

Value chain management during times of operating model disruption

In today's rapidly evolving economic and geopolitical landscape, organizations are increasingly challenged by a range of operating model disruptors. KPMG LLP (KPMG) is well positioned to assist companies with operating model assessments to help ensure company-specific operating models are still fit for purpose from an income tax, trade and customs, and transfer pricing perspective given today's environment.

Why now is the time to act:

- Pace of change – The speed of disruption is outpacing legacy models.
- Economic pressures – Margin compression and cost volatility demand more agile, efficient operations.
- Stakeholders – Their expectations demand it.

Operating model disruptors

In today's economic environment, companies are facing operating model disruptors driven by:

Geopolitical tensions and trade policies 	Strategic shoring – Reshoring and localization trends 	Digital transformation across the value chain 
• Geopolitical tensions and evolving trade policies are significantly impacting companies by increasing tariffs, disrupting cross-border supply chains, and compelling firms to reassess sourcing strategies and manufacturing footprints to mitigate risk and maintain competitiveness.	• Strategic shoring—whether reshoring, nearshoring, or friendshoring—is enabling companies to reduce geopolitical risk, improve supply chain resilience, and enhance responsiveness to local market demands, though often at the cost of higher labor and infrastructure expenses.	• Digital and data transformation is reshaping companies by enabling real-time decision-making, enhancing customer personalization, and driving operational efficiency through advanced analytics, AI, and cloud-based platforms.

Digital transformation

Digital transformation continues to be one of the most significant mega-trends across industries. Leading companies leverage it to accelerate development, enhance customer experience, increase sales, reduce costs, increase efficiency, and deliver new products. The digital revolution is changing value creation at the company level and shifting the competitive landscape in many industries. Digital transformation touches nearly every aspect of the business including:



Product development



sourcing



Inventory Management



Connected Devices



Smart Factories



People and Asset Management



Digital Marketing



Commerce (B2C, B2B, B2B2C)



Regulatory Compliance



IP Protection and Management



Companies should emphasize supply chain agility over cost as they plan to de-risk their supply chains

Supply chain resiliency 	Strategic nearshoring 	Resiliency versus cost payoff 
- With volatility at an all time high, it is critical for supply chain leaders to rethink how to best shock-proof their supply chains. - The most pressing challenges for supply chain performance is to be navigating geopolitical risk, hitting sustainability targets, and remaining agile.	- With the dynamic nature of today's world, traditional fragile supply chains are not acceptable for businesses. - Strategic nearshoring of supply chains is a leading strategy to mitigate many of the concerns that supply chain leaders have. Proximity to market is the leading driver for nearshoring especially in the electric vehicle and semiconductor spaces.	- Research suggests that when leaders face a trade-off between cost and agility, cost is more likely to emerge as the favorite. - With the rising need of resilience, it is becoming more crucial to invest in long-term agility efforts than to seek out short-term cost savings, with companies that choose the latter facing supply chain inefficiencies down the road.

Strategically reshaping supply chains will enhance resiliency in the long term



Businesses that are embracing strategic shoring are better able to respond swiftly to changes and protect their operations from global volatility—securing a competitive advantage

- Continually challenge and reassess** the factors and assumptions driving supply chain decisions. Strike the right balance between cost efficiency, supply chain flexibility and sustainability.
- Harness the power of data and analytics** to gain an accurate picture of supply and demand and the variables that create risk. Ensure your strategic shoring strategies are aligned with your business objectives and adaptable to changing business needs.
- Consider tax planning** at the outset of your supply chain decisions. A well-considered tax strategy can make the difference between success and costly missteps.
- Forge strong relationships** with your partners, suppliers and wider stakeholders. Early support can be crucial in identifying and mitigating vulnerabilities. Local insights are invaluable.

Success in shifting global dynamics hinges on flexibility and agility. Proximity in the supply chain is key to responsiveness.

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How can KPMG help via operating model assessments?

The KPMG operating model assessments are designed to help organizations evaluate whether their current operating model meets the requirements of today's changing business landscape. Considering recent legislative updates, ongoing geopolitical developments, digital advancements, and shifts in supply chain strategies, companies are increasingly required to ensure that their operating model supports strategic objectives and compliance. KPMG professionals review organizational structures and processes to identify areas for improvement in fields such as income tax, trade, and transfer pricing. A report is provided outlining suggested improvements across short-, medium-, and long-term periods, supporting teams in addressing immediate operational issues and developing plans for sustained growth.

KPMG operating model assessments aim to provide organizations with information and a structured approach for responding to ongoing disruptions in the business environment.

Some or all of the services described herein may not be permissible for KPMG audit clients and their affiliates or related entities.

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