Navigating Strategic Uncertainty

How Oracle's EPM Empowers Firms to Overcome Disruption

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European firms are operating under increasing strain. The current geopolitical turmoil adds considerable complexity to strategic decision-making, where a multitude of variables must be factored in, and countless scenario-planning exercises seem, rather ironically, designed to never quite match reality. In these eventful times, the challenges confronting European businesses remain all too familiar: the contagion effects of the Ukraine–Russia war, a persistent loss of competitiveness, fragmented EU capital markets, subdued consumer appetite, and the looming threat of cheaper imports, particularly for industries like German automotive manufacturing, now struggling to match the efficiency gains of their Asian counterparts.

The start of 2025 has proven especially volatile, with several developments adding to an already uncertain landscape. Among the most consequential are the EU's omnibus legislation to ease sustainability reporting burdens; the continued unpredictability of the second Trump administration's policy agenda, marked by abrupt shifts in foreign relations and economic priorities; and the intensification of the conflict between Israel and Iran, which has recently seen the U.S. join Israeli offensives aimed at demolishing Iran's nuclear program (Vox, 2025). These overlapping developments have deepened the climate of legislative and geopolitical ambiguity that multinational enterprises must now navigate.

On one side of the Atlantic, the EU's ambition for sustainability is being actively rolled back. The proposed omnibus package would exempt approximately 80% of companies from the CSRD's reporting scope, introduce sweeping simplifications, and reduce compliance obligations (ESG Today, 2025). These rollbacks have raised questions about the EU's commitment to its own environmental goals and created uncertainty for firms that had already invested in compliance structures. Similarly, in the U.S., the second Trump administration has initiated a rollback of sustainability and environmental initiatives; doubling down on a fossil-fuel-first agenda (Newsweek, 2025), withdrawing from the Paris Agreement (EU Parliament, 2025), slashing subsidies for green ventures (Reuters, 2025), and reviving the "drill baby drill" rhetoric (The Guardian, 2025).

While it is clear that the Trump administration will not be a champion of sustainability, the EU's actions are not exactly sending a stronger signal either. Both major players appear to be retreating from earlier commitments, contributing to a broader atmosphere of waning institutional appetite for ESG. This erosion of momentum complicates efforts by multinational firms to formulate consistent sustainability strategies across jurisdictions.

In parallel, the Trump administration's economic playbook has disrupted the global trade order. Its transactional approach to governance has cast a long shadow over Western economic integration, fueling uncertainty for firms deeply embedded in global value chains. Tariffs, introduced as part of the administration's protectionist strategy, have heightened tensions in international trade and rattled financial markets, triggering sharp corrections across bonds, currencies, and equities (NPR, 2025).

In a separate but equally destabilizing development, the conflict between Israel and Iran has intensified, prompting the U.S. to intervene by bombing multiple nuclear development facilities in Iran (BBC, 2025). This escalation, in line with the Trump administration's emphasis on reasserting U.S. global dominance, introduces a new layer of geopolitical risk for multinational enterprises operating in or trading with the region, and amplifies the broader vulnerabilities that global value chains are increasingly exposed to.

In this volatile environment, success depends on firms' ability to make sound strategic investments, improve the accuracy of long-term forecasting, and adapt financial planning to rapidly evolving external shocks. To meet these demands, multinational enterprises are being forced to recalibrate their financial strategies — from re-evaluating capital allocation and forecasting assumptions to building up liquidity buffers that can offset rising costs associated with trade barriers (FT, 2025).

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Academic Perspective: Understanding the Business Impact of Uncertainty

To better understand how firms might navigate this evolving landscape, we turn to academic literature, which offers valuable insight into the complex relationship between policy uncertainty, investment behavior, and innovation.

The Economic Policy Uncertainty Index developed by Baker, Bloom and Davis (2016) shows that global economies entered 2025 navigating the highest recorded levels of political uncertainty, for the first time surpassing the 500 mark and showing a sharp increase relative to 2024 figures.

Chart 1. Economic Policy Uncertainty Index retrieved from www.policyuncertainty.com

Since firms operate, and will continue to, under the jurisdiction of real-world governments, it is no surprise that such levels of political instability and regulatory ambiguity frequently disrupt corporate operations. Scholars have long explored this relationship. Xu (2019), for instance, finds that uncertainty raises firms' cost of capital, leading to reduced investment in innovation, particularly among financially constrained firms and those reliant on external finance. These characteristics are often found in small and high-growth enterprises, making them especially vulnerable (Hill et al., 2018).

Financial markets introduce further complications. Gilchrist and Zakrajsek (2007) observe that fluctuations in bond prices influence corporate capital expenditures, while Pastor and Veronesi (2012, 2013) demonstrate that undiversifiable political risk drives up the equity risk premium. This leads to a more expensive financing mix, as firms face higher costs of equity and increasingly rely on debt.

Despite these headwinds, not all academic evidence paints a negative picture. Zhang et al. (2024) argue that innovation remains a cornerstone of long-term value creation, and many firms continue to pursue it even during uncertain times. Ross et al. (2018) suggest that policy uncertainty can stimulate investment when companies identify overlooked opportunities. Du et al. (2023) add that uncertainty may trigger both incentive and choice effects, prompting firms to boost R&D spending and reinvest resulting gains into further innovation, creating a self-reinforcing cycle of progress.

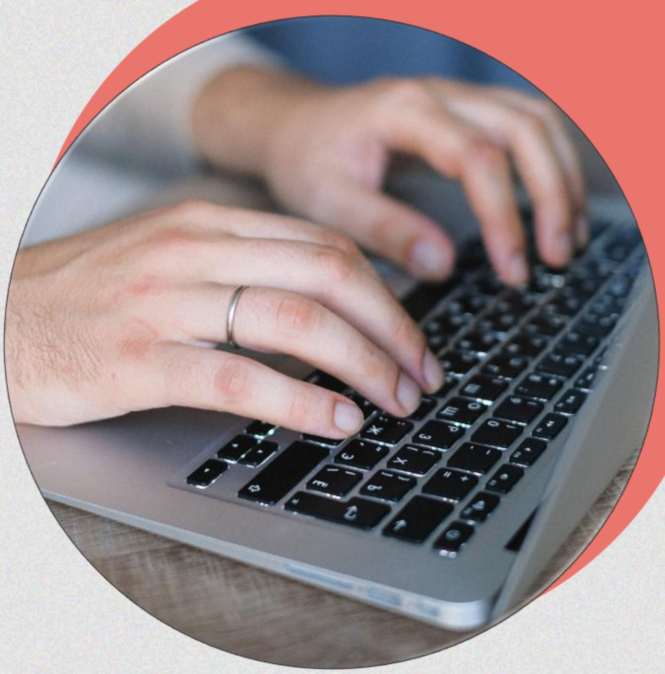
These findings align with Chatjuthamard et al. (2020), who contend that some firms achieve superior growth under heightened policy uncertainty.

There are also transparency-related benefits. Qian et al. (2025) find that elevated economic policy uncertainty increases voluntary information disclosure, both internally and externally, as firms seek to maintain market confidence and access to capital. Ge and Zhang (2025) reinforce this view, showing that transparency improves the accuracy of forecasting. Internal transparency, in particular, has been linked to improved responsiveness and adaptability (Williams et al., 2013), enhanced sense-making (Swink & Schoenherr, 2015), and, as a result of these combined benefits, more effective decision-making under pressure.

Oracle's EPM Suite:
A Practical Tool for an Uncertain World

In light of this, firms must not only monitor policy signals but also strengthen their ability to plan, forecast, and adapt. From disrupted trade flows to weakened sustainability commitments and volatile capital markets, the current environment demands tools that enable real-time responsiveness and scenario agility. Oracle's Enterprise Performance Management (EPM) tool is purpose-built to help firms meet these challenges head-on.

With its robust planning and budgeting capabilities, the EPM suite allows organizations to model uncertainty, respond swiftly to shifting policy landscapes, and synchronize data governance across departments. By enabling the automation of internal processes and customization of business rules, the tool supports more accurate forecasting, sharper capital planning, and more confident investment decisions. Designed with finance professionals and analysts in mind, it empowers users to engage directly with enterprise data, tailor outputs to the specific characteristics of the external environment and model multiple possible scenarios.



Particularly relevant in today's climate are **four EPM features** that align closely with firms' most pressing concerns.

First, the **ESG Module Accelerator** helps organizations navigate the fragmented and evolving landscape of sustainability disclosure. It streamlines reporting under different frameworks, automates unit conversions, and consolidates inputs into dynamic dashboards. Because it is built as a layer on top of Oracle's Planning and Budgeting module, it inherits all the customization and integration benefits of the core platform. Implementation partners like Nova can use it to deliver minimum viable products within weeks, greatly reducing time-to-value.

Second, EPM Insights draws on artificial intelligence to improve the integrity of internal data and reporting. By analyzing historical data patterns, the system can highlight out-of-trend estimates or anomalies that might indicate user error or flawed input assumptions. This capability is particularly valuable in volatile markets, where accuracy and reliability of internal data are critical for decision-making.

Third, Oracle's upcoming **Multivariate Predictive Analysis** upgrade will enable the creation of richer, more robust forecasts. Moving beyond the limitations of univariate prediction, this feature allows firms to model multiple variables and account for complex interdependencies. The AI engine automatically selects the most accurate regression methodology based on error minimization, helping firms generate forward-looking insights that are both realistic and data grounded.

Fourth, **Oracle's Predictive Cash Forecasting** module helps firms address one of the most immediate threats posed by uncertainty: liquidity risk. As central banks tighten credit conditions and companies face mounting pressure to manage short-term cash flow, Oracle's tool enables real-time forecasting and automation of all relevant data streams, including receivables, payables, and bank data.

Together, these features position Oracle's EPM suite not only as a response to external uncertainty but as a catalyst for operational resilience and strategic clarity. Its compatibility with Oracle's broader digital infrastructure ensures that firms can implement these capabilities efficiently, turning volatility from a constraint into a competitive advantage.

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