rootstock® CLOUD ERP

2026 State of Manufacturing Technology Survey

January 2026

Executive summary

Our third State of Manufacturing Technology Survey revealed an industry moving from experimentation to execution. Manufacturers are making measurable progress in digital transformation and AI adoption—while facing growing pressures from talent shortages, global trade volatility, and the need for more connected operations.

AI adoption and challenges

- AI is becoming even more universal, with **94% of manufacturers utilizing some form of AI.** Confidence in adoption maturity is also improving; 73% now believe they are "on par" or "ahead" of their peers.
- **Predictive AI saw the largest adoption gain** (+12 pts to 48%), while AI investment shifted most sharply to supply chain planning (+19 pts to 35%) and process optimization (+11 pts to 36%).

Future outlook: economic and trade conditions

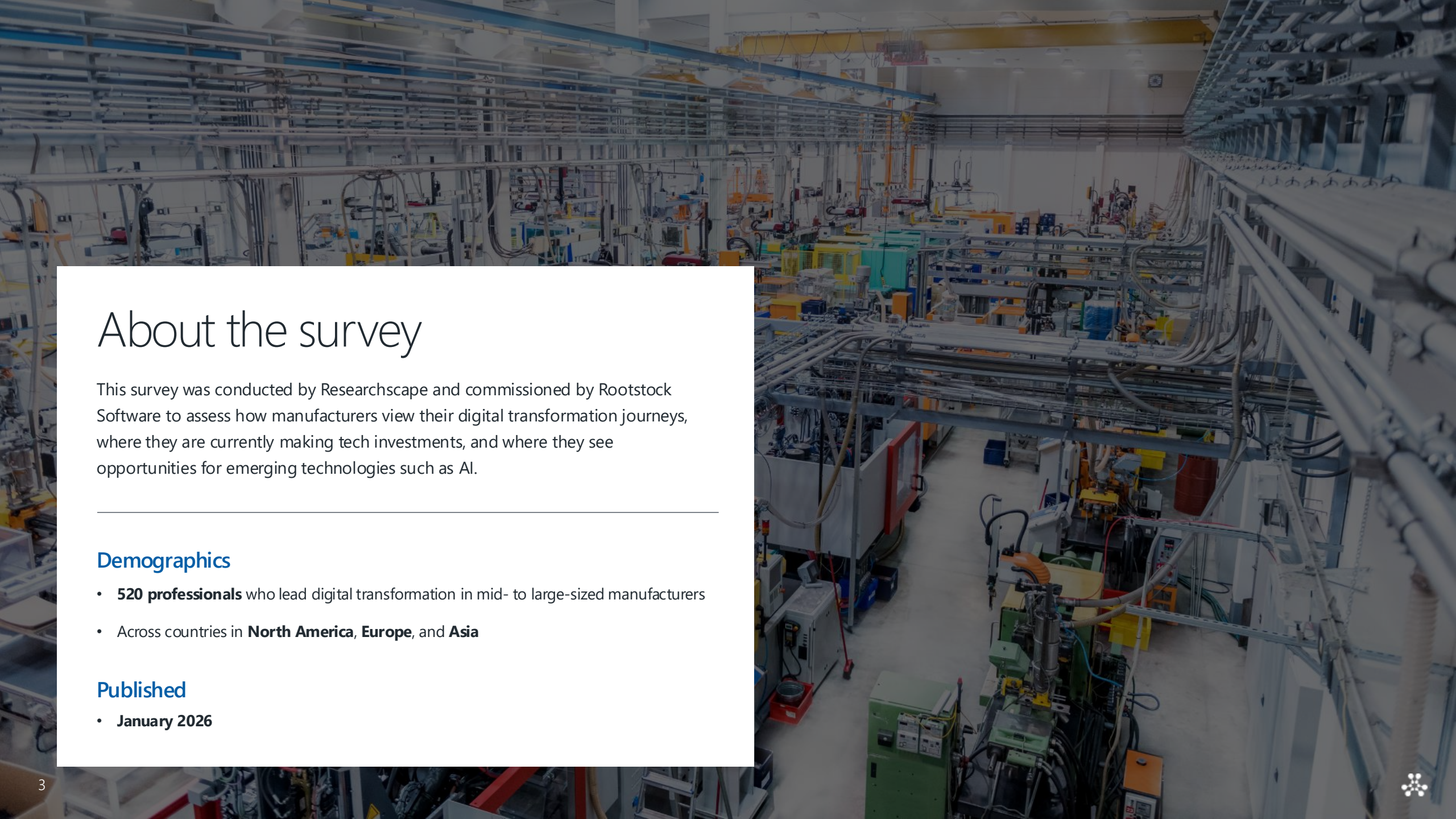
- Manufacturers enter 2026 with a mixed outlook: **31% expect demand to decline vs 19% anticipating growth.**
- Supply chain reliability remains a concern, with **29% expecting suppliers to become less reliable.**
- Tariffs and global trade pressures are driving cost impacts, with **39% expecting higher raw material costs** and **37% planning to raise prices**, increasing focus on tariff management, sourcing strategies, and cost forecasting.

ERP and the manufacturing signal chain

- Cloud ERP continues to deliver core business value, with manufacturers citing **simplification of IT infrastructure and platforms (49%)**, **reducing overall costs (49%)**, and **improving business agility (48%)** as top outcomes.
- Workforce-related benefits are rising, with **45% expecting ERP to improve staff productivity** and **30% citing employee retention** as key outcomes.
- Progress toward a connected **Manufacturing Signal Chain** remains a critical differentiator in digital maturity, though integration across finance, production, demand, and supply chain domains remains uneven.

Digital transformation and IT investment

- Manufacturers continue to advance digital transformation, with **67% reporting they are "on par" with or "slightly ahead" of peers**, though only **7% identify as "far ahead."**
- The top IT investments in digital transformation remain **operational and production performance (40%)**, **cybersecurity (34%)**, and **growth initiatives (28%).**
- Enterprise software remains a priority, with **61% planning to increase spending over the next 12 months.**



About the survey

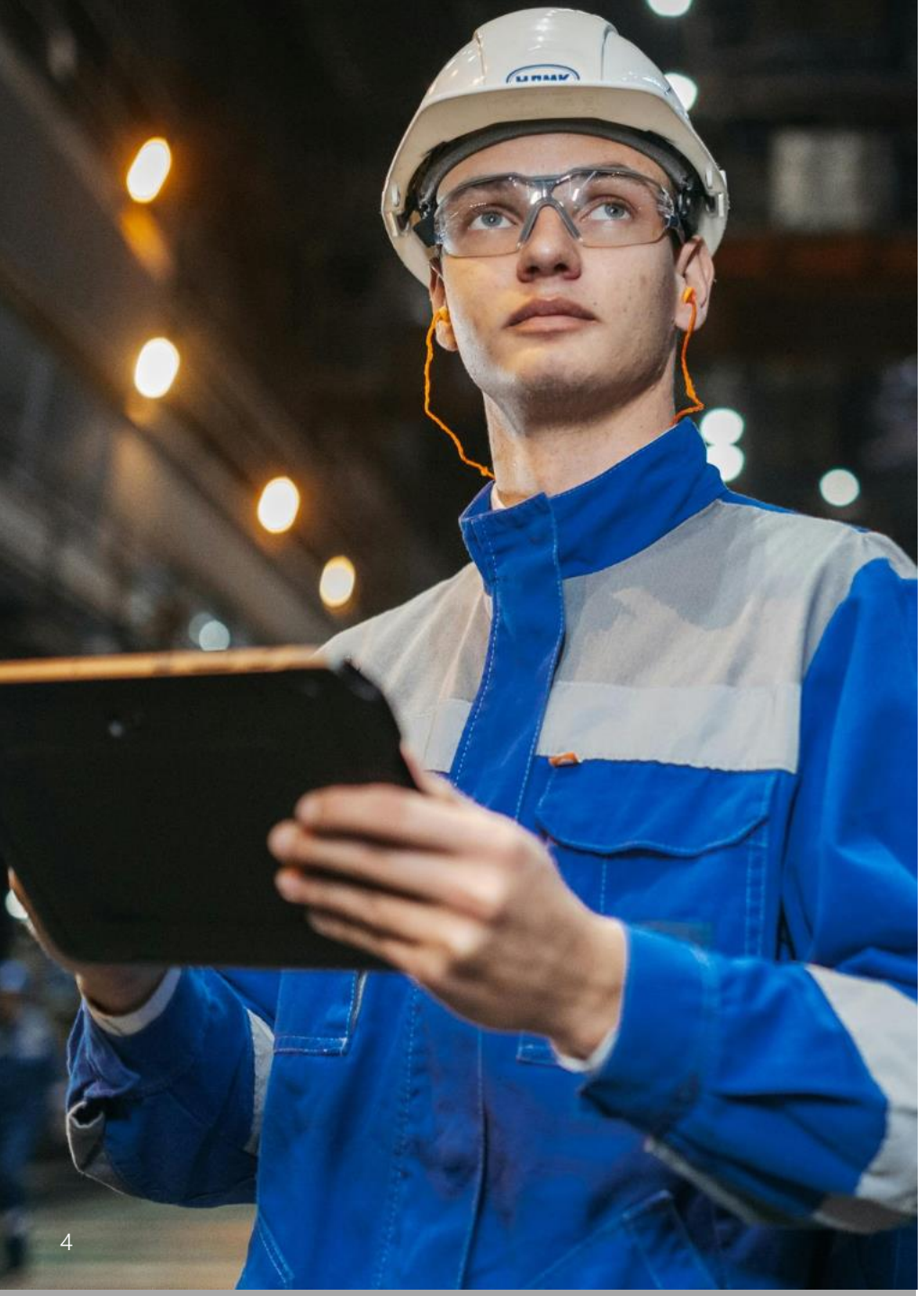
This survey was conducted by Researchscape and commissioned by Rootstock Software to assess how manufacturers view their digital transformation journeys, where they are currently making tech investments, and where they see opportunities for emerging technologies such as AI.

Demographics

- **520 professionals** who lead digital transformation in mid- to large-sized manufacturers
- Across countries in **North America**, **Europe**, and **Asia**

Published

- **January 2026**



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Digital Transformation in Manufacturing

Where are manufacturers today?

Progress continues

31% of respondents now consider themselves "slightly ahead" of peers, up from 25% in 2024.

31%

Most in the middle

A combined 67% of respondents describe their progress as "on par" or "slightly ahead," a modest increase from the last survey's results (64%).

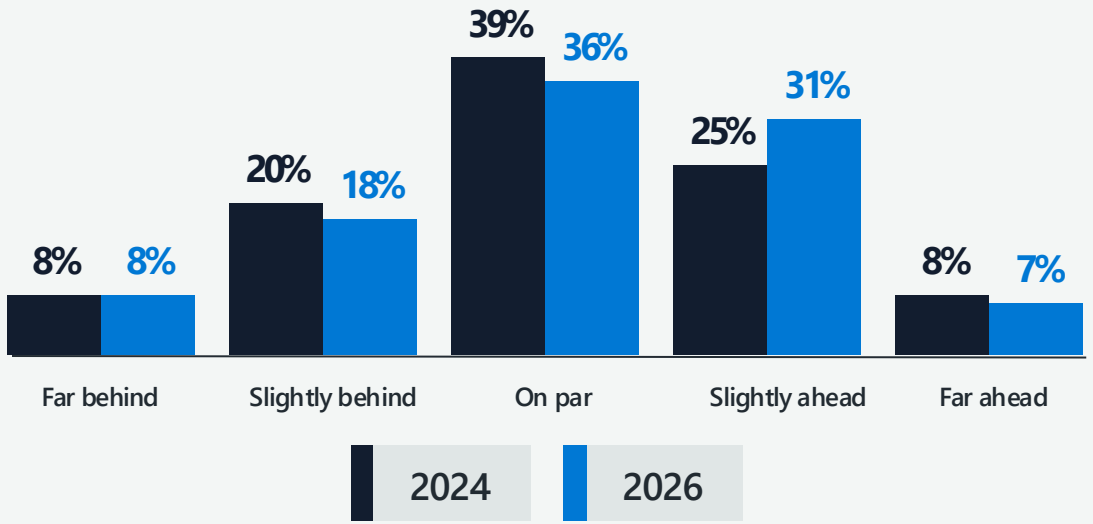
67%

Leadership limited

7% of respondents view themselves as "far ahead," indicating that few have reached advanced levels of digital transformation.

7%

Which of the following best represents your organization's overall digital transformation maturity/progress?



Defining the terms

Digital Transformation refers to the adoption or advancement of digital technology to transform processes or services in a business.

What's holding manufacturers back?

Previous obstacles have eased, but manufacturers now face talent and cultural barriers.

Prior bottlenecks decrease

Fewer manufacturers say they're too busy or reactive to initiate change (21%), and fewer cite budget constraints (25%)—suggesting financial resources are improving.

Talent shortage worsens

33% cite lack of the right talent, up 8 points from 2024—representing the largest increase.

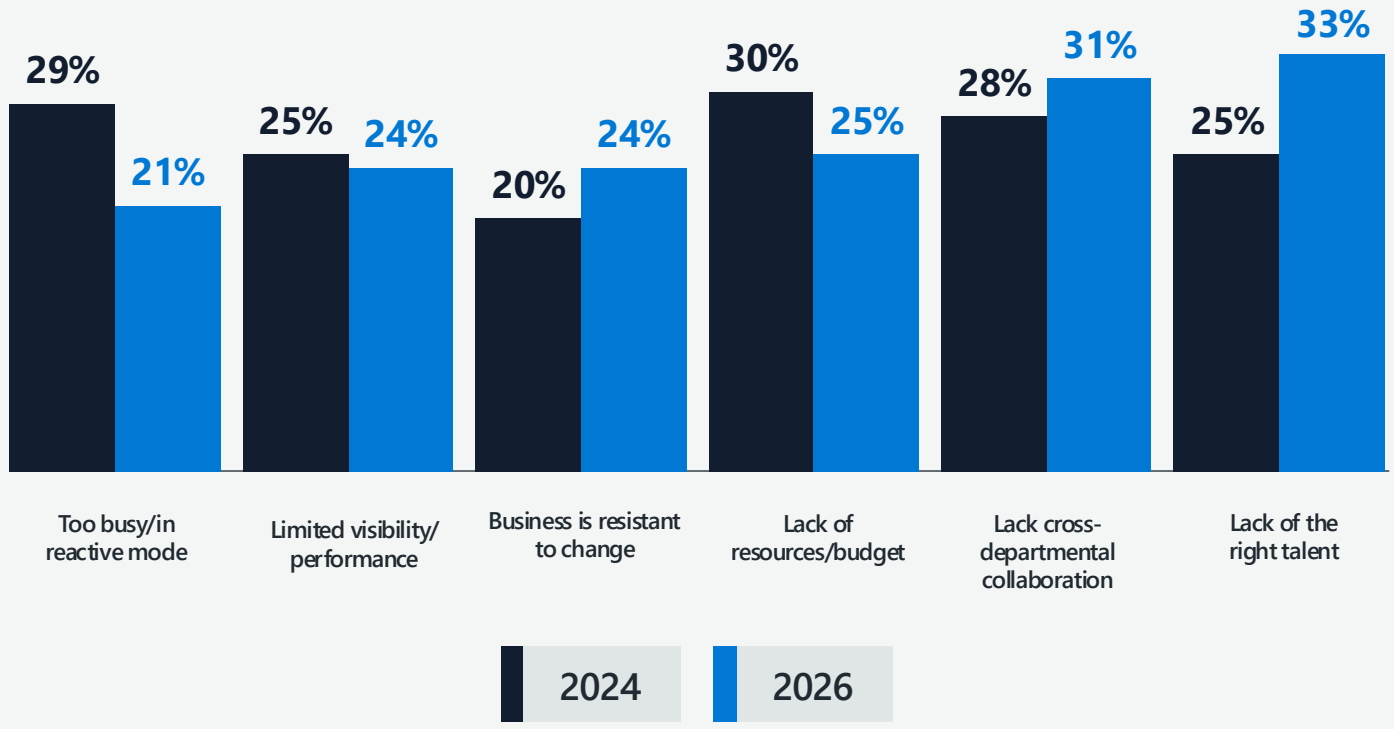
Collaboration is a hurdle

31% report lack of departmental coordination, up slightly from 28%, underscoring the need for unified efforts

Resistance Rising

Resistance to change rose 4 points (24%), signaling ongoing difficulty driving adoption

What are the primary challenges to Digital Transformation at your organization?

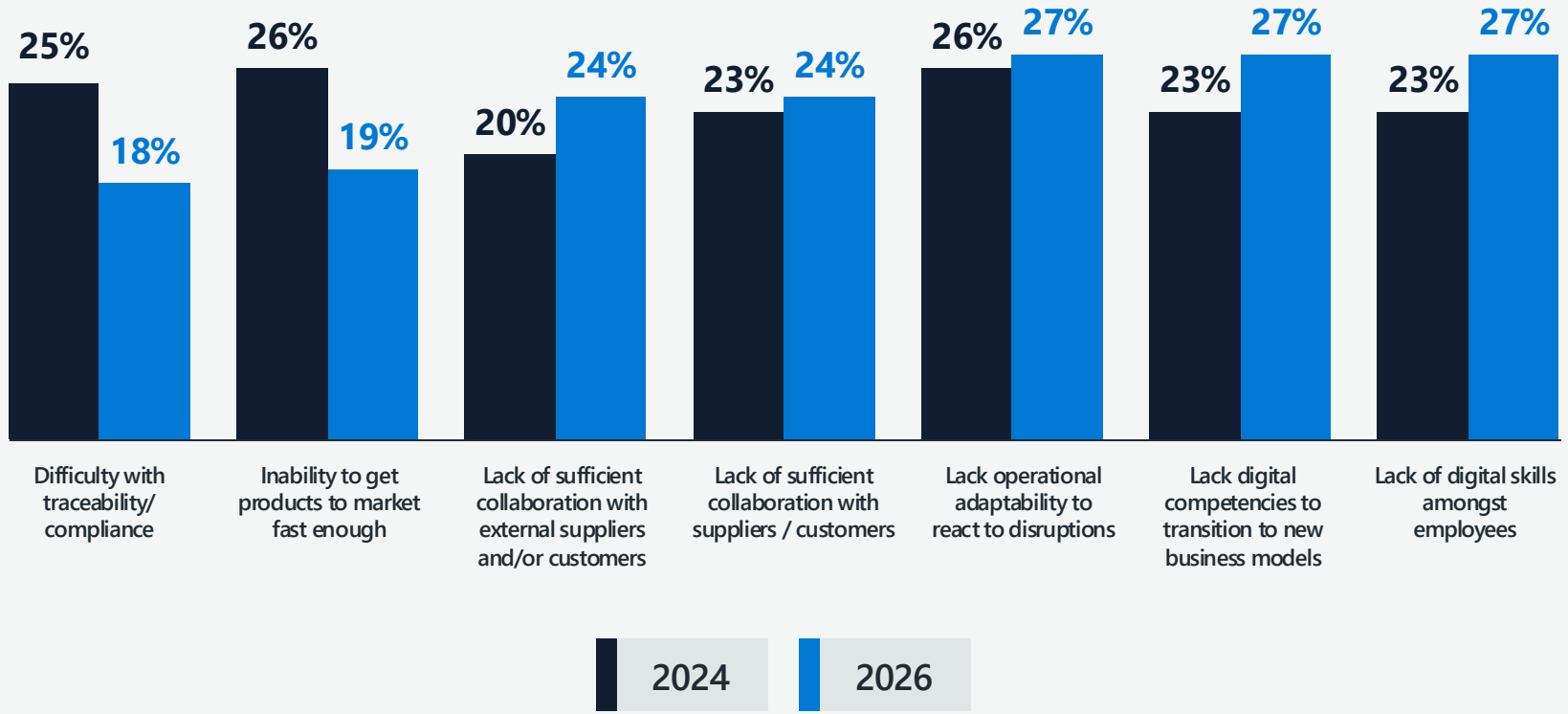


What if manufacturers don't digitally transform?

If manufacturers fail to transform, they risk falling behind in digital skills, agility, and customer understanding. The greatest threats are human and organizational—not just technological.

- **Lack of digital skills** (27%), **inability to transition to new business models** (27%), and **inability to react to disruptions** (27%) are the leading risks that could leave companies behind.
- Fewer cite an **inability to get products to market** (19%) and **difficulty complying with regulatory requirements** (18%)—both down 7 points.
- Concern over **lack of customer insight** remains high (24%), emphasizing the importance of data-driven understanding.

What consequences are likely if your organization does not digitally transform?



What's driving manufacturers to invest?

While efficiency and security remain core priorities, manufacturers are increasingly focused on growth, financial performance, and talent. The data also shows a shift from cost containment to strategic investment—driving expansion and strengthening the workforce.

Operational performance remains top driver

Manufacturers still cite throughput and productivity (40%) as key goals.

Growth accelerates

Expansion into new markets, segments, and geographies rose to 28% (+7 points).

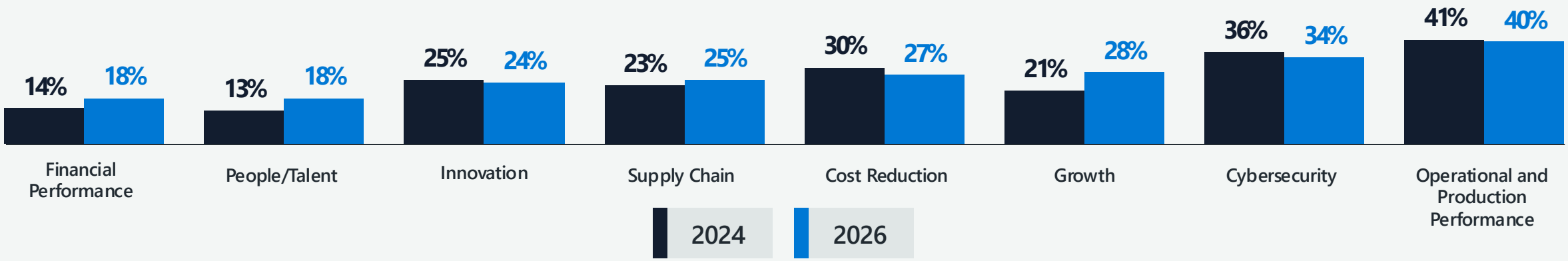
Rising factors

Talent development (18%) and financial performance (18%) increase to sustain competitiveness.

Still essential

Cost reduction (27%) and cybersecurity (34%) remain high, underscoring cost discipline and safeguards.

Which of the following will be significant drivers behind IT investments?



Increased spending on enterprise software

21% reduce spending

A small share of respondents plan to reduce budgets, down 9 points from 2024—showing increased prioritization of investment.

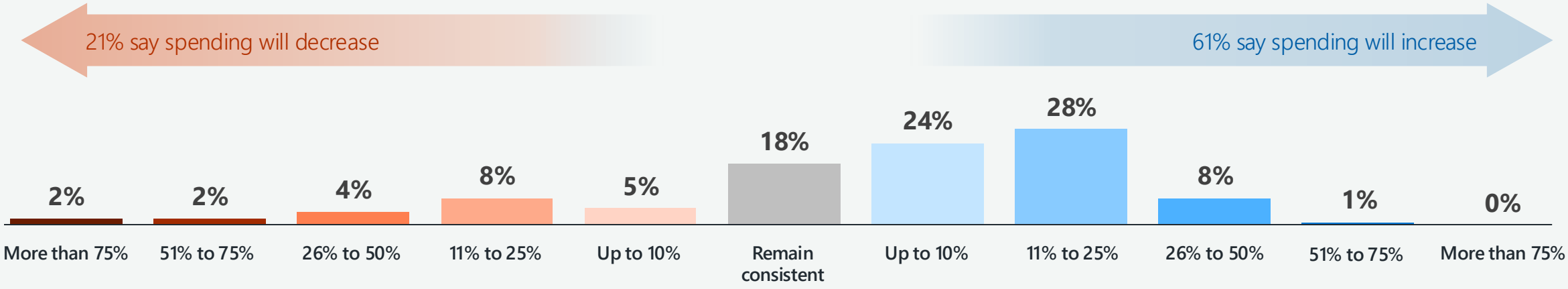
28% slight increase

The largest share of respondents anticipate raising budgets by 11–25%, signaling a focus on sustainable, incremental growth.

61% increase spending

Most manufacturers plan to increase budgets for enterprise software. With spending shifting upward, the trend suggests measured growth that's focused on modernization and efficiency gains.

What are your organization's investment plans for software that's used across your entire enterprise over the next 12 months?



ERP and the Manufacturing Signal Chain

Defining the terms

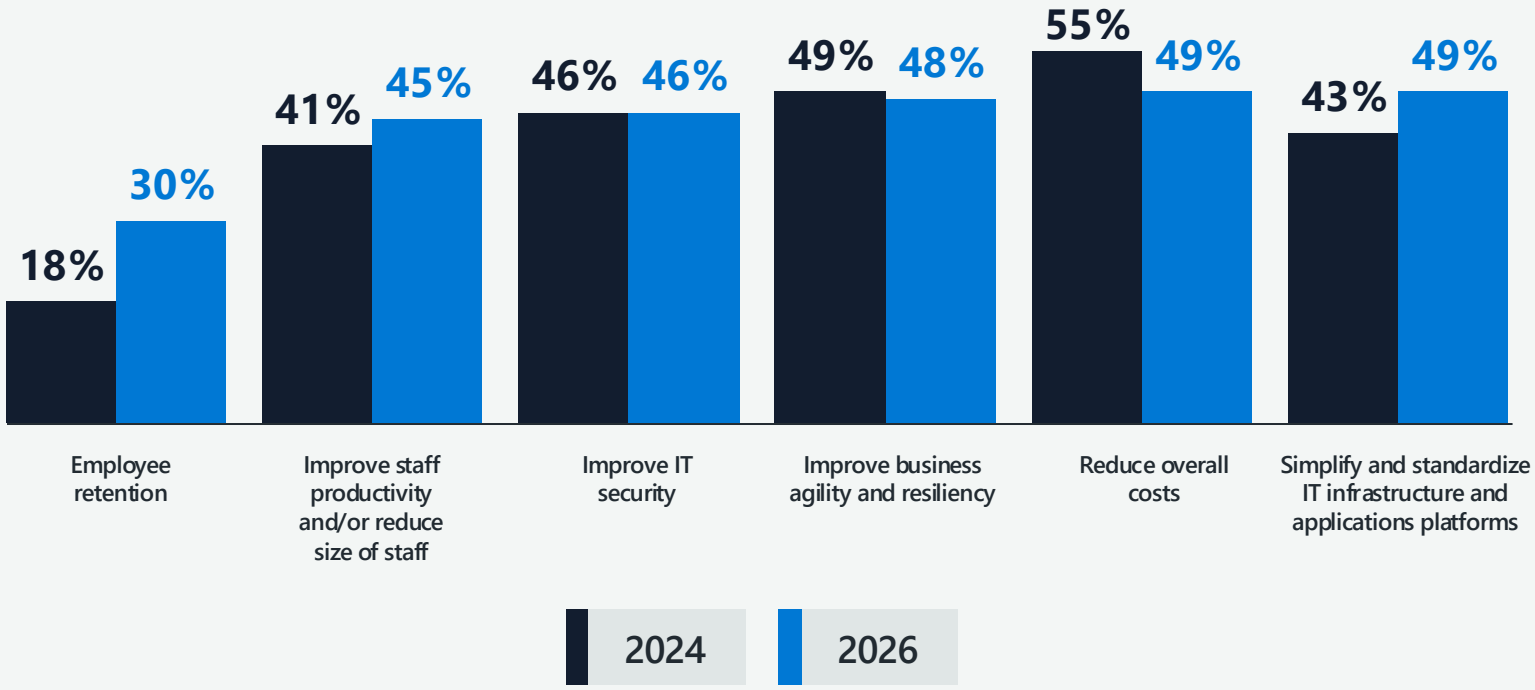
The Manufacturing Signal Chain utilizes a cloud platform to connect live data streams on customer demand and supply chains, so manufacturers can dynamically balance production capacity.

When augmented with artificial intelligence, the Signal Chain can serve as a Decisioning Platform to help make better, more timely decisions that improve manufacturing operations.

ERP remains the anchor of transformation

- More manufacturers, from 43% to 49%, want ERP to **simplify and standardize platforms**, showing a trend toward consolidation.
- Manufacturers are also leveraging ERP to achieve core benefits, such as **reducing overall costs** (49%), **improving IT security** (46%), and **enhancing business agility** (48%).
- Workforce issues are rising, with 45% of manufacturers wanting ERP to **improve staff efficiency or reduce headcount.**
- **Employee retention jumps** from 18% to 30%—representing the largest gain. This shows that ERP is increasingly viewed as a tool to improve employee experience.

Where have you experienced, or expect to experience, the greatest positive outcome from a cloud ERP solution?



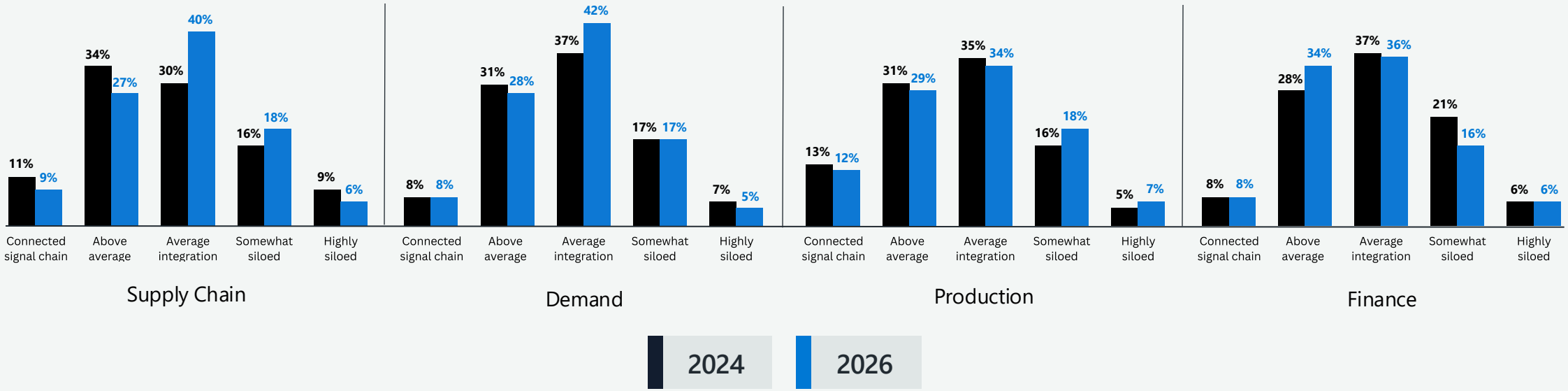
Slow progress toward connected business domains

Mid-level integration rises
Companies reporting average connectedness increased in Demand (+5 pts to 42%) and Supply Chain (+10 pts to 40%), signaling some breakdown from previously higher levels of integration.

Fewer highly connected domains
The "above average" + "connected" tiers fell in Finance (–6 pts) and Supply Chain (–9 pts)—indicating that fewer organizations view themselves as well connected in these domains.

Finance leads in advanced integration
42% of manufacturers rate Finance as "above average" or "connected," the highest of all domains in 2026, suggesting stronger digital maturity in financial systems compared to operational areas.

Rate your domain in terms of being siloed or connected



Momentum builds for the Salesforce Platform

Momentum builds for Salesforce as the preferred platform for manufacturers, with more moving **from consideration to active adoption**.

Adoption more than doubles

18% of manufacturers **now use Salesforce as a single platform**, up from 8% in 2024 and 0% in 2023.

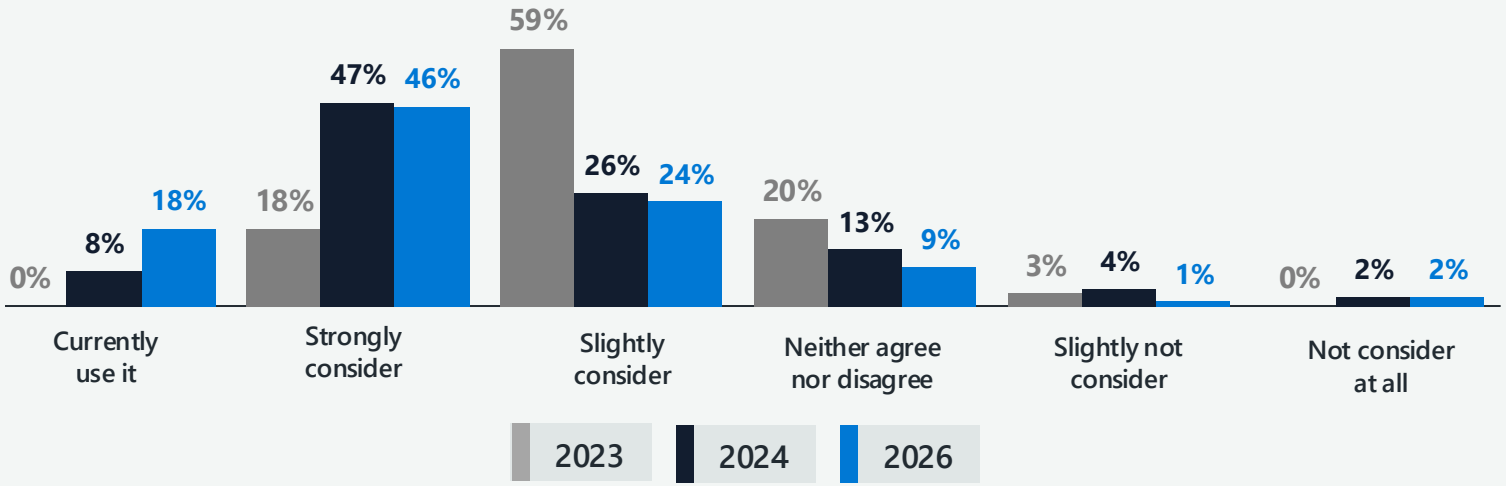
Strong consideration remains high

46% say they would **strongly consider Salesforce**—nearly flat from 47% in 2024, but more than double the 18% in 2023.

Majority now engaged or committed

64% either **use or strongly consider Salesforce**, up from 55% in 2024—a clear sign of deepening trust in the platform.

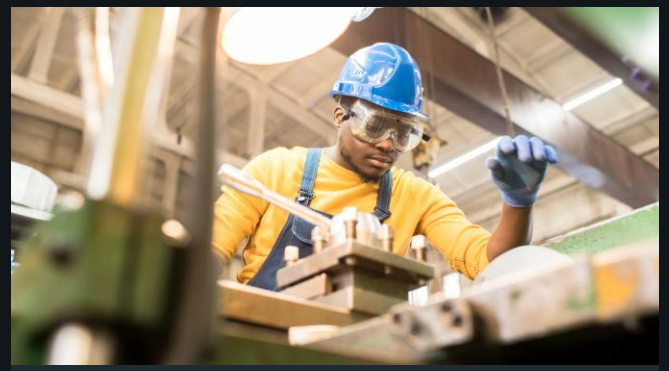
Would you consider Salesforce as a single platform to standardize your IT systems?



Respondents highlight Salesforce's role in unifying data, modernizing processes, and driving efficiencies in their operations.

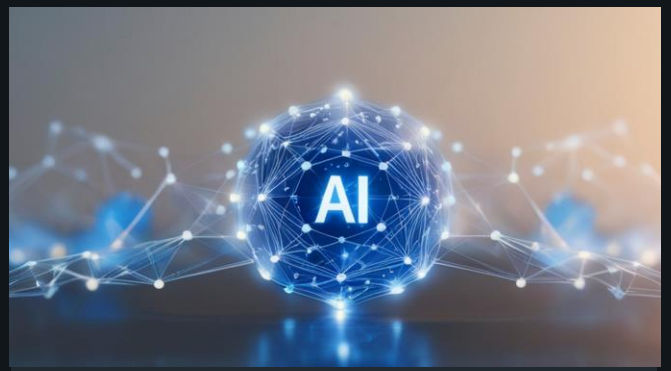
Respondents appreciate Salesforce's ability to boost customer interactions, optimize sales processes, and drive revenue in business sectors.

Salesforce enables a connected Signal Chain strategy



Production

"Salesforce gives the production side of our company better insight into the products driving sales in both the near-and long-term future. This will help identify where talent acquisition should be focused in the 'nuts and bolts' areas of our production."



AI Assistance

"Salesforce is helping us to smoothly transition to AI. It has helped us decide which AI applications to run, while also moving to cobots on our main production line."

Sales

"Salesforce is supporting manufacturing digital transformation by providing a unified platform that connects various aspects of our business, including sales, operations, and customer service."

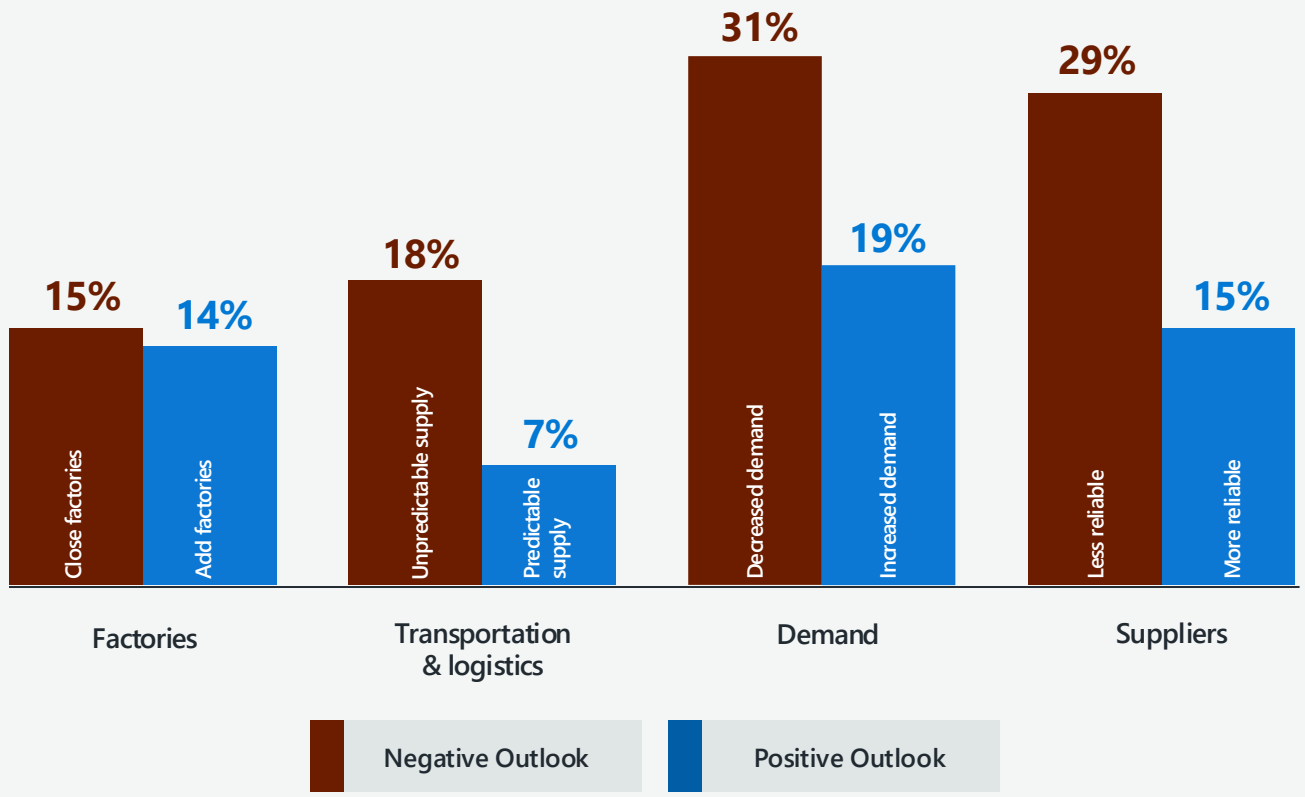
Future Outlook: Economic and Trade Conditions

Economic headwinds/tailwinds

Manufacturers enter 2026 with **mixed sentiment and continued uncertainty**. While many foresee headwinds around demand and supply reliability, others expect improvement. The result is a fragmented outlook, with no clear consensus on how the year will unfold.

- **Demand signals are divided:** 31% expect a decline in demand, while 19% anticipate growth—highlighting an uncertain outlook and uneven recovery across sectors.
- **Supply chain reliability remains shaky:** 29% foresee suppliers becoming less reliable, compared to 15% expecting improvement—suggesting lingering fragility in sourcing.
- **Transportation issues show limited optimism:** 18% anticipate worsening logistics, while only 7% expect improvement. Progress is slow.
- **Factory expectations split:** With 15% anticipating closures and 14% expansions, manufacturers express no clear consensus on production trends—reflecting another area of uncertainty.

How do you expect inflation, interest rates, economic conditions to impact your organization over the next 12 months?



Tariffs and global trade policy

Manufacturers are bracing for continued tariff-related cost pressures, with most expecting higher input costs and passing those increases downstream. Many are rethinking forecasting, sourcing, and pricing strategies to better navigate a complex global trade environment.

Cost pressures dominate

The largest share of manufacturers (39%) expect higher raw material/component costs.

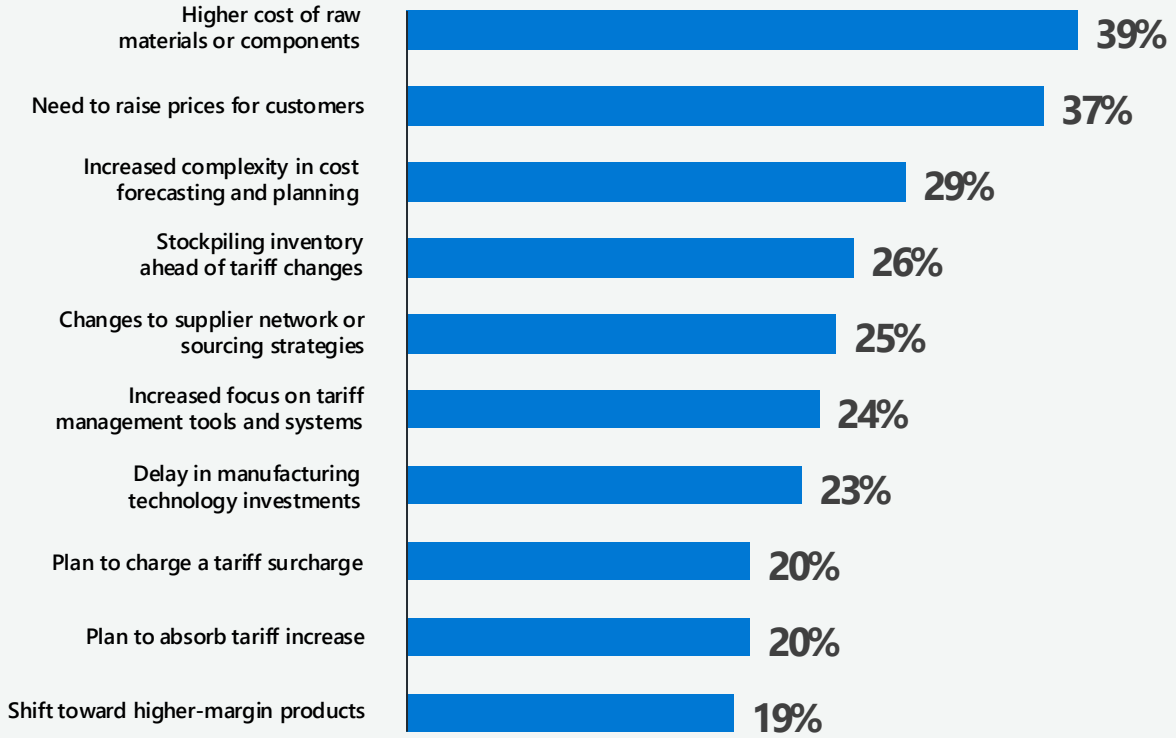
Passing costs to customers

37% expect to raise prices, showing a widespread intent to offset increased tariffs.

Complexity grows

29% expect challenges in cost forecasting, and 26% plan to stockpile inventory to get ahead of tariff shifts.

How do you expect tariffs and global trade policy uncertainty to impact your organization's operations or investment decisions over the next 12-18 months?



Geographic differences

Tariffs are pressuring manufacturers on both sides of the Atlantic, but they're using different coping strategies.

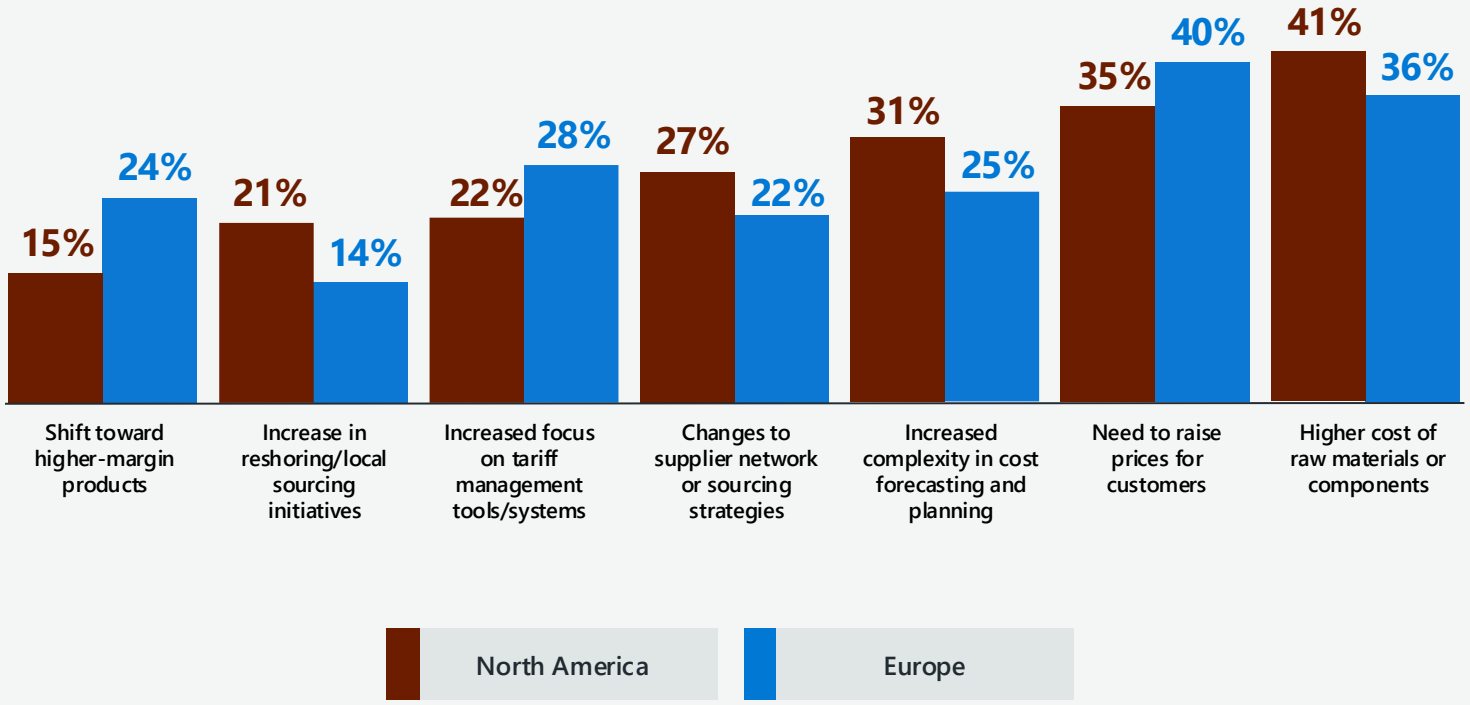
North America

A higher percentage of North American manufacturers report **increased raw-material costs** (41% vs. 36%). In response, they're more likely to **adjust suppliers** (27% vs. 22%) and **increase reshoring** (21% vs. 14%).

Europe

European manufacturers are more likely to **raise prices** (40% vs. 35%) to offset inflationary effects, with a greater focus on **tariff management systems** (28% vs. 22%) and **shifting to higher-margin products** (24% vs. 15%).

How do you expect tariffs and global trade policy uncertainty to impact your organization's operations or investment decisions over the next 12-18 months?



AI Adoption and Impact

All types of AI reach new heights

AI adoption continues to accelerate, with 94% of manufacturers now using some form of AI. Adoption is expanding beyond automation into predictive, generative, and connected applications—signaling a shift from isolated use cases to ecosystem-level AI adoption.

Automation remains the foundation

58% now use AI for automation, up from 48% in 2024, reflecting its role as a core driver of efficiency.

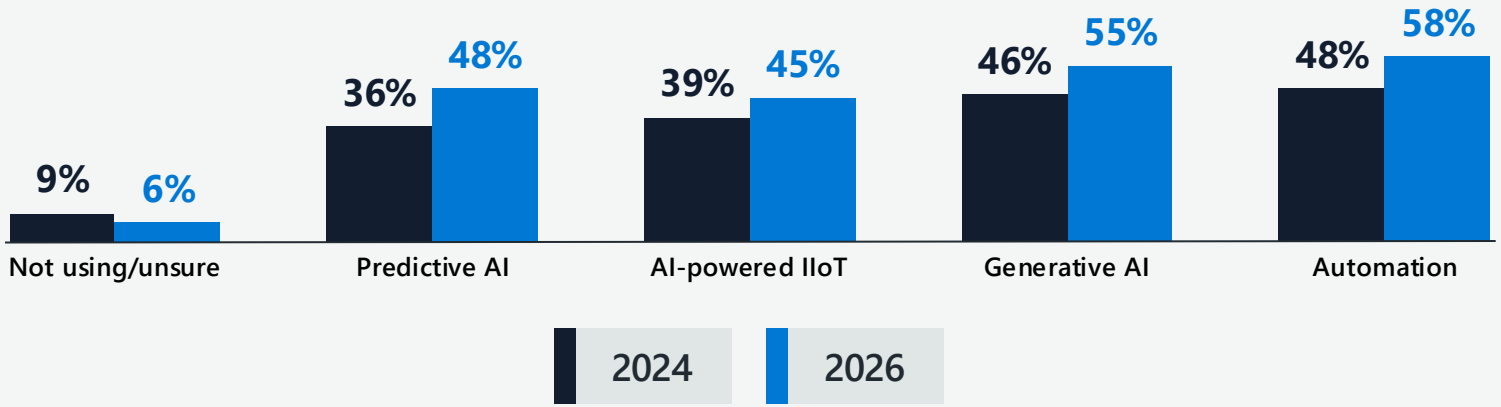
Predictive & generative AI surge

Predictive AI climbed to 48% (+12 pts), while gen AI reached 55% (+9 pts), signaling rapid growth in forecasting and content-driven use cases.

Industrial IoT advances steadily

AI-enabled IIoT grew from 39% to 45%, reflecting increased use of connected systems to monitor performance and optimize operations.

What types of AI are you deploying in your organization?



Defining the terms

Predictive AI
Predictive AI analyzes historical data to make predictions about future outcomes.

AI-powered industrial IoT
Systems that monitor manufacturing activity and predict potential issues to reduce manual intervention.

Generative AI
Technology that can produce various types of content, including text, imagery, audio and synthetic data.

Automation
AI-powered software that automates manual processes and administrative work such as in an ERP solution.

Manufacturers gain confidence in AI progress

Manufacturers are growing more confident in their AI maturity. The number of manufacturers who feel they're behind has fallen, while those who see themselves as "on par" or "slightly ahead" has risen —signaling that the use of AI is becoming standard practice, moving from early experimentation to industry-wide utilization and refinement.

Fewer feel behind

27% of manufacturers now see themselves as either "far behind" or "slightly behind" their peers, down from 37% in 2024—a clear sign of progress across the industry.

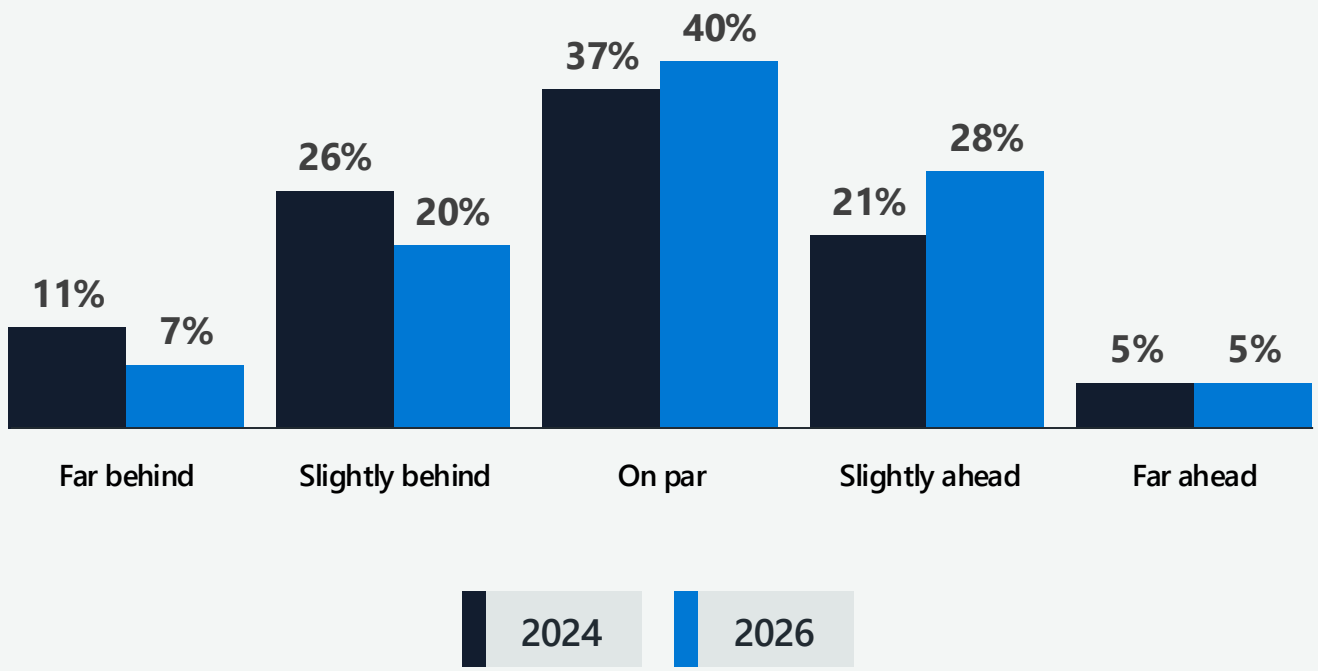
Confidence has risen

40% report being "on par" and 28% "slightly ahead" of peers, both up from 2024.

Leaders remain few

5% say they're "far ahead," showing that while maturity is rising, top-tier AI leadership is still limited.

Which of the following best represents your organization's overall AI adoption maturity/progress?



Investments shift toward operations and supply chain

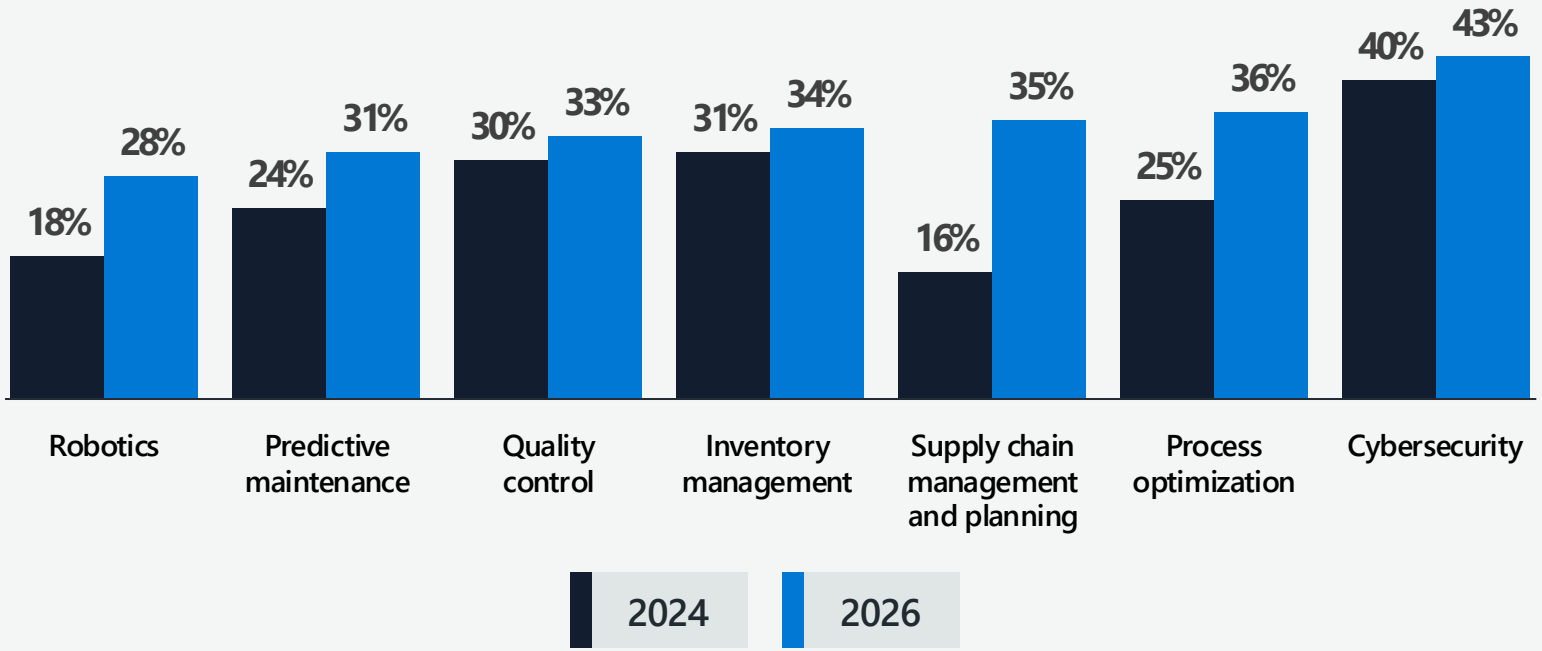
Manufacturers are prioritizing AI in process optimization, supply chain, and cybersecurity—the top areas of investment in 2026.

35% Supply chain shows the largest leap

36% Process optimization rises sharply

43% Cybersecurity remains the top application

For which applications is your organization using or planning to deploy additional AI?



Maturity in North America vs. Europe

Manufacturers across North America and Europe are closely aligned in AI progress, but European respondents show slightly greater confidence.

The most common response

44% in Europe and 38% in North America believe their AI adoption is “on par” with their peers.

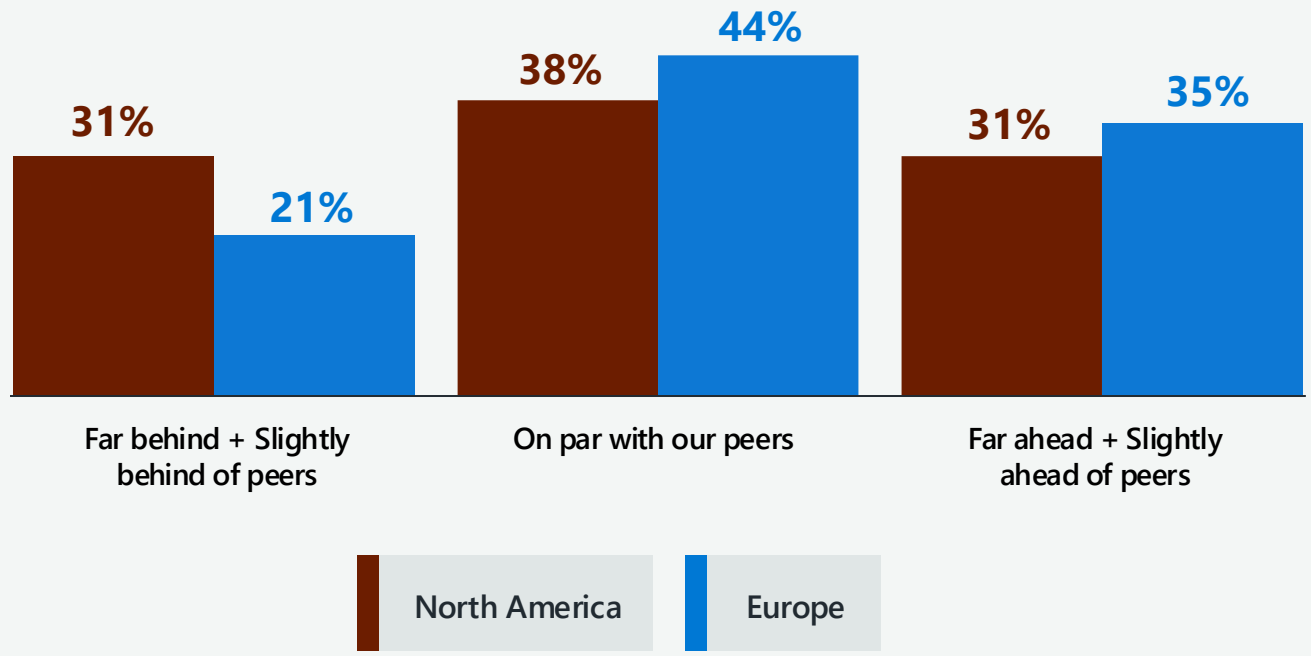
Europe shows a modest edge

35% of European manufacturers view themselves as “slightly” or “far” ahead versus 31% in North America.

Fewer in Europe feel behind

Only 21% of European manufacturers feel “slightly” or “far” behind, compared to 31% in North America, underscoring Europe’s slightly higher confidence in AI adoption.

Which of the following best represents your organization’s overall AI adoption maturity/progress?



Effects on the manufacturing workforce

Manufacturers view AI as a **catalyst for workforce transformation**. Most expect that it will enhance productivity and require new skills, with fewer seeing it as a driver for job cuts.

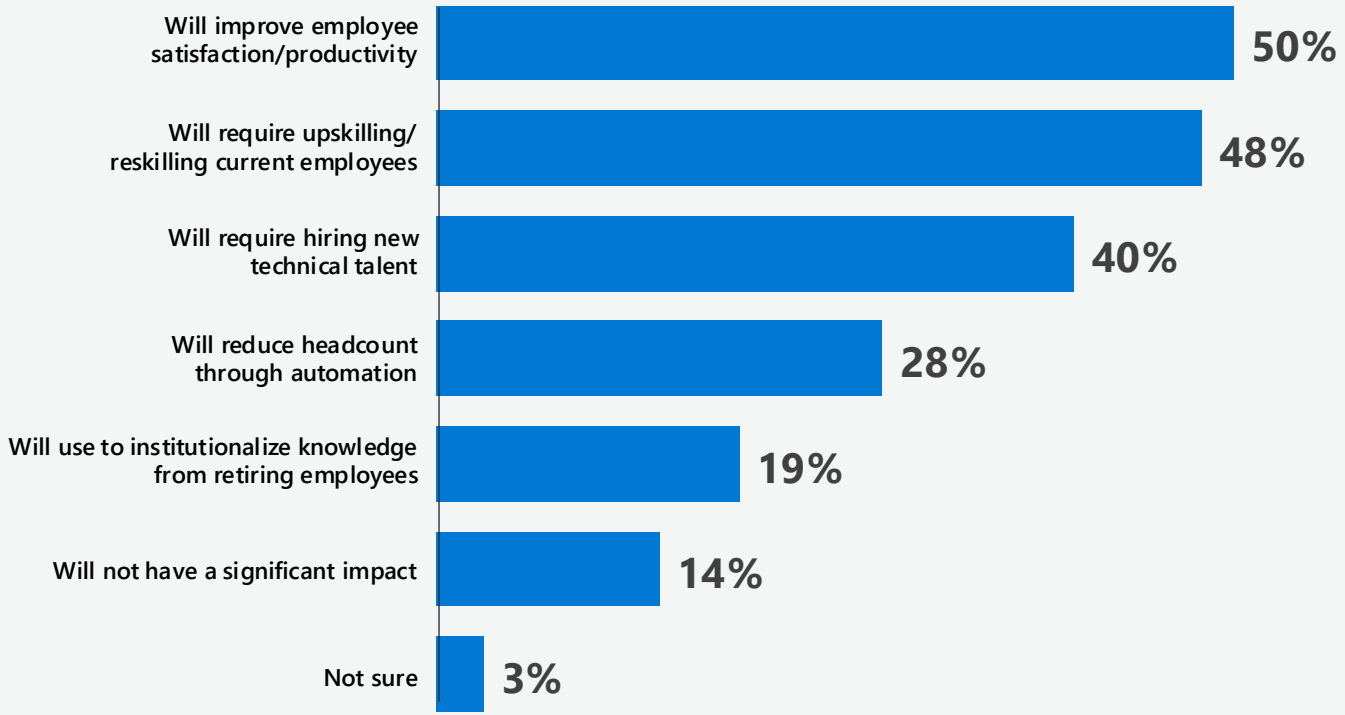
Workforce enablement
50% say AI will improve employee satisfaction and productivity—the most-cited outcome.

Elevated talent needs
48% expect to upskill or reskill current employees, while 40% anticipate hiring new tech talent to support AI-driven operations.

Some displacement
28% foresee headcount reductions, showing that displacement is a concern but not a prevailing expectation.

Knowledge capture
19% plan to use AI to preserve institutional knowledge as veteran workers retire—helping to address the manufacturing labor shortage and to onboard less-experienced employees.

How do you expect AI adoption to affect your workforce over the next 2-3 years?



Survey participants share their thoughts on the state of industry.

Impact of Tariffs & Geopolitical Issues

Many respondents expressed concerns about the negative consequences of tariffs and global political uncertainty, noting supply chain disruptions, rising costs, and an overall sense of instability.

"The manufacturing industry is in chaos due to tariffs full stop."

Digital Transformation & Adoption of AI

Many highlighted the role of technology, particularly AI and digital transformation in helping businesses adapt to disruption and remain competitive in the evolving industry.

"The industry is in a race to adopt AI across all areas of business, and my company is no exception. We have adapted positively to disruption, increasing our digital transformation initiatives across the board."

Resilience Through Innovation & Strategic Planning

There were strong mentions of how companies are focusing on agility, innovation, and strategic planning to navigate challenges and ensure long-term success despite external pressures.

"We've adapted by embracing technology and improving agility. Success will come from innovation, collaboration, and resilience."

About Rootstock

Rootstock Software provides the leading ERP for product companies, empowering manufacturers, wholesalers, and distributors to turbocharge their operations. Natively built on the Salesforce Platform, Rootstock is a modern, future-proof ERP with a fresh user experience. Users appreciate Rootstock's focus on customer success and its AI capabilities that offer a human-first approach. IT teams value Rootstock's platform as it minimizes the need to coordinate complex customizations and third-party integrations. All of these factors have contributed to delighted customers.

For more information, visit Rootstock.com.

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