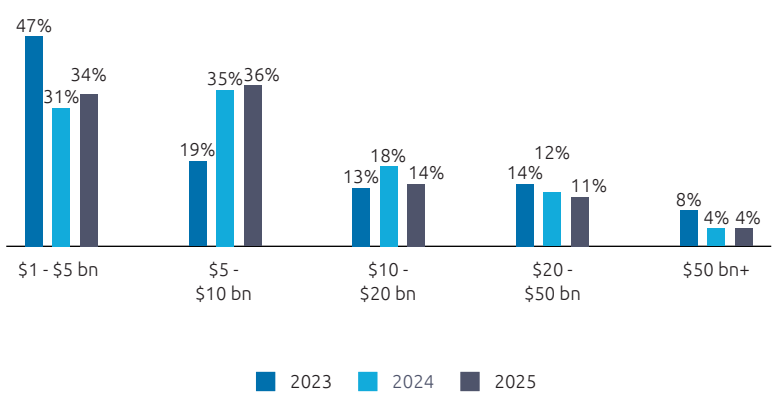
We surveyed business leaders at director level and above from various functions, including general management/ strategy, finance and risk, IT/ technology/digital, supply chain, sustainability, manufacturing/production/operations, and HR. The executives who participated in the survey were responsible for/highly aware of their organization's investment plans and priorities.

The global survey was divided into two sections. Fifty percent of the sample (n=1,250) was retrieved prior to the US elections from October 23 to November 4, 2024, after which data collection was paused. The remaining 50% of the sample (n=1,250) was collected after the US elections, from November 6 to November 20, 2024. The distribution of respondents and their organizations is provided in the following charts.

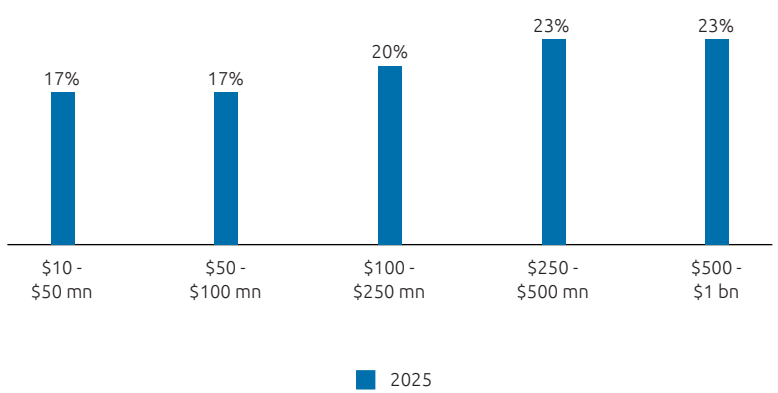
The study findings reflect the views of the respondents to our online questionnaire for this research and are aimed at providing directional guidance. Please contact one of the Capgemini experts listed at the end of the report to discuss specific implications.

*Note: For any chart in this report that compares three years of data points, only respondents from organizations with more than $1 billion in revenue are considered in the 2025 data, as mid-size organizations were not surveyed in 2023 or 2024. In addition, for these charts, the 2025 sample excludes respondents from Denmark and Switzerland, as they did not participate in the 2023 or 2024 surveys; in these analyses, N = 1,577 business leaders.

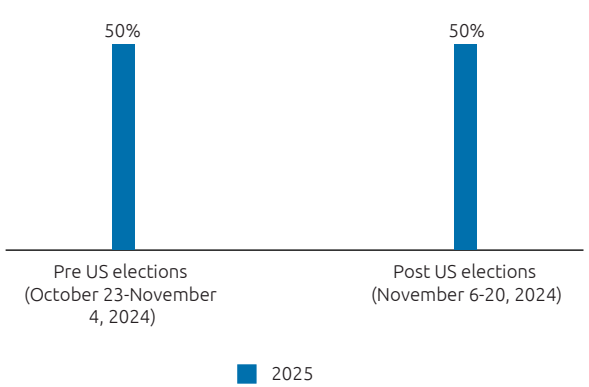
% of large organizations by revenue, in USD



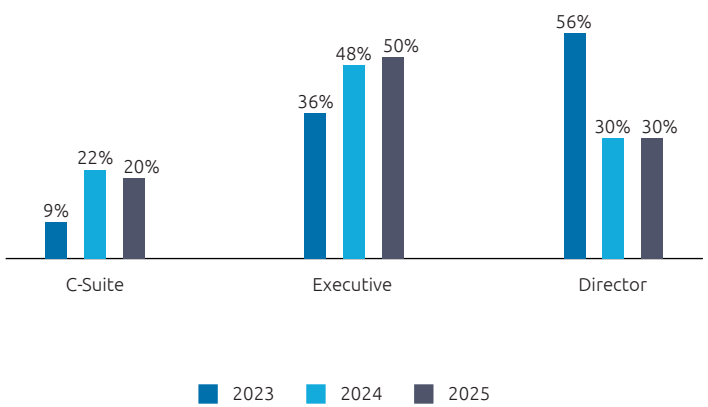
% of mid-sized organizations by revenue, in USD



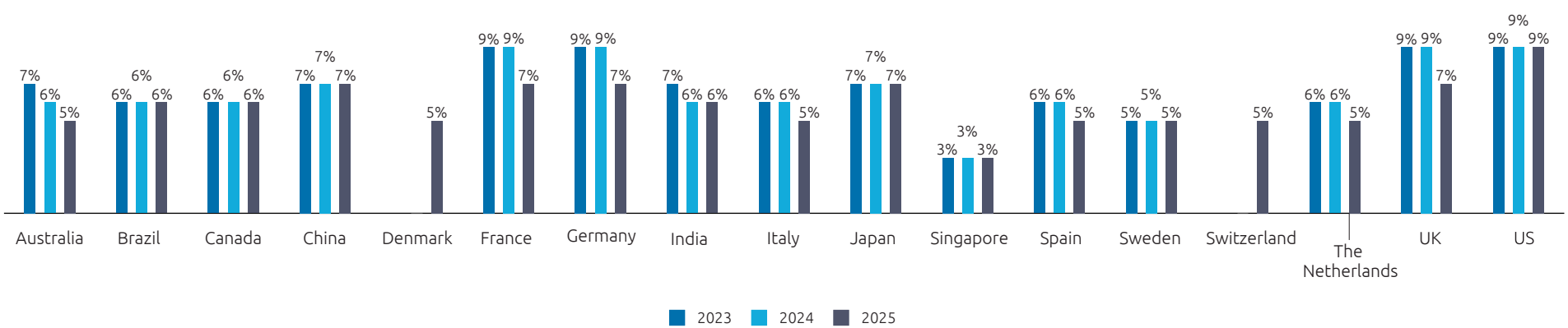
% of organizations surveyed pre and post the US election



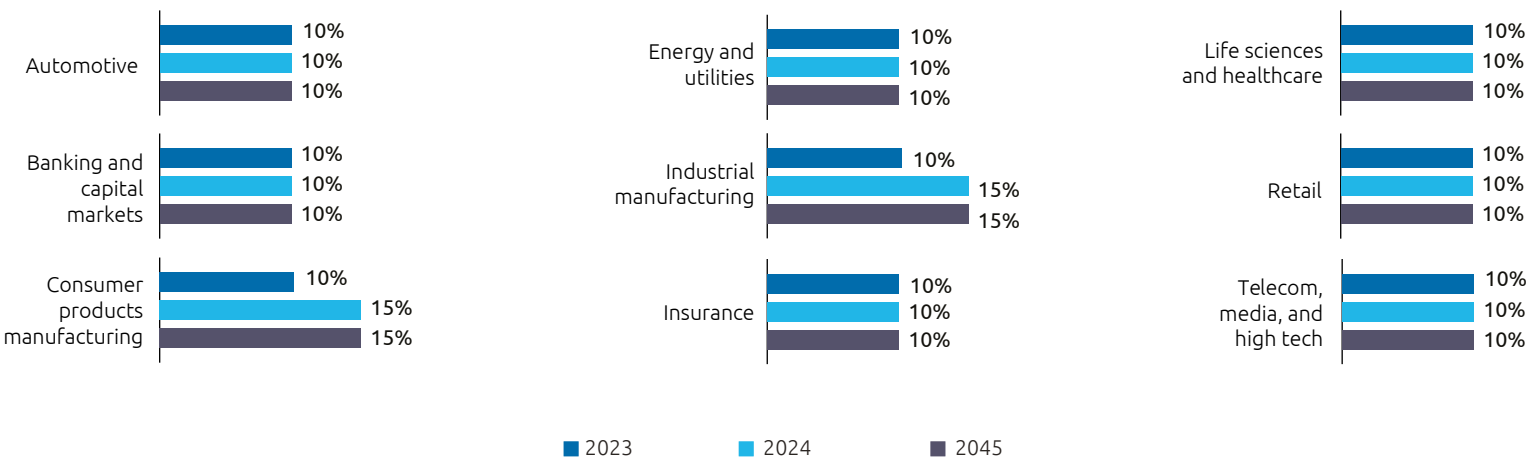
% of business leaders by job title



% of business leaders by country

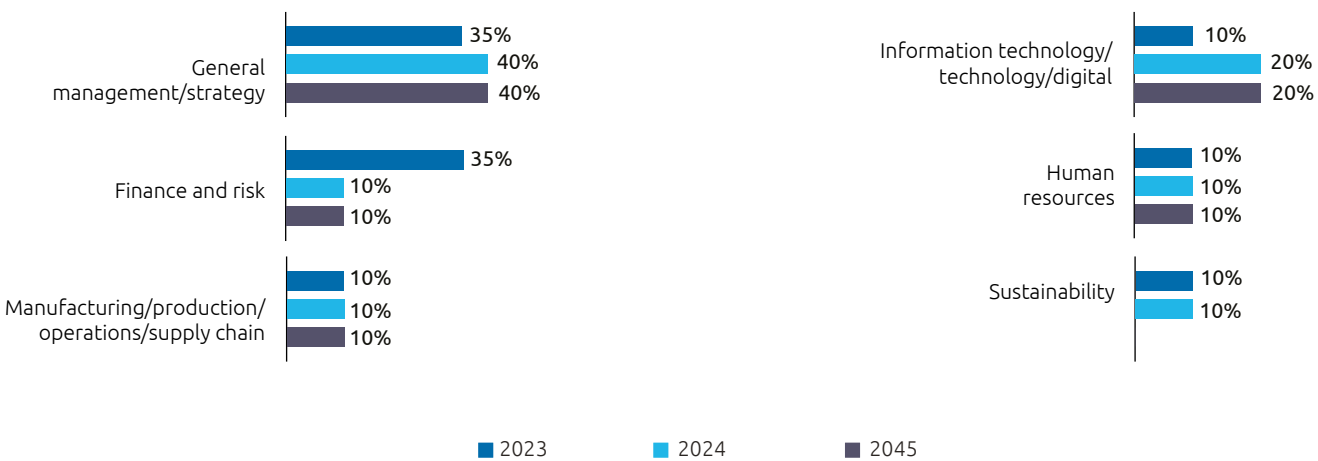


% of business leaders by industry



Source: Capgemini Research Institute, Global Investment Research (Edition 3), November 2024, N = 2,500 business leaders; 1,750 large organizations; 750 mid-size organizations; Global Investment Research (Edition 2), November 2023, N = 2,000 business leaders; Capgemini Research Institute, Global Investment Research (Edition 1), November 2022, N = 2,000 business leaders.

% of business leaders by function



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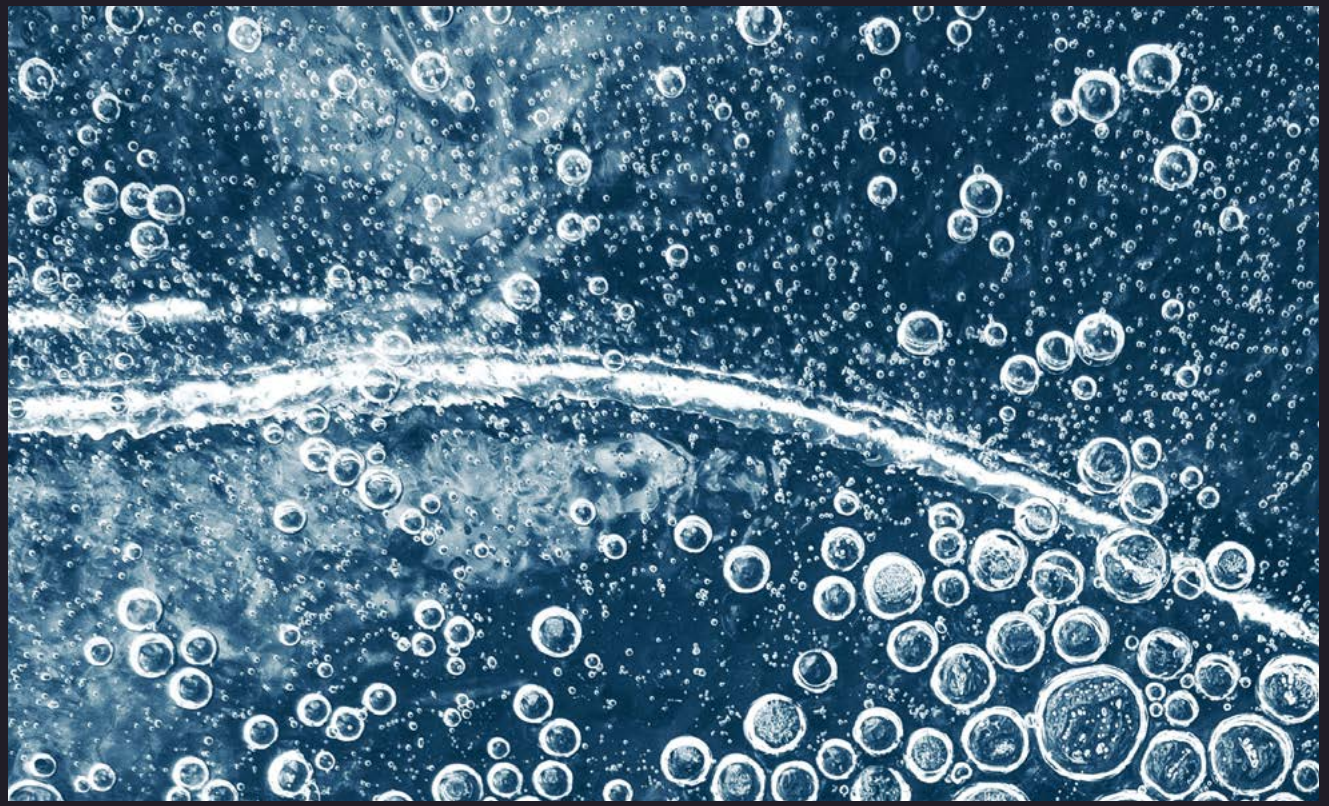

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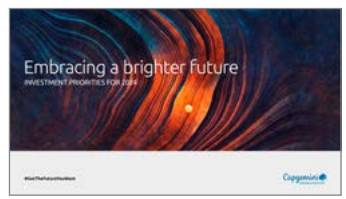

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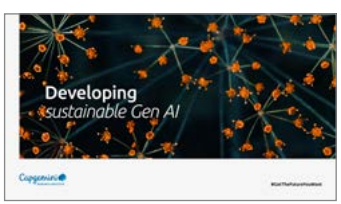

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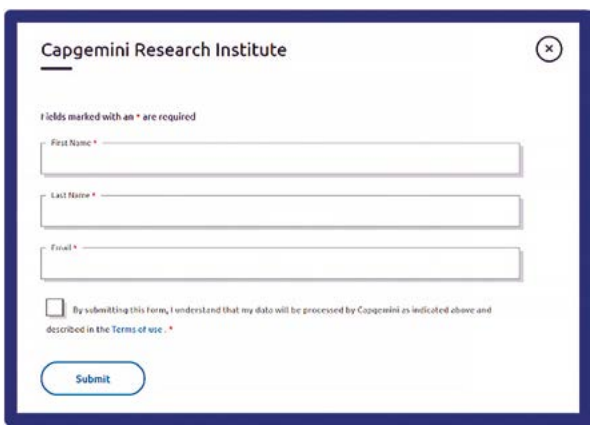

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