

The Growth Blueprint Podcast

Finding growth in a low-growth world: Resilience and reinvention in industrials

[00:00:08] **Narrator** Welcome to the second series of The Growth Blueprint, a podcast from Simon-Kucher, a global consulting firm with 40 years of experience in helping companies unlock smarter, more sustainable growth. As the world's leading pricing and growth specialist, we work with clients to increase both revenue and profits, helping them turn commercial strategy into measurable results. Throughout this series, we will look at the key trends shaping the future of business. We will cover all major sectors, giving you a panoramic view of what's happening in the market and what you can do to stay ahead.

In today's episode, Adam Echter, Global Head of Simon-Kucher's industrial sector, is joined by Daniel Bornemann, Partner in Zurich, and Dave Clement, Partner in New York, to discuss how industrial companies are finding ways to grow in a low growth world. Together, they explore how leaders are adapting to continued volatility, what's driving investment across markets, and how technology is changing the way industrial businesses operate and compete.

[00:01:04] **Adam Echter** As we head into 2026, volatility starts to feel normal, growth is harder, and the fundamentals of value creation are being rewritten. So what's really happening beneath the surface and who's set to win? These are some of the questions that we're hoping to address today on the episode. I've asked some great partner colleagues to join me, Daniel Bornemann and Dave Clement representing both sides of the pond as we tackle these topics. For myself, my name is Adam Echter. I'll be hosting. I'm a partner with Simon-Kucher in North America and I run our global industrial sector.

[00:01:31] **Daniel Bornemann** Hi everybody, this is Daniel Bornemann, Partner in our Zurich office, industrial specialist, heavily involved in value creation projects, commercial excellence pricing in the industrial sector.

[00:01:44] **Dave Clement** Dave Clement, I'm a partner out of our New York office. Spend most of my time on industrial services and private equity. So really excited to be here. I was actually with a couple CEOs the other week at a conference. There was a lot of talk around the good, the bad, the ugly. All they really want is some consistency in this market. And and I'm not so sure that's what they're gonna get, but we're excited to talk a little bit how you can manage through the world that we're living in today.

[00:02:07] **Adam Echter** Well, great. Thank you both for joining me. Again, today is about a candid conversation about what growth could really look like for industrials in 2026. What are some of the pressures, the pivots and the uncomfortable truths that executives should be thinking about and preparing for to help find growth in this low growth environment? Let's set that global backdrop. What are some of the things that have happened and what have we seen in the recent years?

For starters, let's get at this idea of have we just gotten used to chaos, right? I think as the industrial sector, you look around and the last 12 months have been quite surprising. Go back in time to the fall of 2024. There's a presidential election happening in the United States and no one quite knew how that was going to shake out. Flash forward a year to late 2025, don't

think anybody predicted some of the levels and velocity at which conversations around tariffs would play out. There's been a conversation about well, is it going to end? What's going to happen? Are we going to calm back? Or has volatility become the new baseline? Dave, maybe with you, if you think about this from an American perspective, how are people responding to that question of volatility in the States?

[00:03:16] **Dave Clement** I think in some respects it's almost a back to basics and preparing for what we've would term commercial agility. If you think about COVID five years ago, even a couple of years before the current environment, there were peaks and valleys. And I think scenario planning was a real core element of any business, right? Once you kind of had a cost and foundation set, I think as we move forward with the advance of AI and pressures in the market and opportunities depending on the subsector, I think what we're seeing is actually really a lean back into the customer. And I think the companies that that win are certainly preparing for that volatility. But if you think about understanding who your customers are, your segments, your ICPs, you're able to really drive business decisions around that. So yeah, certainly seeing kind of real core business fundamentals win in this environment, but it's really because it's the ability to adapt given this chaos that I do think will be here for a number of years in the future.

[00:04:14] **Adam Echter** Daniel, as we cross the pond and take a European view of what's happening, do we see a world where the volatility of the last few years, whether it's the energy disruptions, the active military conflicts that have been happening, some of the things that have added a lot of volatility into the system, are they going to die down? Or is this also just a new normal?

[00:04:36] **Daniel Bornemann** When you talk to decision makers they'd love things to calm down a bit, definitely. But I think deep down inside they also understand that this is not gonna happen. So I think the consequences for companies are pretty similar to what Dave just described. The whole environment is moving. And quite frankly, some of the issues or some of the reasons why some European countries takes a bit longer to kind of get up to speed is also partly homemade, you know, high labor cost, high energy costs, too much bureaucracy. So they just simply have to do their homework. I also think that there's not one speed in Europe. I guess that the more established Western European economies for them it's a bit harder to adjust to that. I perceive the Eastern European countries as more agile in that. So I think there's not one Europe but two.

[00:05:26] **Adam Echter** So if we're thinking about volatility, maybe the story is not volatility being volatile anymore. It's not this idea that volatility will come and go. It could be this idea of just how comfortable are you with it? Now let's get on to one of the other things that can have a big effect on an economy, and that is the flow of private equity money. This is a big headline topic that's been out there for quite some time. It feels like almost three years now that articles and publications have been saying there's so much dry powder and it's about to get unleashed. And yet it hasn't been. So as we're looking at 2026, is this the year where private equity kicks back in gear and has a big comeback, recycling global capital and keeping everything going? Or do we see, from an industrial's perspective, continued waiting for better days?

[00:06:13] **Dave Clement** I saw a fascinating stat last week that there are more private equity firms in the US than there are McDonald's. So the industry has grown tremendously over the

past 10 years through some boom years, but now there's tons of pressure after the past four or five years of kind of stalemates to get deals moving again. You see some, you know, pretty dramatic activities of, you know, secondaries, tertiaries, et cetera. And the pent-up demand is real to, you know, pay back investors and get deal flow going. I think that the firms that will win will really double down in operational excellence, right? There will certainly still be the activities of financial engineering, buy and build, et cetera. And that has to be part of it. But you're at a point where you really have to help your companies perform and grow their EBITDA to be able to transact and trade and get that flywheel going again. So I think it's the funds that have that mindset, the capabilities to really drive that operational excellence within their companies and not just, you know, hold this like a stock, right? So to speak. And those that do, I think will survive, those that don't, in this next round of fundraising, maybe we will have fewer private equity firms than McDonald's in three or four years.

[00:07:25] **Adam Echter** Nice to see the volume in America. I think that was also, I remember that quote, sort of suggesting have we arrived at peak PE, some consolidation kind of in the future. Daniel, as we cross the pond and head over to Europe, what's the PE market look like over there? A similar situation, or will the idea that we're halfway through the decade, we're all long on our holds, interest rates are stable, are coming down a little bit. We don't know what's going to happen next, but this might be the best window we're going to have. So let's get moving and let's get money flowing again. Is that the story of 2026?

[00:07:58] **Daniel Bornemann** Partly I'd say. I've had quite a few discussions with private equity clients lately, and they were let's put it that way, they were cautiously optimistic. Holding periods are still longer, and I think it widely differs by sector. So some areas like software, like defense, like the whole med tech and pharmaceutical area, they were working pretty well, and prices were pretty high. So it was easy to sell those as well at very good prices, is a bit different in the industrial sector where people were cautious, price levels were rather low, holding periods were a bit longer. But that is also simply due to the fact that those companies are not growing as they were supposed to be. So there were growth cases made like five years ago, and due to the economy at the moment and the lack of industrial growth at the moment, those growth cases simply don't pay off as they were supposed to be. So there's a kind of a real reason behind that slowdown, is simply the economy and the lack of growth in the sector.

[00:09:04] **Dave Clement** Yeah. And Adam, I don't know if this is too early to talk AI, but it wouldn't be a business podcast without AI being covered. We just completed our 2025 PE Value Creation Survey. And the one lever that's going to see the most growth in 2026, at least from private equity professionals around the world, was systems and infrastructure.

[00:09:23] **Adam Echter** Yeah, Dave, that's a great point. In that study that you did, we saw operational and system improvements, which has been a perennial bottom area of interest. It's just not something that's been focused on. And it's skyrocketed to a top three priority for operating professionals within private equity going into 2026. And we do think that that's a leading indicator of the technological change that's taking place. And first mover advantage has been identified. And we're starting to see that come to life. So, Dave, what are some of the AI examples? What are some of the things that we're already seeing where this concept is now manifesting in improvements for businesses in their top line?

[00:10:01] **Dave Clement** Yeah. I think the first kind of real use cases were probably more internal, operational, right? How do you use AI to support better analytics or improve processes of segmentation or data transfer governance, et cetera? My sense is if you're not doing that now or aren't soon, then you certainly will be left behind. I think the more powerful use cases really come back to thinking about the customer and how you can better engage with your customer set and be the right product or right service at the right time with the right value messaging, for example. I just saw an industrial services company, field services company that we've worked with utilize a service that actually listens to your sales calls live in the field. And after the sales call, you'll get a report on how you, as a technician covered certain topics, drive certain cross-cell activities, communicated value relative to a script that you and your peers have aligned on and in a strategy. And that's used for coaching, that use is used for real time guidance. And that company in a quick pilot test grew 2% in terms of their cross sell in a month. So I think the more we get in customer specific use cases, the more adoption there's going to be. But I do think it has to start with small wins like this cross sell opportunity versus jumping all the way to agentic AI and hoping that it grows 20%.

[00:11:24] **Adam Echter** Yeah, I love that idea and that example. And I do think from a global industrial's perspective, probably one of those biggest shifts that we're seeing right now is the borrowing of concepts of how to manage a customer base from an industry like SaaS software, where cross sell, upsell, net retention, and cohort analytics, that's the norm. Daniel, anything in Europe that you see kind of leading the way from AI implementation?

[00:11:51] **Daniel Bornemann** Maybe to double down on what Dave said earlier. I wouldn't expect the big bang. It's more small steps with those use cases. And that's basically what we're doing with our clients as well. Identify tangible small use cases that they can really implement in a very short period of time that take away either analog or pain points in the sales process. And with those small wins and the small successes, they kind of learn to work with AI, but it's typically not the Big Bang. The Big Bang is more the in general the digitization of the whole sales process. But that's not AI, that's just you transfer an analog process into something digital end to end. And then in between there are small bits and pieces that you can fuel with AI.

[00:12:33] **Adam Echter** But Daniel, that point is that's nothing new. We've been doing that for years now, transforming analog sales processes over to digital.

[00:12:40] **Daniel Bornemann** Yes, but a mid-sized industrial company was not necessarily the front runner in that process. So what's normal for a software company or for a service company was not normal for a small or mid-sized industrial company. They had their CM system, they had their ERP system, but large parts of their process were still analog so far.

[00:13:03] **Adam Echter** Is it gonna be normal in 2026? Is it that the cost to do it have come down and now it's more accessible?

[00:13:08] **Daniel Bornemann** It's way more accessible. So that's really the mainstream now and that's what a lot of companies are doing now. And also smaller companies.

[00:13:15] **Adam Echter** Well, it does seem to be that the story of AI, digital, and industrials heading into 2026 is less about some big bang. There's going to be an AI transformation that changes everything all at once. And it does consistently look to us across both sides of the

pond that we now know what good looks like. We've had years to observe it. This is the time where the efficacy and the efficiency is really decreasing, making it more accessible to mid-market companies. And we would expect to see a lot more of that effort in 2026 as mid-market industrial firms start to digitalize their information flows, copy what's worked elsewhere. It's very low risk and it has that significant upside potential.

Guys, I want to pivot a little bit over to another topic that's been hot in the industrial space for a while. And then there's a question of, you know, what's happening now? And that's the idea of green and ESG. So if we go back in time, this was on everyone's mind. There was the industrial industries, particularly are known for their some of them very high levels of carbon emissions. It takes a lot of energy to produce these products. And there was this question that had to be there if we want to continue to service the market. With a lot of the volatility of 2025, there's that question of gosh, is green growth dead?

[00:14:36] **Daniel Bornemann** It is definitely very much alive. To be fair, I think there were always different implementation speeds when it came to sustainability. And yeah, Europe was probably the front runner. I think it lost a bit of this sparkle, and it's not that shiny anymore, but it is definitely still happening more on a rational basis. It has to pay off. And in many cases, sustainability is in line with cost savings and stuff like that. So I think it is very much alive, but in a different way than it might have been five years ago. So the hype is gone, and now it's really back to the basics and it has to pay off. And in many cases, it does. So it will succeed. But it's a different package, a different proposition. The hype is gone.

[00:15:21] **Dave Clement** I feel similar to Daniel. I would think sustainability, maybe prior it was talked about from a purpose standpoint, but now industrial businesses, it's more about the process of introducing sustainability through procurement, through compliance, through brand. Some subsectors you may have a green premium for packaging being one of them, where there's really more of a direct link to the end consumer and certain segments that really care about this. But I do think there's benefit to sustainability outside of the purpose driven benefits. And I think that's where you're seeing the industrial companies lean in, creating a better environment for all. But it's more from a capitalistic standpoint and a functional standpoint from my point of view.

[00:16:02] **Daniel Bornemann** Maybe to add to that, I think what would be a huge mistake for companies is to neglect the topic and say it's gone. We're not investing anymore, because they might wake up in a couple of years and they've not done their homework. So it is almost like a hygiene factor. Now you have to be prepared, also from a cost savings perspective, from a regulations perspective. If you now stop all sustainability efforts, that might catch you in a couple of years. So I would be really careful with that. It's a more rational approach, but it's still very relevant and you should be prepared and do your homework.

[00:16:39] **Adam Echter** Yeah, it's a great point that a lot of these decisions on the green front will outlast political cycles or popularity cycles, and they're very long-term in their thinking. It does seem that we have kind of maybe entered the post-hype, but it is a long-term thing that if you can stay ahead of your competition, to Daniel's point, not pull back on those investments, but stay out in front, it is a lever to help gain.

So we've touched on a handful of different things. And we're trying to understand what growth is going to look like for the industrial sector in 2026. So we looked across AI, we looked across

private capital, we looked across sustainability, big topics that can influence the industrial sector, and we ask ourselves, what's it all about?

Our perspective is growth is shifting from just large volumetric expansion and some of those blunt moves that you got to take when there was the massive inflation reactions of call it 2022, 2023, into more of a scaled and smart execution. And that growth in 2026 for industrials is more likely to be earned in little pockets, not in massive waves. And the winners are going to be those who can combine some of these topics and de-risk their actions by looking at what has worked and then bringing that optimistic lens that says, but we still see growth. We have potential. Let's go out there and get it, and the discipline to endure over time. So if volatility is a new normal and the winners are those who can thrive in it, Daniel, what do you think the winners are going to look like over in Europe?

[00:18:07] **Daniel Bornemann** In general, Europe will get back on the growth track, maybe with different speeds. I think the winners will be those economies that are more agile. At the moment, those are definitely the smaller Eastern European ones, and the bigger ones like Germany, like France, they really have to do their homework. I think that's more from a country perspective. I think the companies within those countries are agile anyway. So if you ask a mid-sized company here, they're expecting growth, but they're agile. They invest in Hungaria and Poland if their home market is not growing sufficiently.

[00:18:43] **Adam Echter** And Dave, stateside?

[00:18:45] **Dave Clement** I would concur with Daniel. I think if you haven't grown to be more agile in the past five years, you're probably not sustainable now. So I think as you go to that next level of I am a firm believer of the back to basics that we've talked about and really leaning into operational excellence. So really leaning into execution, to people, to training, to incentives. And while there might be seven shiny objects for a leader really focusing on the two or three that they believe in that will drive value for their company and for their customers.

[00:19:17] **Adam Echter** So if 2025 had a lot of shocks to the system and it was about reacting and taking bold moves in a volatile market. 2026 won't reward bold actions. It's really about running things tight and rewarding the best run operations. Growth used to mean scale. Now it really means stamina and sticking with it. There's nothing that indicates some of these macro ideas, whether it's tariffs, inflation, et cetera, are going to be changing as you transition from this year to the next. So it's enduring that, not hoping it passes, but just realizing it's here to stay and having the stamina to keep ahead of it. Thank you, Dave and Daniel, for joining me and your time today.

[00:19:58] **Narrator** Thank you for listening. If you enjoyed this episode, please consider leaving a rating or review. For more insights, visit www.Simon-Kucher.com.