



KPMG Managed Services


Industry snapshot: industrial manufacturing

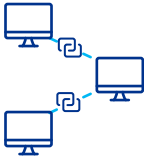


Fewer than four in ten industrial manufacturing CEOs expect growth of more than 2.5 percent over the next three years. Facing extraordinary costs in labor and materials, along with pressure to become more digital and data-driven, many are responding with cost-effective operating models that can evolve at the speed of their business and support continual transformation. Companies are finding these models in managed services.

The information below provides a snapshot of recent KPMG research findings, followed by considerations for taking action.


Trends and challenges.


**Digital transformation**



Digitization and connectivity are industrial CEOs' **No.1** operational priority for achieving growth targets¹.

Only **62%** of industrial manufacturers are confident their existing tech will enable them to meet growth objectives².





54% say security concerns or regulatory obligations are a top trigger for digital transformation².

**Cyber threats**



Nearly half of industrial control system professionals say their companies lack adequate cybersecurity for operational technology³.



70% of industrial executives say cybersecurity is one of their top three risk management concerns⁴.



39% of industrial executives say a shortage of cyber personnel and expertise are top barriers to reducing the attack surface of control systems³.



75% of auto executives say cybersecurity and data privacy are top consumer priorities for car purchases in the next five years⁵.

**Regulatory compliance**



43% of chief compliance officers in industrial manufacturing say new regulatory requirements are their top challenge for the next two years⁶.



36% say industry-specific regulations are their top area for improvement in the next two years, while **39%** cite cybersecurity and information protection⁶.

¹Source: KPMG Global Industrial Manufacturing CEO Outlook | ²Source: 2023 KPMG US Technology Survey Report | ³Source: The (CS)2AI-KPMG Control System Cybersecurity Annual Report 2024
⁴Source: KPMG generative AI survey report, KPMG in the US, 2023 | ⁵Source: KPMG Global Automotive Executive Survey | ⁶Source: KPMG 2023 Chief Ethics & Compliance Officer Survey, KPMG in the US



Many industrial manufacturers are using managed services to help address these challenges.



70%

About of industrial manufacturing organizations say they have implemented managed services, either in a business function or at scale across the enterprise, for:



Cybersecurity



Compliance



Data management

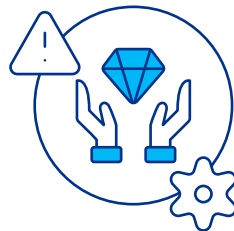


Industry-specific core operations



88%

say their companies use managed services for new endeavors, such as standing up a GenAI center of excellence.



Many industrial manufacturing executives say risk is the area where managed services deliver the

greatest value.



Managed services are evolving from transactional to transformational.

93%

of industrial manufacturing executives see modern managed services as the delivery of key processes on an **outcome-based, as-a-service subscription**, in contrast to more piecemeal or transactional outsourcing.



As managed services rise in strategic value, nearly **half** of industrial manufacturing leaders say the decision is made by the board or C-level leaders.



About **95%** of manufacturing leaders say a managed service is not truly a managed service unless it has **embedded domain expertise** — industry, process, and technology — to support ongoing transformation.

85%

say that a managed service must also include:



Advisory capabilities



Strategic collaboration



Combination of advanced tech and human capabilities



Taking action: Use managed services to achieve value and sustainable operating costs

01 Improve cost and other outcomes

Managed services have the potential to reduce total cost of operations by as much as 15 to 45 percent, without prohibitive upfront investments. And that's just the beginning. Leading providers go beyond cost savings to also address outcomes such as agility, stakeholder trust, innovation, customer retention, and operational resilience — all on a multi-year subscription. As-a-service solutions have predictable costs, any-shore delivery, and the option to flex up or down to meet changing priorities.

02 Solve the cyber skills gap

With the ongoing convergence of information technology (IT) and operational technology (OT), the attack surface is expanding. How can you stay ahead of cyber threats despite a shortage of cyber staff and expertise? One way is with managed detection and response (MDR) that's customized for industrial manufacturing. In this managed service, leading providers integrate IT and OT into a single pane of glass for continual monitoring, identification, and remediation of threats.

03 Keep up with regulatory change

From data privacy to financial crime, regulations can change quickly. Are you able to rapidly evolve your compliance processes to meet complex new requirements around the world? To improve compliance while earning the trust of regulators and investors, consider managed services. The best providers automate processes to sustainably increase speed and accuracy while reducing cost, monitoring real-time compliance risk, and using compliance data to support your environmental, social and governance (ESG) posture.

04 Reduce burdens on your supply base

Another issue in regulatory compliance is the way that manufacturing organizations collect compliance information from suppliers — often by inundating them with data requests from legal, warranty, quality engineering, and other departments. Instead, consider working with a managed services provider to automate and streamline these requests, creating a new process for coordinated visibility on supply-chain compliance. This process can expedite compliance reporting, while improving your relationship with suppliers.

05 Choose a multidisciplinary provider

No matter what kind of managed services you're exploring, it's wise to engage a provider with multidisciplinary expertise in industrial manufacturing processes — from strategy to implementation to ongoing value. Leading providers help you rethink your approach, modernize your data foundation, tap advanced technology, and design nimble operating models that continue to evolve. The right provider can help you achieve sustained transformation — and sustained advantage.

Learn more about
[KPMG Managed Services](#)

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