Hey! What's New? 2025-42

Four Steps for CFOs to Mitigate Tariff Risk

A blog on the *CFO* webpage, written by Vivek Saxena, finance and accounting service line leader at Genpact, says that, "if the past several weeks have taught us anything about the ongoing tariffs discussion, it's that none of us can accurately predict the future, not even tomorrow."

Saxena adds that, "with the status of tariffs on goods imported — particularly from China, Canada and Mexico — subject to further changes, delays and retaliations, business leaders are scrambling to safeguard their operations against the rising costs these tariffs impose."

Unfortunately, he notes, "any significant decisions made in the current climate carry the risk of long-lasting impacts, forcing finance chiefs to navigate a rapidly shifting landscape based on rules that fluctuate daily. The volatile tariffs landscape impacts areas across finance and accounting, including cost of goods sold, inventory management, reporting and compliance, tax planning, integrated business planning, forecasting, cost optimization and risk management."

Saxena points out that "the Economic Policy Uncertainty Index recently found that consumer uncertainty regarding the intersection of economics and politics is at its highest level since the pandemic — an alarming trend that promises to significantly affect consumer purchasing habits. Unfortunately, the combination of sporadic consumer spending and business-level uncertainty spells trouble for the economy."

He believes, though, that "all hope is not lost. In the throes of financial planning for a very uncertain year, CFOs can take preventative measures and proactive steps to ensure they're able to adapt quickly to changes in demand and regulatory status. Let's take a look at a few of the most important."

A CFO's role in tariff risk management goes beyond just financial oversight, he says. "It requires a multi-layered approach involving collaboration with multiple functions within the organization, such as supply chain, compliance, operations and government relations. CFOs can safeguard their organizations against both direct and indirect tariff-related risks by implementing comprehensive risk identification and mitigation strategies (both for financial risks and operational resilience) and continuous monitoring of the risks."

Saxena suggests two types of risk mitigation strategies: financial and operational. On the financial side, CFOs should consider:

- Diversified sourcing to shift to suppliers in non-tariff regions.
- Tariff engineering to minimize duty rates legally.
- Currency and commodity hedging to offset price volatility.

"This will include looking at how inflationary pressures and currency fluctuations may impact inventory valuation as well as working with auditors to revisit disclosure requirements to ensure transparency in financial statements regarding tariff-related risks."

Equally important, he says, are operational risk management scenarios, such as:

- Expanding geographically to offset losses from tariff-heavy regions.
- Balancing stock levels to avoid tariff-driven supply shocks.

- Tracking regulatory compliance to stay updated on evolving policies.

Additionally, “third-party risks and fraud are expected to increase as supplier networks shift, necessitating enhanced due diligence in vendor onboarding. Companies must strike a careful balance between mitigating tariff-related cost pressures and maintaining compliance with evolving regulatory and tax requirements.”

With every approach, Saxena urges CFOs to develop “what-if” scenarios to model the impact of different tariffs on the business, leveraging dynamic risk assessments to evaluate the resilience of their current risk and control frameworks. “These scenarios include key risk indicators such as the cost impact, working capital efficiency and profit margin stability to monitor risk and trigger appropriate responses. This means that the adoption of AI-driven analytics and continuous risk monitoring solutions is no longer optional but essential for maintaining agility and foresight in today’s rapidly evolving risk landscape.”

He points out that “integrated business planning has become a critical approach to providing a robust baseline for decision making and keeping all teams collectively aimed at the same corporate objectives while staying focused on individual key performance indicators. As it relates to tariffs, finance teams should collaborate closely with supply chain teams to ensure cost and pricing strategies are closely aligned.”

Learn much more at [4 steps for CFOs to mitigate tariff risk | CFO.com].