Managing Tariffs and Market Uncertainty:

Business Strategies and Emerging Trends

World Commerce & Contracting

Commerce & Contract Management Institute

Contents

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Introduction

In a recent roundtable discussion, executives from a diverse range of industries explored how businesses are responding to tariffs within the broader context of market volatility and uncertainty. The conversation revealed a mix of immediate tactical actions, longer-term strategic considerations, and areas where businesses have yet to act decisively.

While some companies are already adapting supply chain strategies and contract structures, many remain in a “wait and see” mode, hesitant to commit to structural changes without a clearer picture of long-term policy shifts. The discussion also raised fundamental questions about whether businesses need to move away from traditional supply chains and toward supply networks or ecosystems, potentially governed by shared standards rather than rigid contracts.

This report summarizes key insights from the discussion, structured around three core themes:

1. What businesses are doing now
2. What businesses are considering for the future
3. What businesses are not yet doing but may need to address

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1. What Businesses Are Doing Now: *Immediate Reactions to Tariffs and Market Uncertainty*

Assessing the Impact: Waiting, Watching, and Reacting

A significant number of businesses are in a reactive phase, closely monitoring how tariffs will affect their supply chains and costs before making significant structural changes. Most organizations are unwilling to immediately absorb tariff-related costs, and few have the contractual flexibility to pass them on directly. Instead, the approach has been to engage in scenario planning, allowing organizations to assess potential risks and mitigation strategies in real-time.

Several executives emphasized that tariffs represent just one of many recent market disruptions, from the COVID-19 pandemic and inflationary pressures to geopolitical instability and raw material shortages. As a result, many procurement and contract teams have developed contingency playbooks, drawing on lessons from previous crises.

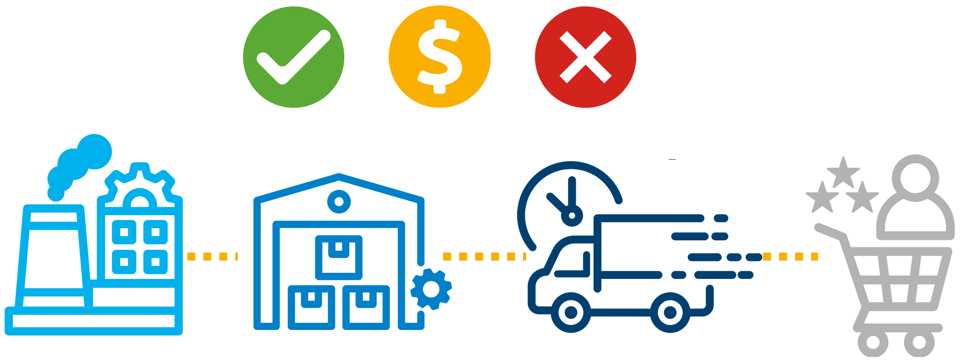
However, some businesses have moved beyond passive observation and are already taking steps to mitigate cost increases. These include:

- Seeking alternative supply sources in non-tariff-affected regions (though this is far more challenging in regulated industries like aerospace and defense).
- Pressuring suppliers for greater cost transparency, ensuring that price increases reflect actual tariff-related costs rather than opportunistic markups.
- Exploring contract renegotiations where possible, particularly in long-term agreements that predate recent market shifts.

Constraints on Passing Costs Through the Supply Chain

Many organizations find themselves contractually locked into existing pricing structures, limiting their ability to pass tariff-related costs down the supply chain. Businesses in IT, professional services, and long-term infrastructure projects face particularly rigid constraints, as supplier agreements often include fixed pricing or limited indexation mechanisms.

One executive from a multinational IT services firm highlighted a key issue: while their company can only apply price indexation at pre-set annual intervals, their own technology vendors, many of whom have non-negotiable contracts, can adjust pricing whenever cost factors shift. This results in a cost squeeze, where intermediaries absorb price increases they cannot immediately pass on.



Collaboration vs. Transactional Pressures

The discussion highlighted that disruptions do not always lead to collaboration; in some cases, they reinforce transactional behaviors. When tariffs, price fluctuations, or supply constraints hit, businesses often face a choice:

1. Strengthen strategic supplier relationships to jointly navigate cost pressures and risk.
2. Become more transactional, aggressively negotiating short-term cost reductions or switching suppliers.

Industries with highly specialized or regulated supply bases, such as aerospace, oil & gas, and large infrastructure projects, tend to favor collaboration, as suppliers cannot be easily replaced. In these cases, companies are more likely to work with suppliers to mitigate cost increases rather than immediately seek alternatives.

In contrast, businesses with more commoditized supply chains, such as consumer goods or certain technology sectors, often shift toward tighter cost controls and competitive bidding, reinforcing transactional dynamics.

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2. What Businesses Are Considering for the Future

Revisiting Commercial Models and Contract Terms

The discussion revealed growing interest in modifying contract structures to better accommodate market volatility. While few companies have yet to implement major changes, several ideas emerged as potential areas for future development:

- Economic price adjustment (EPA) clauses allow for structured price increases in response to specific cost drivers, e.g. raw materials or tariffs.
- Gross inequity clauses do not grant an automatic right to price relief but create a structured governance process for evaluating unexpected cost increases.
- Cost transparency requirements, which push suppliers to disclose more detailed cost structures to justify price adjustments.

However, executives expressed skepticism about introducing new contract terms in isolation. Without strong governance mechanisms, clauses such as EPA or gross inequity adjustments could be difficult to enforce or even encourage opportunistic claims.

From Supply Chains to Supply Networks

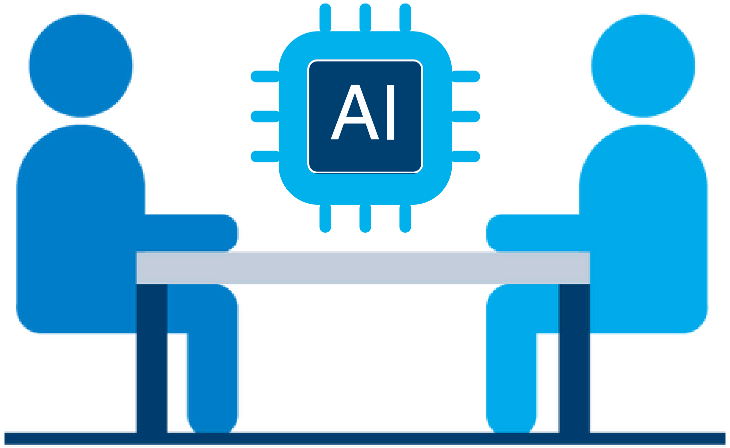
A fundamental shift in thinking emerged from the discussion: rather than treating supply chains as linear, transactional relationships, businesses may need to restructure them as ecosystems, interconnected networks of suppliers, partners, and stakeholders who share visibility and governance responsibilities.

Traditional supply chains are increasingly seen as fragile due to limited transparency beyond Tier 1 suppliers and one-directional risk transfer models. The future may lie in supply networks, where:

- Multiple suppliers provide redundancy and risk diversification.
- Shared governance models ensure joint problem-solving rather than rigid contractual disputes.
- Long-term relationships are built on shared economic incentives rather than pure cost reduction.

One executive from the oil & gas sector emphasized that supply chain visibility and cost transparency will be critical enablers of this shift.

3. What Businesses Are Not Yet Doing but May Need to Address



Developing AI-Driven Pricing and Risk Models

While AI was mentioned as a potential tool for dynamic pricing and risk assessment, skepticism remains high. Some participants cautioned that instantaneous price adjustments based on AI algorithms could lead to overreactions and market instability, much like algorithmic trading in financial markets. Instead, businesses may need to blend AI-based insights with human decision making to ensure strategic, rather than purely reactive, pricing decisions.

Building Governance Standards Rather Than Relying on Contracts Alone

A common theme was the inadequacy of contracts as static documents in a rapidly changing world. Many executives suggested that rather than continuously modifying contract language, companies should focus on:

- Stronger governance mechanisms that facilitate open discussions about cost changes.
- Predefined escalation processes for addressing supply disruptions.
- Flexible collaboration frameworks that allow businesses to adapt in real time.

One legal expert described a governance clause used in contracts that does not guarantee relief but mandates that cost-impacting events be discussed and evaluated by decision makers. This approach creates a structured decision making process without locking businesses into rigid contractual obligations.

Conclusion: The Way Forward

Executives broadly agreed that tariffs are just one component of a larger wave of disruption and that businesses must move beyond reactive responses. The key takeaways from the discussion include:

- Many businesses remain in a “wait and see” mode, unwilling to commit to structural changes until the long-term impact of tariffs is clearer.
- Contract constraints limit the ability to pass on costs, making alternative strategies such as cost transparency and scenario planning essential.
- Market disruptions sometimes drive collaboration, but can also reinforce transactional behaviors, depending on industry and supply chain flexibility.
- The shift from supply chains to supply networks could improve resilience, but this requires stronger governance rather than just new contract terms.

While immediate solutions remain fragmented and industry-specific, the roundtable reinforced the need for businesses to evolve their procurement, contracting, and supplier management strategies, not just to manage tariffs but to prepare for an increasingly volatile global market.

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