



Industrial Footprint Thought Leadership: Article 1/5

HOW TO DESIGN INDUSTRIAL FOOTPRINT IN AN UNPREDICTABLE WORLD



This is the first article in our series, “A blueprint for footprint” on the key facets of industrial footprint optimization.

INTRODUCTION

Industrial companies are facing increasing economic and trade uncertainties, making footprint optimization not just a good-to-have strategy but a matter of immediate priority.

The growing frequency of “black swan events” in recent years – characterized by their unpredictability and potential for significant negative impact – highlights the need for organizations to rethink the way they design and manage their industrial footprints.

Heightened geopolitical risks, shifting trade policies and economic uncertainty are at the top of the list of challenges industrial companies are facing in 2026. These factors are likely to impact costs, potentially disrupt supply chains, drive price and demand volatility and necessitate relocation of manufacturing plants and processes.

According to the International Monetary Fund’s latest report, global growth is expected to slow in 2026, with downside risks dominating the outlook. Global activity faces a “major test” from the outbreak of war in the Middle East, following trade tensions and elevated uncertainty in 2025, it noted.¹

These challenges will also impact the ongoing trend of deindustrialization in Europe, where companies in historical strongholds of industrial production have been relocating operations to regions with lower costs and more favorable regulatory conditions.

As organizations face a more fragmented landscape, fast-moving political developments and reduced visibility on disruptions, footprint optimization must take centerstage in strategic planning.

But transformation cannot take place in isolation. A siloed approach is likely to yield only incremental benefits at best, and at worst, may even worsen vulnerabilities.

We understand the importance of building agility, resilience and sustainability into all aspects of industrial footprint strategy.

At A&M, we understand the importance of building agility, resilience and sustainability into all aspects of industrial footprint strategy. In our series, we will explore the benefits of integrating operational, tax, compliance and valuation considerations into footprint transformation in the current industrial landscape.

This first article aims to provide a broad overview of the common challenges industrial companies face today, outline key considerations they must address across all areas of business and illustrate with an example how an integrated approach can maximize benefits.



¹ <https://www.imf.org/en/publications/weo/issues/2026/04/14/world-economic-outlook-april-2026>

Striking the right balance between global and local is now the biggest challenge in footprint optimization.

COMMON PITFALLS AND CHALLENGES

Industrial companies with operations in multiple countries must be prepared to address a wide range of challenges to manage risks and maximize value. If cost and efficiency were previously the primary objectives, evolving trade measures and countermeasures are making it necessary for companies to also factor in risk exposure, agility and flexibility.

The main challenges of footprint optimization can be broadly grouped into the following categories:



Global vs local presence:

Striking the right balance between global and local is now the biggest challenge in footprint optimization. Until recently, going global allowed companies to produce in low-cost countries and avail of rock-bottom shipping rates, achieving significant cost benefits. In the new tariff regime, companies must reconsider their footprint to find land, infrastructure, skilled employees and the right business support environment closer home, while still often competing in international markets with rivals with a low-cost homebase.



Business case execution risks:

These include failure to assess tax impact of asset transfers (moving raw materials across borders, for example), non-compliance with country-specific labor laws and overlooking indirect costs such as increased logistics costs after site consolidation.



Operational complexity:

Overlooking interdependencies between business functions, failure to anticipate all the steps necessary for transfer or purchase of assets, insufficient contingency buffers or investment in R&D can all introduce additional costs or delays in delivery or production.



Supply-chain consequences:

Tariffs may lead to routing inefficiencies as companies seek to avoid duties or require more stock of tariff-affected goods, adding to logistics and customs issues. Ignoring sustainable practices, fair treatment of employees and other ESG considerations could lead to supply shortages in case of single-source supplies.



Operational changes during a business transformation project can lead to significant tax implications.

KEY AREAS OF CONSIDERATION

For effective optimization of industrial footprint strategy, companies must focus on all aspects of the value chain, integrating not just industrial transformation considerations, but also compliance, tax and financial modelling and valuation of assets.

We will briefly examine these aspects, before diving deeper into each business consideration in subsequent articles:



Industrial transformation:

From an operational perspective, this transformation involves redesigning manufacturing and supply-chain footprints to achieve cost efficiencies and improve margins while aligning with longer-term strategy and market goals. Streamlining footprint involves all aspects from sales to engineering, procurement, supply chain and operations. It includes moves such as site consolidation, FTE reductions, automation and nearshoring/farshoring decisions. Robust change management and early-stage planning to ensure operational resilience are key to success.



Tax considerations:

Operational changes during a business transformation project can lead to significant tax implications, particularly where tangible and intangible assets, business risks, and profit potentials are shifted along the value chain. These impacts must be managed at an early stage, with careful planning and analysis of complex tax considerations including transfer pricing strategies, indirect tax obligations and customs duties. While relocation of facilities and intangible assets to low-cost countries could unlock tax incentives, it may also expose businesses to substantial exit taxation risks if not managed carefully. Proactive tax planning not only helps in avoiding potential pitfalls but also enhances the efficiency and profitability of cross-border operations.



Valuation and financial modelling considerations:

Commercial and operational options must be assessed in detail to enable comparison of different asset/product configurations to the status quo. This requires constructing a financial model that can evaluate incremental and holistic financial impacts to contextualize scenarios and strategic options. Scenarios are assessed based on a Net Present Value (NPV) logic and supporting KPI analysis. Finally, strategic value is assigned to each scenario by considering capital market requirements. This structured approach enables transparency and consistency in financial and feasibility evaluation and provides leadership with necessary data on value impact to enable decision making.



Compliance considerations:

Companies with a dispersed industrial footprint will face significant compliance challenges within their operations across different countries, cultures and legal frameworks. Employing a risk-based approach and proportionate procedures (to the previously identified risks) is imperative to focus effort and resources for maximum impact. When it comes to business relationships with third parties, early and consistently applied compliance measures are key, along with ongoing monitoring for effectiveness. Leveraging technology enables broader and more efficient coverage of risks. Compliance oversight is a critical responsibility of the management board and members must possess both insights into the company's overall compliance risk profile as well as solid knowledge of regulatory obligations.



Company X has over 20 manufacturing and assembly sites across Europe, North America and Asia.

AN INTEGRATED APPROACH TO FOOTPRINT OPTIMIZATION: AN ILLUSTRATIVE EXAMPLE

To best illustrate the benefits of taking an integrated approach to footprint optimization, let us examine the various challenges of a sample industrial company and key areas of strategic focus for maximum impact:

Company description: X is a German-headquartered advanced manufacturing company that makes automotive, industrial and aerospace components². It has over 20 manufacturing and assembly sites across Europe, North America and Asia. It has grown through acquisitions, creating a fragmented operational footprint with redundancies across multiple countries.

Main challenges:

1

Operations & Site Selection:

Overlapping facilities in Germany, France and Italy, underutilized sites in Eastern Europe with potential for expansion

2

Tax Optimization & Regulatory Considerations:

High corporate tax and labor costs in core locations, complex international tax structures following acquisitions and potential opportunities in tax-efficient jurisdictions

3

Organization Redesign & Cost Reduction:

Headcount-heavy in high-cost countries, potential to offshore functions to lower-cost locations and requires centralization and back-office function consolidation

4

Sustainability & ESG Compliance:

Pressure to reduce carbon footprint, impact of regulations on supply-chain strategy with potential for nearshoring options to align on sustainability goals

5

Acquisitions & Strategic Growth:

Looking to divest non-core assets acquired through past M&A deals, carveout potential in low-margin business units

²Hypothetical company for illustrative purposes of this article

A HOLISTIC APPROACH TO STRATEGY SUPPORT

Company X needs a holistic footprint rationalization strategy that aligns operations, tax efficiency, sustainability goals and organizational structure while maintaining supply chain resilience. To carry out successful footprint optimization, the company must focus on the following strategic areas of focus:

- Designing an optimal global manufacturing and distribution network
- Evaluating consolidation, offshoring, and nearshoring scenarios
- Design a legal entity structure suitable to effectively meet operational business requirements
- Implementing a cost-effective organizational model
- Managing workforce transitions and change management

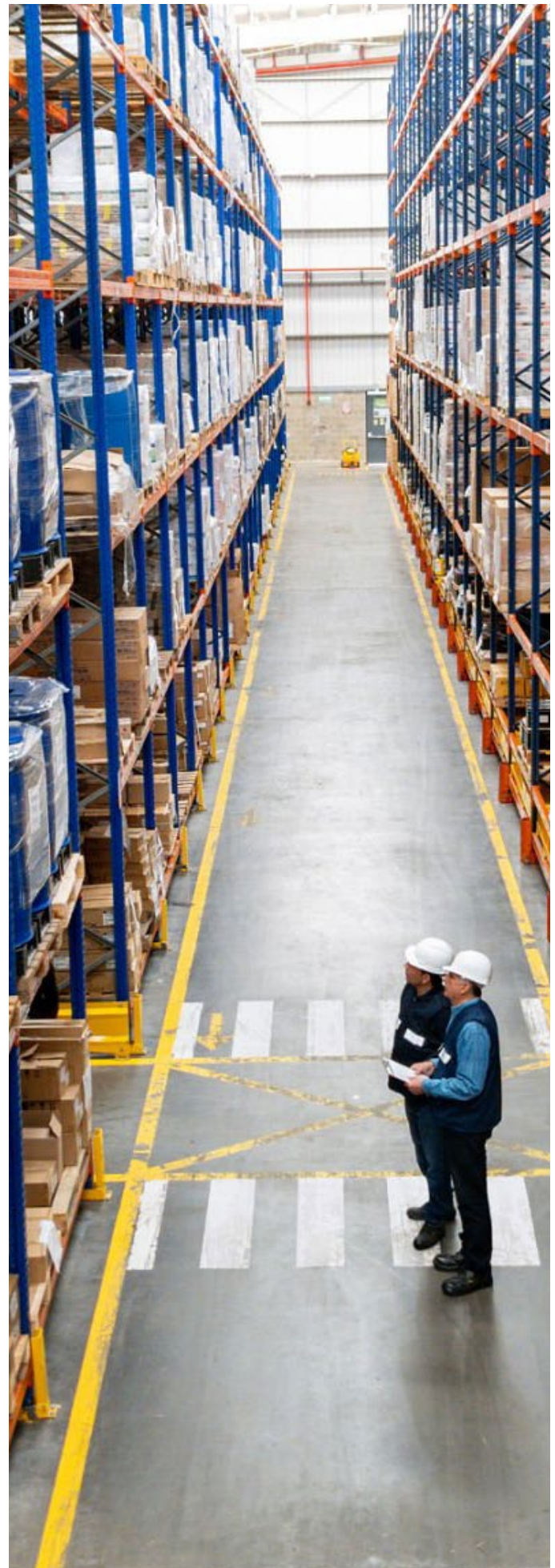
A&M is well-positioned to deliver a successful footprint outcome by focusing on the above areas to resolve challenges that arise during the transformation process.

HOW A&M CAN HELP

A&M's expertise in footprint optimization is part of a full-service advisory offering from a multifunctional team with deep industry expertise, rich operational heritage and practical hands-on experience.

A&M's integrated approach spans the entire industrial footprint transformation lifecycle, identifying key challenges in business cases and implementation plans, successfully handling complexities inherent in the process maximizing financial impact. Our offerings include:

- Industrial footprint diagnostics and network design, including make-versus-buy, site role definition, capacity optimization
- Scenario modelling and business case development across critical dimensions like operations, tax, compliance and valuation
- Site selection and greenfield / brownfield strategy, from location screening through implementation readiness
- Legal entity, tax and customs structuring in support of adapted operating models
- Operational carve-outs, site closures and post-merger footprint integration
- Program governance, PMO and hands-on execution support that enable delivery of targeted results





CONCLUSION

In the current era of heightened trade and geopolitical risks as well as economic uncertainty, industrial footprint transformation is a strategic imperative. Organizations that take a proactive, integrated approach to redesigning their operational footprints will be better positioned to weather economic shocks, respond to market shifts, and build long-term competitive advantage.

In the next article in our series, we will break down the key considerations of footprint optimization from an industrial perspective.

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