

LÜNENDONK

Lünendonk®-Study 2026

Industry Performance

From process optimization to transformation –
approaches for German industry

A study by Lünendonk & Hossenfelder in cooperation with



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Management Summary

THE EFFICIENCY AGENDA IS NOT YET COMPLETE

More than half of the surveyed companies still see further cost reduction and efficiency gains as necessary.



THE PILOT PARADOX IS REAL

AI is mainly having an operational impact – but it is only moderately measurable and is hardly being scaled.

57 %

HAVE NO SINGLE PRODUCTIVE USE CASE

5 BARRIERS TO AI SCALING

AI scaling depends on the system



TODAY, THE PROBLEM IS NOT THE IDEA OR THE USE CASE, BUT THE ABILITY TO IMPLEMENT.

Source: Lünendonk® Industry Performance 2026 Study

TOP-3 GROWTH DRIVERS FOR THE NEXT 3 YEARS



PRESSURES ON PRODUCTION PROCESSES ARE STRUCTURAL



RESILIENCE IS STILL BEING APPROACHED IN A CLASSIC WAY

Two thirds of companies rely on supplier diversification – while only 24 percent use digital management tools. The data-driven real-time model remains a vision of the future for now.

THE TARGET PICTURE FOR GERMANY AS A BUSINESS LOCATION IS AMBIVALENT

The majority are maintaining or expanding capacities – but the signals of withdrawal are increasing, especially among corporations.



Introduction

German industry stands at a strategic tipping point in 2026. What was long described as a “temporary crisis” has evolved into a persistent state of tension: high energy prices, ongoing cost pressure, geopolitical disruptions, and weakening demand in key markets are confronting an industry that must simultaneously invest, modernize, and grow. As a result, many companies have spent the past several years systematically improving their efficiency, achieving tangible gains in processes and organizational structures. Yet critical questions remain: Are these achievements sufficient to support the next phase of transformation, or have companies primarily focused on stabilization rather than true reinvention? And after years of cost-cutting programs, when will growth and liquidity initiatives take center stage?

This is precisely where the present Lünendonk® Industry Performance Study comes in. It examines which measures have genuinely shaped companies’ operational performance in recent years, where the most significant levers for efficiency and growth are identified today, and which factors continue to hinder successful implementation in practice.

Initial findings point to a pattern that many executives will recognize from their day-to-day experience: the industry has launched numerous initiatives, yet their impact is not always clearly measurable. This is particularly evident in the fields of digitalization and artificial intelligence, where strategic importance does not automatically translate into operational value creation. At the same time, priorities are shifting. Alongside traditional process optimization, topics such as productivity, scalability, supply chain resilience, and organizational execution capabilities are moving increasingly to the forefront.

The study also deliberately examines differences based on company size. Transformation pathways are shaped not only by ambition but also by available resources, organizational complexity, and the structure of value chains. While large corporations are often able to pursue multiple initiatives in parallel, upper mid-sized companies face a greater need to prioritize, resulting in distinct investment and implementation approaches.

The findings provide a clear picture of where industry stands today: which approaches are already delivering results, which expectations have yet to translate into measurable impact, and which levers will determine competitiveness in the years ahead. One conclusion is particularly clear: the decisive question is no longer whether companies will transform, but how consistently they can scale effective measures across their operations, supply chains, and organizations.

Complementing the main study, the study partners EFESO, H&Z, Ingenics, KPMG, and Roland Berger explore selected topics from their practical consulting perspectives. Their contributions provide context for key challenges, highlight successful implementation examples, and offer insights into proven transformation patterns and emerging obstacles.

Methodology

The findings of the Lünendonk® Industry Performance 2026 Study are based on a primary survey of 80 decision-makers from manufacturing companies in Germany, Austria, and Switzerland. Data collection was conducted between February and April 2026 through structured, guideline-based interviews. This approach combines the advantages of standardized comparability across responses with the ability to systematically capture context, explanations, and practical perspectives from participating companies.

The research focused on the following key topics:

- Efficiency programs implemented in recent years and their perceived impact
- The current state of the performance agenda (cost and efficiency pressure versus growth orientation)
- Key levers for growth and performance improvement in the years ahead
- Artificial intelligence and digitalization in manufacturing (impact, maturity, scaling, and barriers to adoption)
- Supply chain management and resilience (sources of disruption, prioritized initiatives, and governance approaches)
- Organization and capabilities (skills gaps, governance structures, and execution capacity)
- Germany as a manufacturing location (assessment, decision-making criteria, and areas for action)
- Future outlook (expectations, strategic priorities, and critical decisions for the years ahead)

Depending on the nature of each question, the results are presented as relative frequency distributions, including questions allowing for multiple responses. Where appropriate, the analysis is further segmented by company size to highlight differences between upper mid-sized enterprises and large corporations, thereby providing deeper insights into varying transformation priorities, investment patterns, and implementation approaches.

Profile of the surveyed companies



Fig. 1: Profile of the surveyed companies

Source: Lünendonk® Industry Performance 2026 Study



The Current State of German Industry – What have Efficiency Programs Achieved?

Steadily rising energy prices, weakening demand from key sales markets, and persistently high labor cost growth have placed German industry under considerable pressure over the past three to five years. In addition, there are structural competitive disadvantages and a geopolitical environment that fundamentally calls established business models into question. The result: many companies have systematically scrutinized their operational structures and initiated a far-reaching efficiency drive.

Process optimization and lean management are clearly at the top with 80 percent

Process Optimization Dominates – Digitalization Still No Guaranteed Success

When asked which measures have had the greatest impact on their company over the past three to five years, the response from executives in industrial companies is unequivocal: process optimization and lean management clearly top the list, with 80 percent of respondents citing them. Lean principles have long been part of the standard toolkit in German industry. In times of tight investment budgets and strong pressure on results, they deliver rapidly measurable cost savings and thereby reduce the pressure to act, even if their long-term impact remains limited.

Process optimization was the defining measure for cost reduction and efficiency improvement – digitalization is still not a given

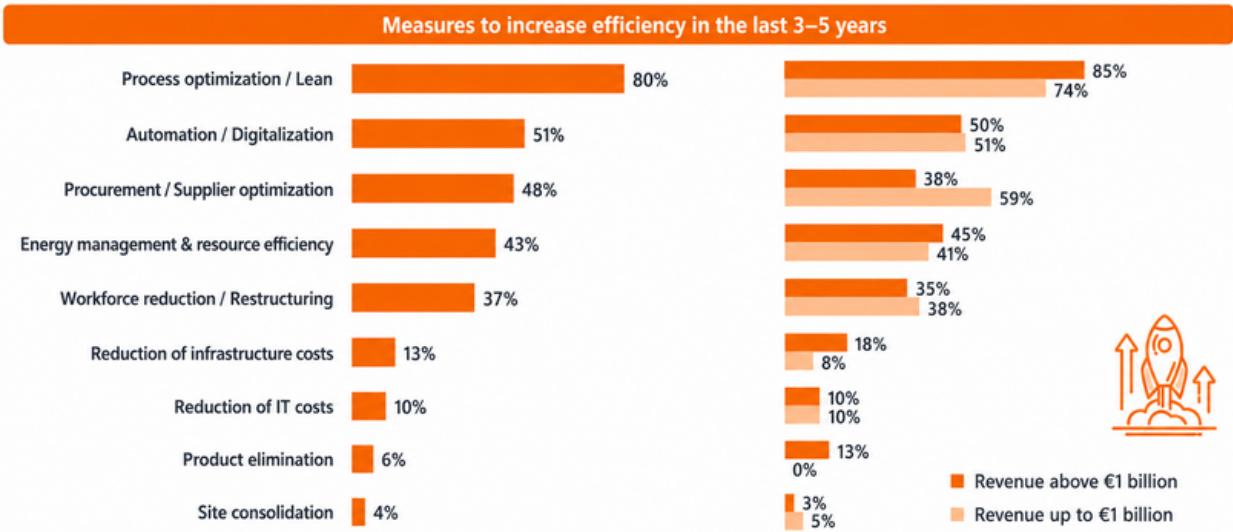


Fig. 2: Which measures to increase efficiency and reduce costs have had the strongest impact on your company over the last 3–5 years?; multiple answers; relative frequency distribution; all companies; n = 79

Source: Lünendonk® Industry Performance 2026 Study



One of the study's most significant findings concerns the role of automation and digitalization. A total of 51 percent of respondents identified this as one of the most influential levers for improving performance, making it the second-highest ranked measure overall.

However, the other side of the picture is equally important: nearly half of the companies surveyed have not yet implemented digitalization initiatives systematically. Given the extensive public discussion surrounding Industry 4.0 and connected manufacturing, this is a sobering result. It suggests that while digitalization is widely recognized and addressed as a relevant performance lever, it has not yet become a consistently established standard practice across large parts of the industrial sector.

The gap between ambition and execution therefore remains substantial. This should not be interpreted as a fundamental rejection of digitalization, but rather as evidence of varying levels of maturity and implementation depth among companies.

Almost half of the respondents also identified procurement and supplier optimization as a key driver of performance improvements. This reflects the structurally high share of material costs in manufacturing industries. Companies that focus on procurement can often achieve significant savings relatively quickly and without the need for extensive organizational restructuring.

Meanwhile, 37 percent of respondents cited workforce reductions and restructuring measures as having had a significant impact on performance. This indicates that a considerable proportion of companies have gone beyond operational optimization and implemented structural changes. The findings show that many efficiency programs were not limited to improving existing processes and cost structures but also involved fundamental decisions regarding organizational structures and capacity adjustments. This highlights the substantial pressure companies have faced in recent years. In addition to process improvements and cost-reduction initiatives, many organizations have resorted to deeper structural interventions to safeguard their competitiveness and operational performance in the short term.

Different Priorities by Company Size

Structural differences between upper mid-sized companies and large corporations can be observed in their choice of measures, extending beyond mere size effects. Particularly striking is the gap in procurement and supplier optimization: while 59% of mid-sized companies identified this lever as a defining element of their transformation efforts, only 38% of large corporations did so. In the mid-market segment, procurement represents a particularly critical lever due to structurally higher material cost pressure and a stronger dependence on key suppliers.

The difference is even more pronounced with regard to product elimination. None of the surveyed mid-sized companies identified this instrument as a defining measure, whereas 13% of large corporations pursued a systematic portfolio rationalization strategy. Many mid-sized firms define themselves through the breadth of their product offerings and long-established customer relationships. Portfolio rationalization therefore tends to conflict more frequently with their entrepreneurial identity.

In contrast, the adoption of automation and digitalization is remarkably consistent across both groups: mid-sized companies and corporations report rates of 50% and 51%, respectively. This finding is insightful in its ambivalence. On the one hand, it demonstrates that digitalization as an efficiency-enhancing instrument is by no means exclusive to large corporations. On the other hand, it suggests that, despite their greater resources, corporations have not achieved a substantial advantage in the field of digitalization.

Efficiency Gains, Yes – Transformational Impact, No

The impact of the implemented programs is generally positive, albeit with notable limitations. Four out of five surveyed companies report measurable improvements in their operational performance. However, only 3% describe the impact as very strong, while the majority rate it as either strong or moderate. The programs have generated tangible efficiency gains, yet only rarely have they produced a truly transformative effect.

This suggests that many measures are most effective in areas where improvements are clearly definable, capable of delivering results in the short term, and readily integrated into existing processes. At the same time, the findings indicate that the improvements achieved are primarily stabilizing in nature. While they significantly enhance performance and efficiency, they only partially alter the underlying structures and organizational dynamics of the firm.

The pattern is even more striking among large corporations: nearly a quarter of companies with revenues exceeding €1 billion report only limited effects. The structural complexity of large organizations makes it more difficult to implement and sustain efficiency programs effectively. Heterogeneous IT landscapes, silo mentalities, and the high level of coordination required across locations and business units slow down implementation and cannot be adequately addressed through traditional lean programs alone.

The efficiency agenda is not yet complete

As positive as the overall assessment of the effectiveness of the measures may be, the strategic situation is not yet one in which the industry can comfortably shift its focus to growth. More than half of respondents still see a need for further cost reductions and efficiency improvements. Only 24 percent report that their strategic focus has already clearly shifted towards growth. Just one in five say that the existing potential has largely been exhausted.

Overall, the findings point to a state of being “between agendas.” Many industrial companies have operationally addressed the acute challenges of recent years, yet the pressure remains sufficiently high for efficiency to continue to be perceived as an ongoing task rather than a completed program. As a result, growth is viewed less as a freely available strategic option and more as an objective that can only be pursued consistently once the operational foundation is sufficiently stable and predictable.

The efficiency programs of recent years have strengthened the operational resilience of German industrial companies, yet they have not generated the structural relief required to support a sustained strategic shift toward growth. The industry has made progress, but it has not undergone fundamental transformation.

Strategic Actions for Growth and Performance

While the efficiency agenda pursued to date has stabilized the operational foundations of German industry, it has done little to create the strategic flexibility required for a consistent growth-oriented trajectory. Today, companies are expected to grow despite persistent margin pressure, structurally elevated cost levels, and still-weak demand in key customer markets. In this environment, growth is driven not by volume, but by differentiation.

Growth Priorities for the Next Three Years

When asked which three levers will be most important for corporate growth over the next three years, a clear picture emerges. New market segments and customer groups rank first, cited by 58% of all respondents. Closely following are the scaling of digitalization and artificial intelligence, as well as new products and innovations, each identified as a key growth driver by around 46% of companies. Strategic partnerships, collaborations, and acquisitions rank fourth, with 34% of respondents considering them important. The expansion into new markets and geographic regions is cited by nearly one-third of companies.

New market segments and customer groups rank first, accounting for 58 % of all mentions.

Company growth should be driven in particular by new markets, new customers and the scaling of AI



Fig. 5: Which three levers will have the greatest impact on your company's growth in the next three years? Multiple answers; relative frequency distribution; all companies; n = 80

Source: Lünendonk® Industry Performance 2026 Study

The results show that growth is being pursued less through geographic expansion or acquisitions aimed at increasing volume, and more through addressing new markets. This path is achievable in the short term, but it requires a precise understanding of the value drivers within the target market.

The growth agenda differs significantly by company size: large corporations (with revenues above €1 billion) place a stronger emphasis on innovation and new products. Fifty-five percent cite this as a key lever, compared with 38 percent among upper mid-sized companies. Mid-sized companies, by contrast, prioritize entering new market segments. Here, growth is primarily sought through a different market approach rather than through substantial product innovation. Large corporations are better positioned to pursue innovation agendas in parallel and execute them more consistently. Growth through targeted differentiation is the right strategic response to a market environment that increasingly penalizes volume-driven approaches.

Performance Levers: Productivity Outperforms Everything Else

When it comes to improving efficiency, securing operational performance, and reducing costs, industrial companies are unusually clear in their priorities: increasing productivity in production ranks first, cited by 83 percent of respondents. It leads by a considerable margin, leaving all other levers far behind. Cost reduction and margin improvement follow in second place at 61 percent, closely followed by improving operational excellence at 41 percent. The scaling of digitalization and AI ranks fourth at 31 percent, a position that invites reflection given the strategic importance these topics are often assigned in public discourse.

Productivity in production is the undisputed number one efficiency lever

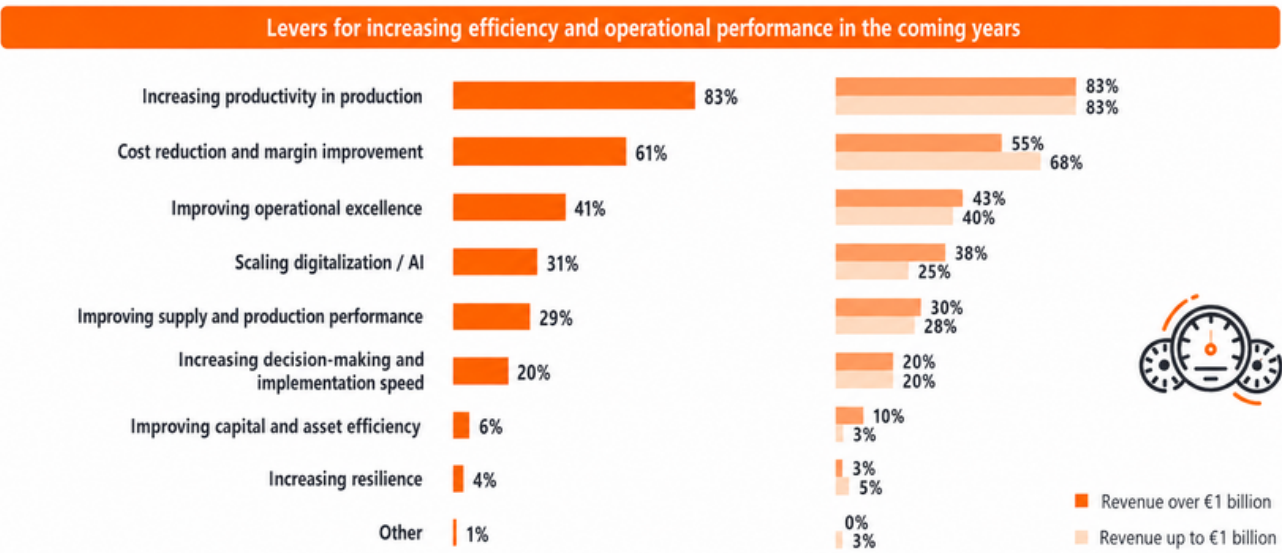


Fig. 6: Which three levers will be most important in the next three years for increasing efficiency, productivity, and operational performance?; Multiple answers; relative frequency distribution; all companies; n = 80

Source: Lünendonk® Industry Performance 2026 Study

The convergence between mid-sized companies and large corporations is striking: both groups identify productivity improvement as the most important efficiency lever, with an identical 83 percent response rate.

The differences emerge in the details. Large corporations place slightly less emphasis on cost reduction (55%) than mid-sized companies (68%), suggesting that, in larger organizations, scaling and digitalization initiatives (38%) are viewed more strongly as viable alternatives to pure cost-cutting than they are in the mid-market segment (25%).

Taken as a whole, these findings carry significant strategic implications: industrial companies increasingly view productivity as the foundation on which everything else is built. Without a competitive production base, it is impossible to sustainably finance growth, maintain differentiation strategies over time, or realize returns from digitalization investments. Operational excellence is not an end in itself. Rather, it is the essential prerequisite for delivering reliably under persistent cost pressure and in volatile market conditions, safeguarding quality, and ensuring the long-term stability and performance of the organization.

The strong focus on productivity also highlights where many decision-makers are concentrating their attention: on the levers that directly impact production and therefore create the fastest path toward greater strategic flexibility. In this sense, operational excellence is less a “program” and more a continuous performance commitment. As such, it remains the benchmark against which the effectiveness of all other initiatives must ultimately be measured.

Investment Priorities

The investment plans of German industrial companies over the next three years follow a clear logic: first secure the foundation, then strengthen digital capabilities.

Three out of four surveyed companies plan significant investments in internal production and automation, making it the most frequently cited investment area by a wide margin at 76 percent. This is followed by digitalization, data, and artificial intelligence at 63 percent, and supply chain, logistics, and production networks at 47 percent. A clear hierarchy of priorities emerges from these findings. Companies are investing first where they can most directly secure the stability and performance of their operational value creation. Digital initiatives follow as the next stage of development once the operational foundation has been strengthened. The high ranking of supply chain and network investments further underscores that performance is increasingly viewed across the entire value chain rather than within individual plants alone.

Particularly insightful is the differentiation by company size. Large corporations plan to invest equally heavily in production and automation (73%) and in digitalization and AI (73%). Among mid-sized companies, however, production investments clearly take precedence, with 79 percent planning significant investments compared to only 53 percent for AI and digitalization. Large corporations have the capacity to pursue multiple investment agendas simultaneously, whereas upper mid-sized companies must prioritize, and they prioritize the physical over the digital.

Approximately 40 percent of companies cite investments in organizational development, workforce upskilling, and capability building. Sustainability, energy efficiency, and ESG requirements rank near the bottom of investment priorities at 32 percent, despite the substantial structural cost pressures created by energy prices. While both areas are being addressed, they are generally treated as supporting elements of the broader transformation agenda rather than as primary investment priorities.

3 out of 4 companies are planning significant investments in internal production and automation, followed by investments in artificial intelligence

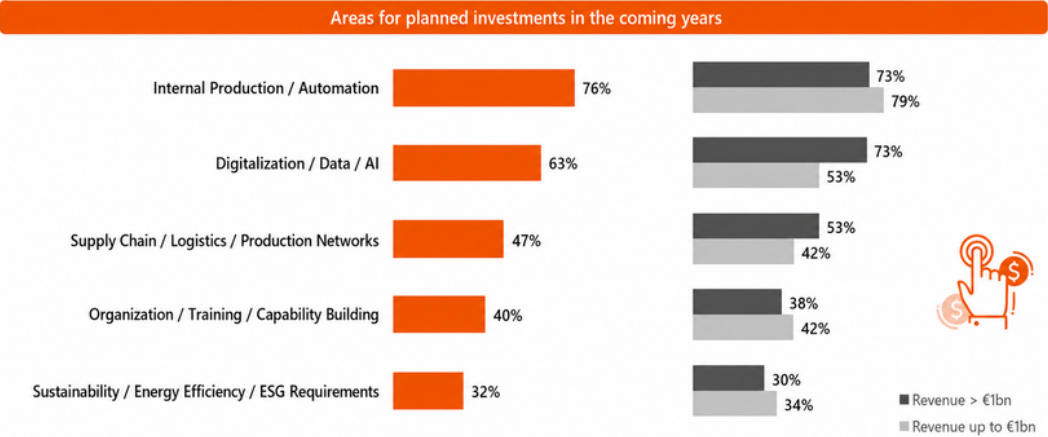


Fig. 7: In which three areas are you planning significant investments in the next three years? Multiple responses; relative frequency distribution; all companies; n = 80

Source: Lünendonk® Industry Performance 2026 Study

What the overall investment agenda reveals is an industrial approach to risk management under constrained resources: capital is directed toward areas where impact can be planned and realized most reliably, and that remains the physical production base. While this logic is economically sound, it also carries a structural risk. Companies that consistently subordinate digitalization investments to production modernization risk losing ground in a competitive landscape that is no longer shaped by the pace of physical infrastructure cycles.

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The combination of sustained population growth, strong industrial policy ambitions, and increasing geopolitical alignment with Western economies is making the region an increasingly attractive destination in corporate investment strategies.

The USA is seen as the most relevant foreign market – but skepticism also prevails there

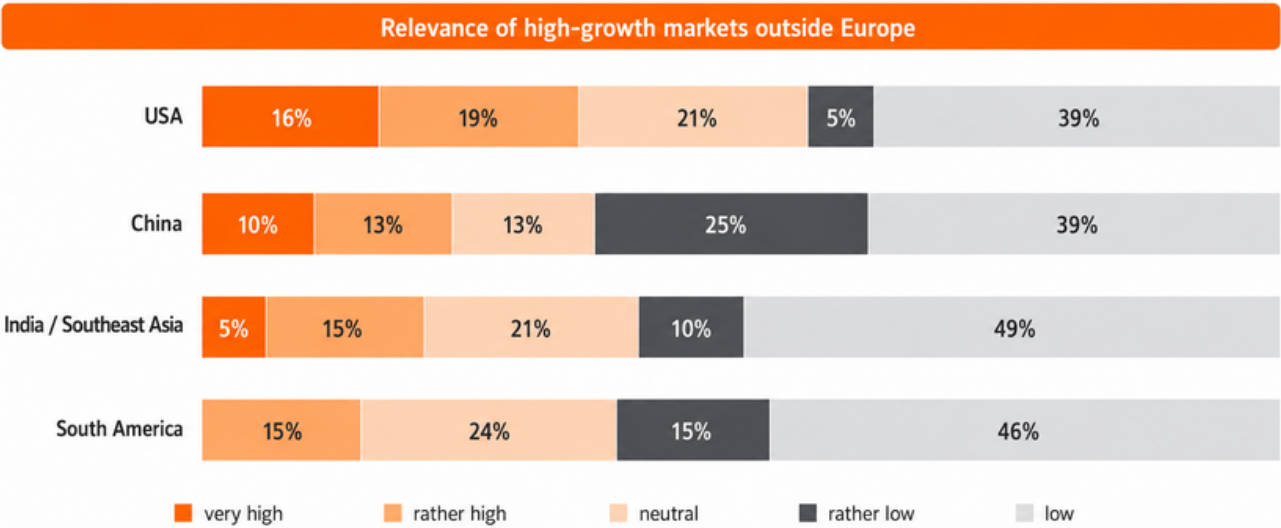


Fig. 8: How important are the following high-growth markets outside Europe for your company? Scale from 1 = 'low' to 5 = 'very high'; relative frequency distribution; all companies; n = 80

Source: Lünendonk® Industry Performance 2026 Study

The planned market entry and market expansion strategies underscore the cautious approach industrial companies are taking toward non-European markets. Joint ventures and partnerships are the most frequently cited strategy, mentioned by 52 percent of respondents. Nearly 40 percent plan to expand their presence in existing markets, while nearly one in four companies cite outsourcing and local-for-local models. Only 16 percent plan to build new production facilities, sending a clear signal that international expansion is being pursued through a risk-averse and partnership-oriented approach.

The overall picture of industrial internationalization is therefore one of controlled expansion. Existing market positions are being secured and selectively strengthened, while new markets are being entered through partnership-based structures. Capital risk is being managed through joint ventures and the expansion of existing sites rather than through greenfield investments. This strategy is conservative, but it is also a rational response to a global environment in which predictability has become an increasingly scarce resource. The real challenge lies not in deciding for or against individual markets, but in building an internationalization framework that is sufficiently flexible to respond to further geopolitical shifts without requiring a fundamental recalibration of strategic direction each time circumstances change.

Digitalization and AI in Production – Between Aspiration and Reality

Few topics are currently receiving as much attention in German industry as digitalization and artificial intelligence. Policymakers and business leaders around the world view digital transformation as strategically important, particularly in terms of maintaining economic competitiveness and strengthening resilience. Companies are investing in the modernization of production environments, process automation, and data-driven applications to improve efficiency, quality, and responsiveness. Among the most widely discussed use cases are predictive maintenance, AI-enabled quality control, autonomous logistics solutions, and intelligent production planning and scheduling. In an environment characterized by constrained budgets and intense transformation pressure, the prioritization of these initiatives is becoming increasingly important, particularly for upper mid-sized companies.

Limited Impact on Manufacturing Performance

The findings of this Lünendonk® study paint a sobering picture: only 22 percent of the companies surveyed report clear and measurable improvements in manufacturing performance as a result of digitalization and artificial intelligence.

Only around one in four companies report clearly measurable effects in production from the use of AI and digitalization

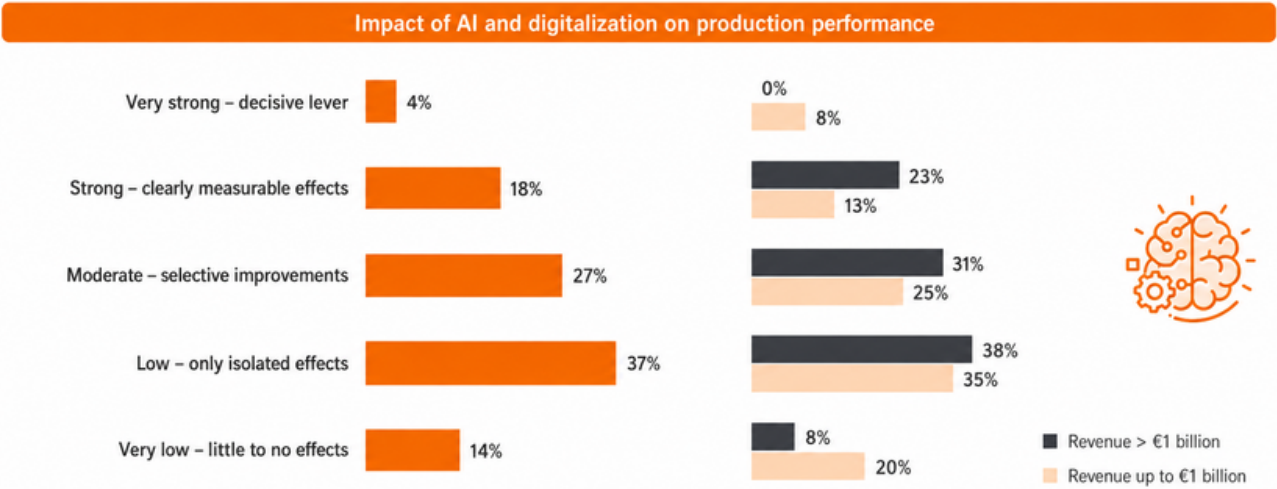


Fig. 10: To what extent do digitalization and AI currently contribute to the performance of your production?; relative frequency distribution; all companies; n = 79

Source: Lünendonk® Industry Performance 2026 Study



Only 4 percent report a very strong contribution, while another 18 percent see strong and clearly measurable effects. In contrast, the majority of companies report far more limited outcomes: 27 percent see isolated improvements, 37 percent report only sporadic effects, and 14 percent see little to no impact at all. Taken together, 51 percent of respondents experience only limited to very limited benefits from their digitalization and AI initiatives in terms of manufacturing performance.

Large corporations tend to assess the impact more positively than upper mid-sized companies. While larger organizations are more likely to report strong and clearly measurable benefits (23%), upper mid-sized companies more frequently describe the outcomes as isolated improvements or sporadic effects, despite assigning comparable strategic importance to the topic.

One of the study's key findings lies in the combination of a strong willingness to invest and the limited ability to demonstrate measurable results. Many companies plan to invest in manufacturing, process automation, and digital infrastructure. At the same time, only a relatively small share has thus far been able to demonstrate that these investments have translated into clearly measurable improvements in manufacturing performance.

Which KPIs Are Most Strongly Impacted by AI?

The study data clearly shows where AI and digital initiatives are delivering tangible results: the strongest impact is being seen in operational KPIs. Sixty-one percent of the companies surveyed report improvements in throughput time, 59 percent in production-related costs, and 45 percent in quality. The initiative most frequently associated with the greatest performance gains is process automation (18%), followed by AI-enabled production planning and control, Manufacturing Execution Systems (MES), and ERP and administrative digitalization (18% and 16%, respectively).

Process automation measures achieve the greatest performance effect – measures primarily impact operational KPIs

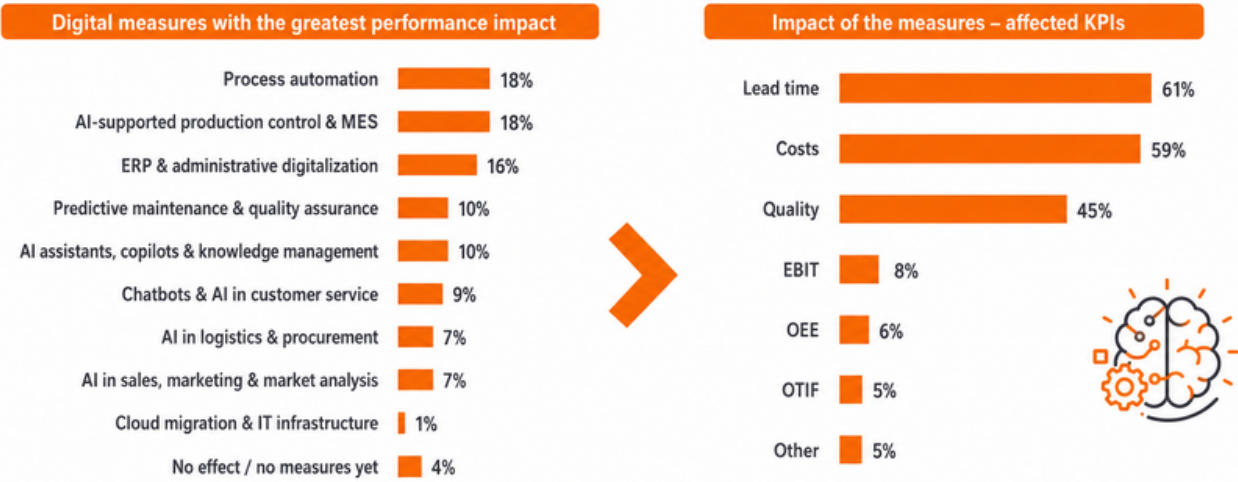


Fig. 11: Which individual digital or AI-based measure had the greatest performance effect in the last 2 years? Relative frequency distribution; all companies; n = 69
Which KPIs did this measure have the greatest effect on? Affected KPIs; multiple responses; relative frequency distribution; all companies; n = 66

Source: Lünendonk® Industry Performance 2026 Study



In contrast, only 8 percent of companies report direct effects on EBIT. Even fewer report improvements in key performance metrics such as Overall Equipment Effectiveness (OEE) (6%) or On-Time-In-Full (OTIF) delivery performance (5%). This points to a structural gap in performance measurement: while operational improvements are often observed, companies are far less successful in demonstrating their impact through higher-level financial performance indicators. One key reason is not that EBIT is inherently difficult to measure, but rather that objectives, baselines, and attribution models are often insufficiently defined. Without clearly specified target values and a consistent measurement methodology, it remains difficult to determine what share of a change in performance can actually be attributed to digitalization and AI initiatives.

From Pilot to Scale: The Pilot Paradox

A key driver of the performance gap described above is the limited maturity of implementation. Fifty-seven percent of the companies surveyed are unable to point to a single AI use case that has been deployed in production. These organizations remain entirely in the pilot or testing phase.

Only 27 percent have successfully scaled between one and three use cases, 12 percent have between four and ten AI applications in production, and just 4 percent report having scaled more than ten use cases.

The difference by company size is particularly revealing. Among upper mid-sized companies, 69 percent have not yet scaled a single AI use case. Among large corporations, this figure is significantly lower at 46 percent. Moreover, 5 percent of large enterprises have already scaled more than ten use cases successfully.

The pilot paradox is real: many companies have launched AI initiatives, yet scaling them across the organization remains the exception rather than the norm. Talent shortages, IT/OT integration challenges, and poor data quality do not occur in isolation but interact in systemic ways. The real bottleneck is not the technology itself, but the organization's ability to generate operational impact at scale.

This makes it clear that AI scaling must be treated as a system-wide challenge rather than a portfolio of individual pilot projects. Success requires a disciplined scaling model with clear end-to-end accountability, established decision-making routines, and dedicated resources. From the outset, pilot initiatives should be designed with full-scale deployment in mind, including a clearly designated business owner, a standardized rollout approach, and well-defined acceptance criteria. In addition, organizations need a consistent performance management framework built on agreed objectives, baselines, and success metrics. This ensures that expected outcomes, measurement logic, and accountability are aligned from day one, preventing scaling efforts from becoming trapped by local customization, poor interoperability, or unclear business value.

Supply Chain Resilience – Burdens and Measures

The German manufacturing sector has been under structural pressure for several years. In key industries such as mechanical engineering and automotive manufacturing, production has declined significantly. According to the Federal Statistical Office (Destatis), industrial production in December 2025 was 0.6 percent below the previous year's level after calendar adjustment, with particularly sharp declines in the automotive industry (-8.9%) and mechanical engineering (-6.8%) (Destatis, February 6, 2026). The factors that companies identify as sources of pressure in this context are not new. However, their structural entrenchment and mutual reinforcement have given them a new dimension.

70 % of study participants cite energy prices as the biggest burden on their production processes.

Current pressures on production processes

Seventy percent of survey respondents identify energy prices as the most significant burden on their production processes. This is followed by labor shortages (55%), geopolitics and tariffs (43%), raw material shortages (26%), and supplier disruptions (21%).

By contrast, upper mid-sized companies experience bottlenecks more directly at the operational level, particularly where energy prices and labor shortages have an immediate impact on costs, capacity utilization, and short-term delivery capabilities.

The energy crisis was triggered by Russia's war of aggression against Ukraine, but it also exposed structural dependencies in German energy policy that had developed over decades. In addition, the phase-out of nuclear power further reduced low-cost baseload generation capacity, thereby contributing to price developments. The labor shortage, in turn, is not a new phenomenon, but one that is growing structurally in nature: a shrinking labor force potential and an aging population are creating lasting challenges for production processes. Finally, increasing global interconnectedness has demonstrated that value chains are highly vulnerable to geopolitical shocks.

Resilience Measures in Practice

Supply chain disruptions have intensified in recent years, underscoring the need to actively strengthen resilience. Resilience refers to the ability to rapidly identify and absorb shocks across the entire value chain while maintaining production without prolonged interruptions.

Resilience through redundancy – supplier diversification is the strategy of choice

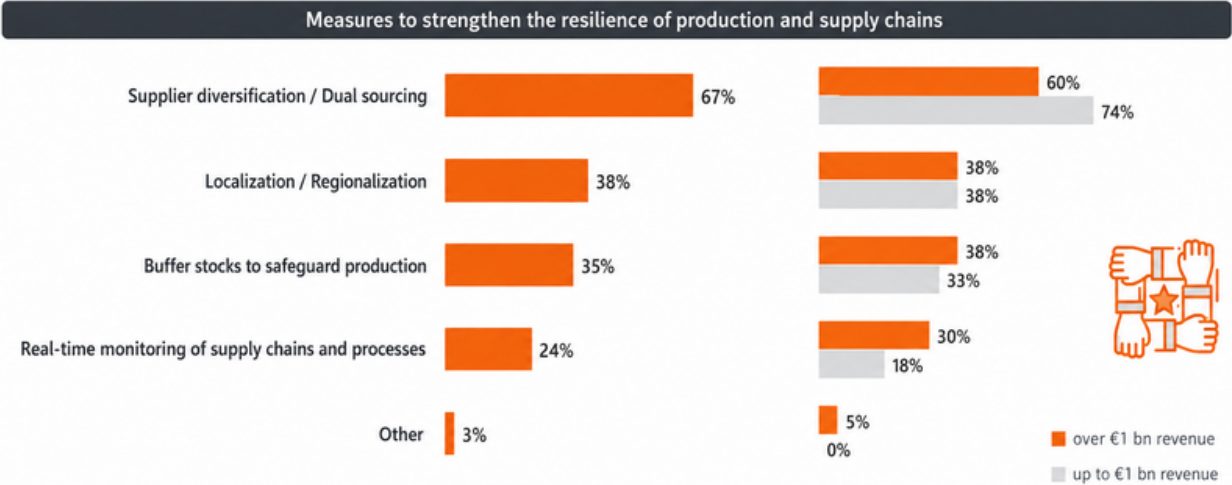


Fig. 16: Which measures are you currently prioritizing to strengthen the resilience of your production and supply chain?
Relative frequency distribution; all companies; n = 79

Source: Lünendonk® Industry Performance 2026 Study

Resilience Measures in Practice

Supplier diversification and dual sourcing rank by far as the highest-priority resilience measures among the companies surveyed (67%). Rather than relying on a single supplier, companies distribute their sourcing relationships across multiple suppliers, both locally and internationally, so that disruptions at one supplier can be compensated by others. The European Union explicitly promotes such diversification as part of its Industrial Strategy and the Critical Raw Materials Act. The high priority assigned to localization and regionalization (38%) is also a clear indication that nearshoring and reshoring are gaining strategic importance.

One notable observation regarding these measures is that digital real-time monitoring still plays only a relatively minor role as a standalone resilience measure (24%), despite its significant potential to enhance supply chain stability. Technologies such as predictive maintenance, IoT-enabled real-time monitoring, and integrated ERP systems provide the transparency required to respond quickly to supply chain disruptions. The key lever for the next level of resilience lies not in maintaining higher inventory levels, but in building a stronger data foundation that enables faster decision-making and more effective risk detection. The upper mid-market segment, in particular, has considerable potential to strengthen its resilience against dynamic influences affecting production and supply chains, with only 18% prioritizing these capabilities today. By comparison, nearly one in three large corporations (30%) has already recognized this potential and is actively prioritizing its implementation.

Resilience through redundancy – supplier diversification is the strategy of choice

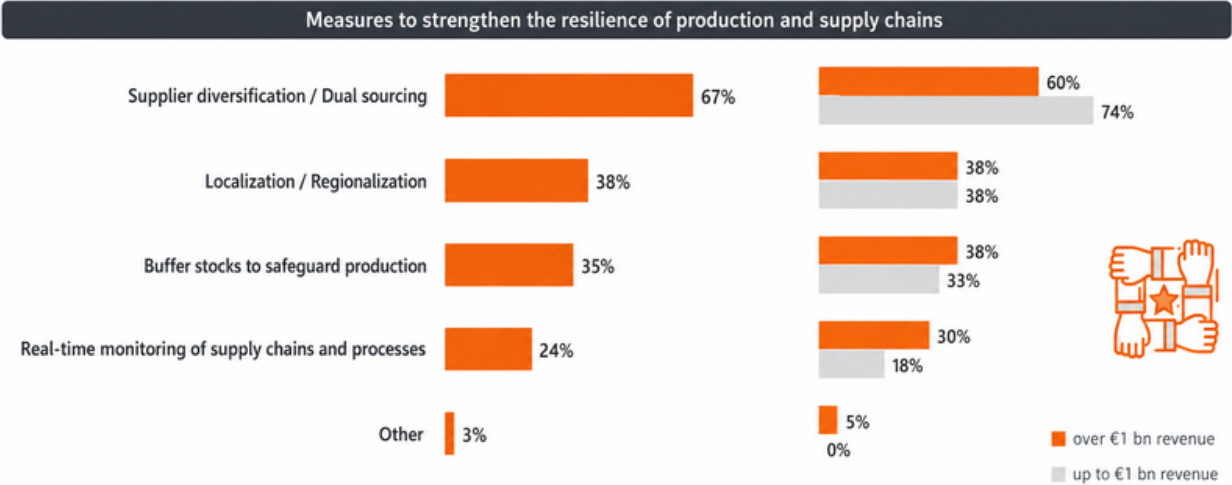


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Production Networks as a Strategic Lever

Production networks are already an active component of the operating model for 47% of the companies surveyed. An additional 11% plan to introduce such networks, while 42% of companies do not currently utilize production networks.

The reasons for the (planned) adoption of production networks reveal a consistent pattern of motivations: cost efficiency and optimization (25%) as well as flexibility and responsiveness (18%) rank ahead of geopolitical considerations and global market access (13%). Companies primarily use production networks as an efficiency mechanism to improve responsiveness, optimize costs, and support local market supply. While resilience is mentioned as a benefit, it is rarely the primary strategic driver. This is a noteworthy finding: the industrial sector still tends to view resilience in a predominantly reactive rather than systematically forward-looking manner.

Production networks are not only about optimizing individual sites internally, but also about coordinating activities across locations. This requires clear role definitions based not only on economic performance indicators, but also on factors such as infrastructure and security of supply. Companies seeking to leverage production networks as a resilience tool in the future will need a consistent data foundation and an integrated governance model.

The supply chains of German industry remain far from a data-driven, real-time operating model. Resilience is still approached in a traditional way through supplier diversification rather than through digital orchestration and control. This finding aligns with the scaling gap identified in Chapter 3 and points to a common underlying cause: organizational execution capability.

Organization, Competence & Change

The findings of this Lünendonk® study show that industrial transformation is currently failing less because of a lack of awareness of its necessity and more because of the inability to execute it consistently. After years of focusing on efficiency programs, many companies are shifting their priorities toward growth, digitalization, and product innovation. However, the organizational foundations required to support these ambitions are only keeping pace to a limited extent. As a result, the bottleneck lies less in strategy formulation and more in organizational execution capability, namely in skills, leadership, governance, and the ability to connect production, IT, and data functions effectively.

Critical Skills Gaps

When asked about the most significant skills gaps currently facing their organizations, decision-makers in industrial companies reveal a clear pattern: data and AI capabilities (53%) and digital production and automation expertise (47%) rank highest. These findings are consistent, as they directly reflect the central transformation logic of the coming years. Companies increasingly seek to leverage digitalization and artificial intelligence as drivers of growth and operational performance. However, the capabilities required to realize this ambition are still not widely available across their organizations.

Most critical capability gap: Data & AI – exactly where scaling fails

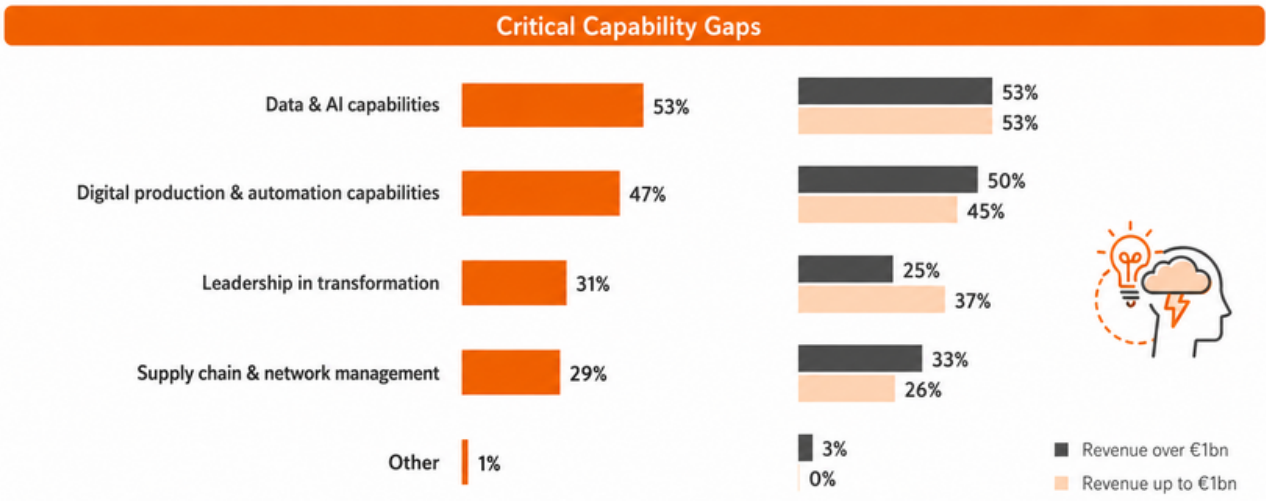


Fig. 18: What are your most critical capability gaps?; relative frequency distribution; all companies; n = 78

Source: Lünendonk® Industry Performance 2026 Study

This skills gap should not be understood as an isolated digital challenge. Rather, it is a manifestation of the structural labor shortage that has been intensifying in manufacturing for years and is now emerging as a transformation risk. In the reality of industrial operations, it is not enough to acquire technology or launch pilot projects. Scaling occurs only when organizations are able to sustainably manage and continuously improve data, processes, and production systems.

Yet this capability remains underdeveloped in many organizations, both in traditional production roles and at the interfaces between IT, OT, and data functions. The challenge is not merely a lack of personnel, but a shortage of specific skill profiles: broad-based data literacy; operationally embedded data engineers and data product owners; OT-oriented architects capable of integrating IT and OT environments; and leaders who can consistently align data and AI initiatives with measurable production performance metrics. As a result, training and capability building must be elevated beyond the role of supporting activities and recognized as core performance drivers. Without a systematic skills agenda, the scaling of digital initiatives will remain structurally constrained, regardless of how compelling individual use cases may be.

Technology or Organization: What Is Slowing Transformation?

The study delivers a remarkably clear result: the majority of respondents (58%) identify their own organization as the greatest barrier to transformation, rather than technology (11%). A further 30% view both areas as equally restrictive. This finding shifts the focus away from the common assumption that transformation efforts fail primarily because of inadequate IT systems or a lack of technology. Instead, the root cause lies in the often underestimated role of leadership and cultural change in industrial transformation.

Leadership determines whether digitalization is managed as an IT program or as an operational performance initiative. Culture determines whether data is accepted as a shared basis for decision-making or whether experience-based judgment and local optimization continue to dominate. And governance determines whether a use case remains an isolated project or is transferred into a standardized operating model.

Ultimately, successful transformation is less a question of technological capability than of organizational readiness. Organizations that fail to align leadership, culture, and governance around a common transformation agenda will struggle to convert technological potential into measurable business outcomes.

In many industrial companies, transformation is also associated with a structural tension: efficiency and stability imperatives are deeply embedded in the organization. They are historically rooted and operationally necessary. However, they can become a constraint when transformation is understood as a continuous process of learning and adaptation. Where production targets are primarily focused on maximizing utilization and minimizing deviations in the short term, organizations often lack the capacity to simultaneously establish, test, and standardize new digital practices across multiple plants. Companies seeking to achieve meaningful impact must therefore address not only the use case itself, but also the operating model, governance structure, and leadership mechanisms that support transformation.

As a result, leadership, culture, and governance are no longer “soft” issues. They have become hard competitive factors. The technical feasibility of many solutions is already proven. The real bottleneck is the ability to embed change across the organization, spanning plants, functions, and management levels.

This finding has far-reaching implications for the way industrial companies design and manage their transformation programs. As long as digitalization is primarily approached as an IT project, centered on technology budgets, software implementations, and project-specific KPIs, the organizational dimension will remain structurally underaddressed. This helps explain why many companies fail to achieve proportional business impact despite substantial investments in technology: the technical solution has been implemented, but the operating model required to realize its full value has not evolved accordingly. Leadership determines whether digitalization is managed as an IT program or as an operational performance initiative.

The implication is clear: transformation requires not only a technical target state, but also an organizational operating model that defines how decisions are made, how responsibilities are assigned, and how progress is measured. In this sense, governance is not a bureaucratic instrument, but rather the transmission mechanism between strategic ambition and operational reality. Without this transmission mechanism, transformation remains what it still is in many companies today: a well-intentioned program that fails to reach the broader organization.

The good news is that organizational barriers are not laws of nature; they can be shaped and changed. This can be achieved through deliberate leadership decisions, adapted management systems, and a governance architecture that does not leave scaling to chance, but treats it as a management responsibility. This is precisely where one of the most powerful, yet most underestimated, levers of industrial transformation lies.

The Role of the Consultants

German industry has reached a point where what has been achieved so far is no longer sufficient. Efficiency programs have stabilized the operational foundation, but they have only rarely delivered deep transformational impact. AI initiatives remain largely stuck in the pilot phase, scaling capabilities are lacking, and the simultaneous demands of cost management, growth, and resilience exceed the internal capacities available in many organizations.

More than half of respondents identify the greatest barrier to transformation within their own organization rather than in technology. Skills gaps in data and AI, a lack of leadership during transformation, and insufficient governance structures are slowing implementation precisely where it matters most. It is at this point that external consulting expertise gains strategic importance. In this phase, management and strategy consultancies are not an optional add-on. They become a structural prerequisite for making the transition from stabilization to genuine transformation: as providers of methodology, implementation partners, and critical sparring partners in an environment that does not permit standing still.

Management and strategy consulting are becoming a structural prerequisite for making the transition from stabilization to genuine transformation.

Consulting Fields Along the Industrial Performance Agenda

The key areas of action identified by this study also define the domains in which management consultancies must create tangible value today.

Operational Excellence and Productivity. Eighty-three percent of respondents identify increasing productivity in manufacturing as the most important lever for improving efficiency. As a result, the core promise of traditional operations consulting remains firmly at the center of the industrial agenda. However, expectations have shifted: companies are no longer looking for purely conceptual advice, but rather for support that links operational improvements to measurable and verifiable performance outcomes. The structural gap between operational improvement and demonstrable EBIT impact highlighted by this study is not primarily a technical issue, but a methodological one. Consequently, bridging this gap through robust performance management approaches represents a core and distinctive field of activity for management consultancies.

AI Scaling and Digital Transformation. The pilot paradox whereby 57 percent of companies have not yet implemented a single AI use case in productive operation highlights an execution gap that cannot be explained by technological limitations alone. The primary bottleneck lies in the inability to transform pilot projects into scalable, process-integrated applications that deliver measurable business impact. In this context, consulting firms play a critical role by combining deep technical expertise in IT/OT integration with broad organizational capabilities in change management.

Exactly those capability areas that companies report missing most internally, such as data and AI expertise, digital manufacturing capabilities, and leadership in times of change, are also the areas in which experienced consulting firms can make the greatest structural and methodological contribution.

Supply Chain and Strategic Repositioning. Geopolitical developments, energy prices, and supplier-related risks have transformed what was once an optimization challenge into a fundamental strategic issue. At the same time, 58 percent of respondents seek growth primarily through new market segments and customer groups, a path that requires precise market insight, a clear differentiation logic, and robust implementation planning. Both are fields in which external perspectives and structured guidance can make a decisive difference.

Requirements for Consulting Partners

In light of constrained budgets and increasing pressure to deliver results, expectations toward consulting services have fundamentally changed: concepts alone are no longer sufficient, impact is what clients expect. The findings of this Lünendonk® study point to three key requirements that consulting partners must meet.

Implementation Capability over Conceptual Depth. Companies that remain trapped in the pilot paradox or whose efficiency programs have failed to generate deep, structural impact require support that actively manages the transition from idea to day-to-day operations, rather than yet another layer of analysis.

Business Impact Validation as a Standard. Clear impact models, defined baselines, and a consistent attribution methodology must be integral parts of every transformation program from the outset. Only then can the contribution of external consultants be made visible internally and justified to stakeholders.

Integration Capability Across Functional Areas. The simultaneous challenges in manufacturing, supply chain, digitalization, and growth cannot be addressed in isolation. Consulting firms that can view these areas holistically and build integrated transformation architectures across functions hold a clear advantage.

Industry has caught up, but has not yet reinvented itself. The decisive phase of transformation still lies ahead. Management consultancies that can credibly combine implementation strength, measurable impact, and an integrated perspective will become strategically indispensable partners for German industry during this next stage of change.

At the same time, the transformation challenge is not purely an internal corporate matter. It is unfolding within a business environment that is itself under considerable structural pressure and that significantly shapes the strategic options and room for maneuver available to companies.

Germany as an Industrial Location – Future or Outdated Model?

The debate surrounding Germany as an industrial location is often framed in extremes, either as a commitment to the country's industrial roots or as a lament for the decline of Germany as a manufacturing hub. The findings of the Lünendonk Study 2026 Industry Performance paint a far more nuanced picture. They reveal an industrial sector that, in the majority of cases, remains committed to Germany and is even expanding its presence in certain areas. At the same time, companies are increasingly explicit in stating that the economic viability of this commitment can no longer be taken for granted.

Germany as a business location is therefore neither on the verge of being lost in the short term nor securely positioned for the long term. Rather, it is in a state of transition, characterized by a growing combination of loyalty and realism among industrial companies.

Management and strategy consulting are becoming a structural prerequisite for making the transition from stabilization to genuine transformation.

Development of Production Capacities in Germany

Overall, plans for production footprints in Germany remain stable, although visible cracks are beginning to emerge. The majority of companies intend to maintain their production capacities in Germany (52%), while a further significant share plans to expand them (40%, including substantial expansion). At first glance, this is a positive signal: for a large proportion of industrial companies, Germany continues to serve as an important production base and strategic manufacturing anchor.

However, the study also shows that signals of retrenchment are becoming visible. A portion of companies plan a partial withdrawal (5%), while others are considering a more significant withdrawal (3%). Although this group is smaller than those maintaining or expanding their operations, it is strategically disproportionate in its relevance. Withdrawal is rarely an impulsive decision; rather, it is usually the result of a prolonged evaluation process in which costs, planning reliability, and investment viability are weighed against the advantages of the location. Consequently, even moderate withdrawal rates should be viewed as an early indicator of a gradual shift in the industrial decision-making model.

A notable finding is the variation by company size: among large corporations, signs of retrenchment are significantly more pronounced (10% planning a partial withdrawal) than among larger mid-sized companies. Corporations generally enjoy greater flexibility in the international allocation of production capacities and are therefore able to make location decisions more strongly on the basis of global cost and risk considerations. In the upper mid-market segment, by contrast, ties to existing locations are often stronger. Precisely for this reason, it should be regarded as a warning signal that even within this group, withdrawal is no longer being ruled out (5% planning a significant withdrawal).

The respondents’ rationale further highlights this sense of ambivalence. Expansion is primarily justified by current growth and market presence (36%), as well as by planned or already implemented investments and specialization initiatives (23%). Maintaining existing capacities is mainly explained by a wait-and-see approach (21%) and by the perception of Germany as a stable and proven business location (18%). In contrast, withdrawal is primarily attributed to cost pressures (67%) and structural disadvantages of the location (33%).

This logic is consistent: companies expand when they see opportunities for sales growth and value creation; they maintain their footprint when they wish to preserve strategic flexibility; and they withdraw when the economic viability of the location reaches its structural limits.

Growth and market presence are the main reasons for expansion – high cost pressure drives withdrawal from Germany



Fig. 21: How are you planning the development of your production capacities in Germany in the coming years? Reason given for ‘Expansion’ + ‘strong expansion’; relative frequency distribution; n = 31; reason given for ‘Maintain’; relative frequency distribution; n = 39; reason given for ‘Withdrawal’ + ‘strong withdrawal’; relative frequency distribution; n = 6

Source: Lünendonk® Industry Performance 2026 Study

Competitiveness of Germany as a Business Location

The question of whether Germany’s high cost structures and efficiency disadvantages can still be offset is answered by industry with a mixed but clearly defined perspective. The dominant view is that these disadvantages are either fully compensable or at least partially compensable (90% combined for yes, compensable and partially compensable). However, one in ten companies considers the disadvantages associated with Germany as a business location to be no longer compensable.

This distribution is more significant in its implications than the three response categories might initially suggest. It points to an industrial sector that is neither resorting to alarmism nor continuing to believe in a blanket locational advantage of Germany. “Partially compensable” means that the business case only works under certain conditions. And these conditions are not equally attainable for every company, every industry, or every production model.

Among those who consider the disadvantages compensable, quality-related factors dominate the argumentation: skilled expertise, reliable quality, and proximity to customers. Germany is defended as a quality location, not as a cost location. Companies that view the disadvantages as only partially compensable more frequently point to energy and labor costs, as well as uncertainty and skepticism about the future. Where disadvantages are regarded as no longer compensable, structural location-related weaknesses take center stage, reflecting a systemic rather than merely cyclical perspective.

High quality and technical expertise in Germany are seen as offsets to the high cost structure and efficiency disadvantages

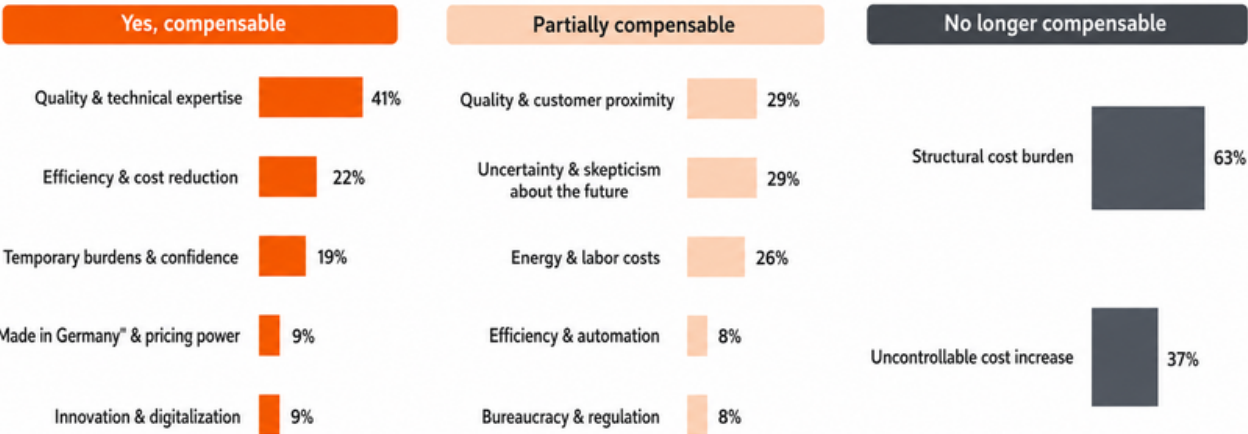


Fig. 23: Can the high cost structures and efficiency disadvantages of Germany as a business location still be offset? Relative frequency distribution; rationale 'Yes', n = 32; rationale 'Partially', n = 35; rationale 'No', n = 8.

Source: Lünendonk® Industry Performance 2026 Study



Political Levers for Strengthening Germany as a Business Location

The priorities that industry expects policymakers to address are remarkably focused. Two measures clearly dominate: reducing bureaucracy and accelerating approval and permitting processes (83%), and lowering energy prices (80%). Both are cited by a wide margin ahead of any other measures. Public investment (14%), taxes and levies (11%), and the issue of skilled labor availability (11%) follow at a considerable distance.

This prioritization sends a strong signal. First, it demonstrates that industry does not primarily seek to secure its competitiveness through subsidies or short-term support programs, but rather through improved structural framework conditions. Second, it highlights that the key pain points have a direct operational impact: bureaucracy consumes management capacity, delays investments, and increases complexity. Energy costs directly affect the cost position of manufacturing operations and, consequently, influence location decisions.

The industry's political agenda is therefore largely aligned with the areas for action identified through assessments of Germany as a business location. If companies can only partially offset locational disadvantages, the most important lever is to reduce those factors that cannot be addressed through internal efficiency improvement programs.

Germany as an industrial location is not losing its relevance abruptly; rather, it is being assessed more critically and restrictively over time. Investment decisions are becoming more granular, and new production capacities are increasingly established in regions where energy costs, labor expenses, and regulatory conditions are more predictable. Germany is no longer the default location choice; instead, it is a location whose economic viability must be justified with increasing rigor.

This development makes the need for political action an immediate and an immediate and central theme for the concluding outlook.

Perspective 2030 – What does the Industry need to decide now?

Looking toward 2030, the outlook for German industry is less a matter of vision than a test of resilience. The past several years have driven organizations to focus intensely on efficiency, exposed new categories of risk, and revealed the limitations of traditional optimization programs. At the same time, markets, technologies, and geopolitical conditions are evolving more rapidly than industrial structures can typically adapt. Within this environment, future competitiveness will not be determined by isolated initiatives, but by a small number of fundamental strategic choices: where investments are made, which capabilities are developed, and how consistently pilot projects are translated into operational impact.

For German industry, looking ahead to 2030 is less a vision than a test of resilience..

What Industry Sees as the Decisive Lever

The feedback from C-suite executives and operational leadership functions regarding the decisive lever for sustainable growth and performance is clearly prioritized. By far the most frequently cited factor is the reduction of bureaucracy and the improvement of political framework conditions (50%). The reduction of energy costs (18%) follows as the second most important lever, at a considerable distance.

Digitalization, AI, and automation (14%) are also mentioned, but rank behind external framework conditions. Geopolitical stability and trade policy, as well as skilled labor availability and demand stimulation, are each cited by nine percent of respondents.

This result is insightful in two respects. First, it indicates that industry currently does not primarily view sustainable growth as a question of internal optimization, but rather as a question of economic freedom of action. After years of cost-cutting programs, the operational foundation of many companies has been stabilized, while the buffer for additional burdens has become limited. Reducing bureaucracy and lowering energy costs address precisely this room for maneuver, as they have a direct impact on investment capacity, speed, and cost competitiveness.

Second, the ranking amounts to a reality check for the transformation debate. Digitalization is regarded as a key driver of future success, but respondents do not see it as the sole solution. This does not diminish the importance of digitalization; rather, it puts its prerequisites for creating value into perspective. Digitalization generates value only where it is scaled, where data is available, and where processes and organizations are capable of integrating it effectively. If framework conditions constrain investment or if the cost position remains under permanent pressure, digitalization becomes a necessary, but not sufficient, factor for success.

Viewed holistically, the results point to a convergence of key areas for action. Sustainable growth does not arise from an either-or choice between market development, resilience, and digitalization. Rather, it emerges from their interaction: market development and new sales opportunities create growth prospects, resilience capabilities secure supply and production continuity, and digitalization enhances productivity, transparency, and responsiveness. The challenge lies not in managing these dimensions in parallel, but in managing them in an integrated manner.

Future Readiness by 2030: Measures and Strategic Decisions. In the open-ended responses regarding the most important measures and developments through 2030, two themes clearly dominate: new markets and regions (65%) and the scaling of digitalization and AI (55%). Both rank significantly ahead of other areas for action. Sustainable industry and the circular economy (29%) follow at a considerable distance, while new business models (19%) are mentioned less frequently. Production networks (12%) play a comparatively minor role.

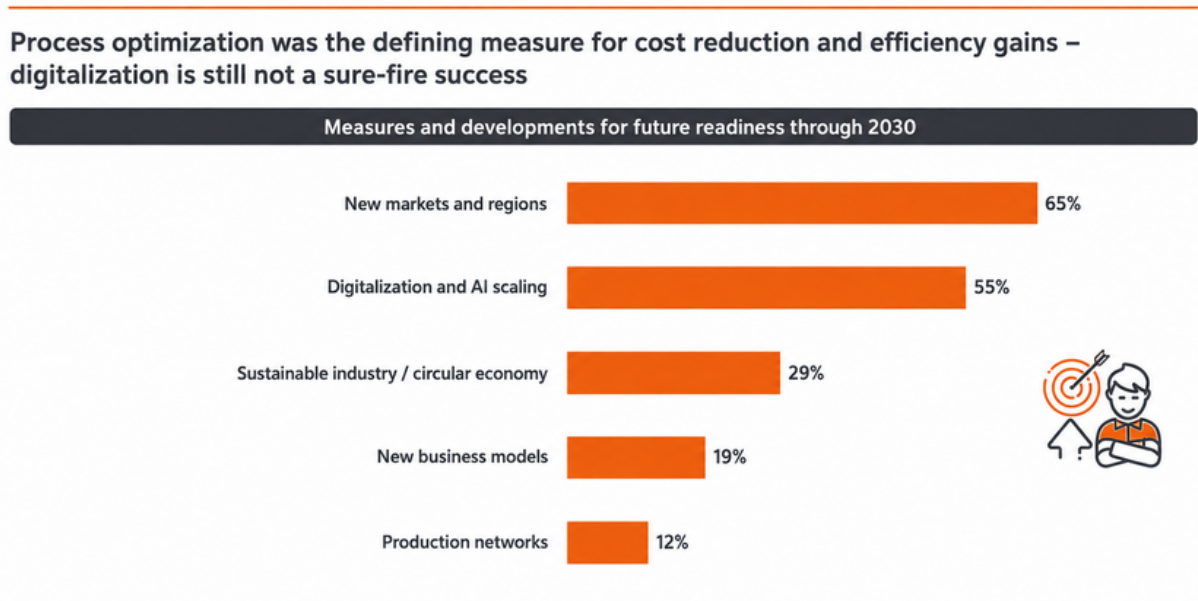


Fig. 26: Which measures or developments do you consider decisive for your company's future readiness through 2030?; multiple answers possible; relative frequency distribution; all companies; n = 78

Source: Lünendonk® Industry Performance 2026 Study

The priority assigned to new markets and regions reflects the strategic situation facing industry: growth is no longer viewed as something that will occur automatically within existing core markets. Companies recognize the need to diversify demand, reduce regional dependencies, and realign their market presence, a direct response to cyclical volatility and the structural shift of global growth centers.

The strong emphasis on AI scaling also points to unresolved challenges. Many companies have launched digitalization and AI initiatives, yet scaling these initiatives across the organization remains difficult. The fact that AI scaling is cited as one of the decisive factors through 2030 indicates that industry expects the real productivity gains to come not from pilot projects, but from the standardization, industrialization, and repeatable implementation of AI solutions across multiple sites and production facilities.



The Foundation of Future Readiness: Three Strategic Decisions

The findings point to a clear imperative for future readiness: companies that do not transform now risk falling behind. At the same time, the study shows that transformation requires a solid foundation. This foundation consists of three elements.

First: A robust production base

Productivity, quality, and delivery capability must be secured on a sustained basis. Without this foundation, any growth and innovation agenda becomes financially fragile.

Second: The ability to scale.

The operating model must not treat digitalization and AI as a collection of projects, but establish them as an operational standard. This includes clear responsibilities, an end-to-end data and systems architecture, and the capability to roll out solutions across multiple plants.

Third: Strategic clarity regarding markets and portfolio.

New regions and segments are not an add-on; they require targeted decisions concerning capacities, partners, supply chains, and value propositions.

The central strategic decision through 2030 therefore lies less in the choice of individual technologies and more in whether companies consistently make the transition from an optimization mindset to a transformation mindset. The findings of this Lünendonk® study show that the direction is understood. The decisive factor will be whether industry can develop the implementation capability required to translate this direction into measurable impact.

Transformation Logic 2030

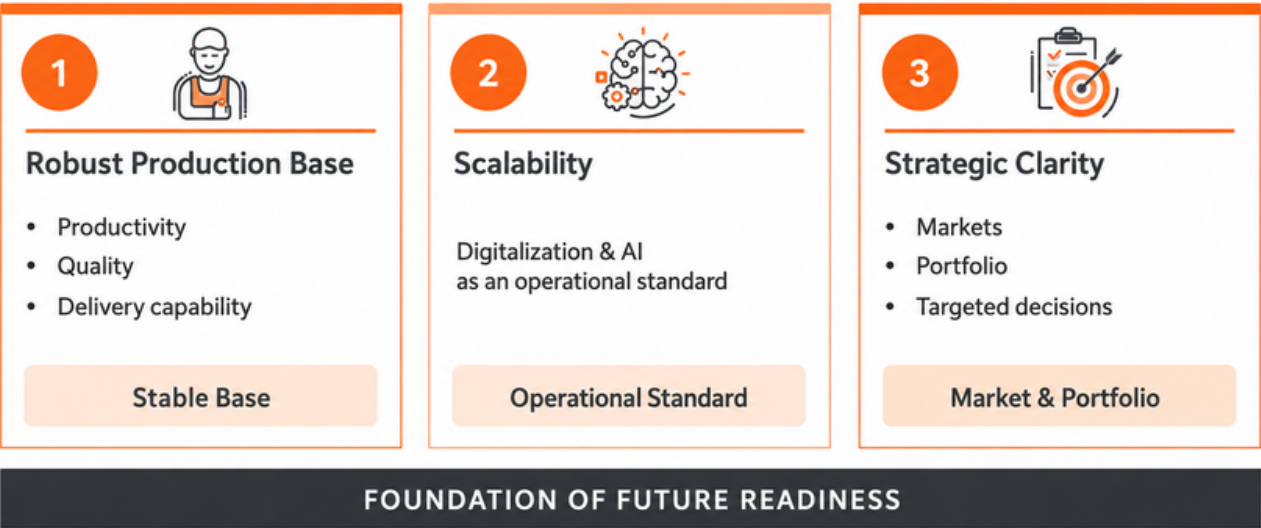


Fig. 27: Foundation of future readiness

Source: Lünendonk® Industry Performance 2026 Study



Conclusion and Final Remarks

The Lünendonk® Industry Performance Study reflects a situation already visible in many companies: German industry has regained operational stability in recent years, but this has not yet created the structural relief needed for a consistent transition into sustainable growth. Efficiency programs have delivered results, mainly in areas where measures are quickly actionable, easy to implement, and directly reflected in cost and process metrics. The broader strategic transformation, however, remains incomplete in many organizations.

For the years ahead, growth is therefore less about “more volume” and more about differentiation under constraints. Companies are seeking profitability through clearer market positioning, robust value-driver logic, and a more competitive production base. The study reveals a clear hierarchy of priorities: growth is expected, but it must be built on a strong operational foundation. Productivity, delivery reliability, quality, and speed are prerequisites for creating investment capacity and financing strategic initiatives sustainably. The central finding is the execution gap. This is particularly visible in digitalization and artificial intelligence: ambition, relevance, and willingness to invest are broadly present, yet the shift from initiatives to scaled impact succeeds too rarely. The barriers are less technological than systemic: data and integration capabilities, clear accountabilities, robust business cases, capability building, and governance models that prove impact rather than merely assume it. Digitalization is therefore not a “toolbox,” but an organizational challenge.

The same pattern appears in supply chains and resilience. Companies are responding to an environment in which disruptions are no longer the exception. So far, resilience has mainly been built through traditional risk-mitigation approaches such as redundancy, alternative sourcing, regionalization, and inventory strategies. The next maturity stage, however, depends less on “more buffers” and more on transparency and faster controllability – reconnecting resilience with the digitalization and scaling agenda. The differences between large corporations and the upper mid-market reflect two variations of the same challenge. Large corporations can often launch and orchestrate initiatives in parallel, but face greater complexity, coordination effort, and friction. The upper mid-market is forced to prioritize more strongly and often selects pragmatic, impact-oriented levers, but risks developing strategically necessary capabilities – especially in data, integration, and scaling – too slowly.

Both segments therefore face the same core task: institutionalizing execution capability as a competitive advantage. The coming years will show not whether companies have the right topics on their agenda, but whether they can turn them into an integrated, scalable performance system. Those that combine operational excellence with digital scaling, impact measurement, and resilient management will become not only more efficient, but also more strategically agile.

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