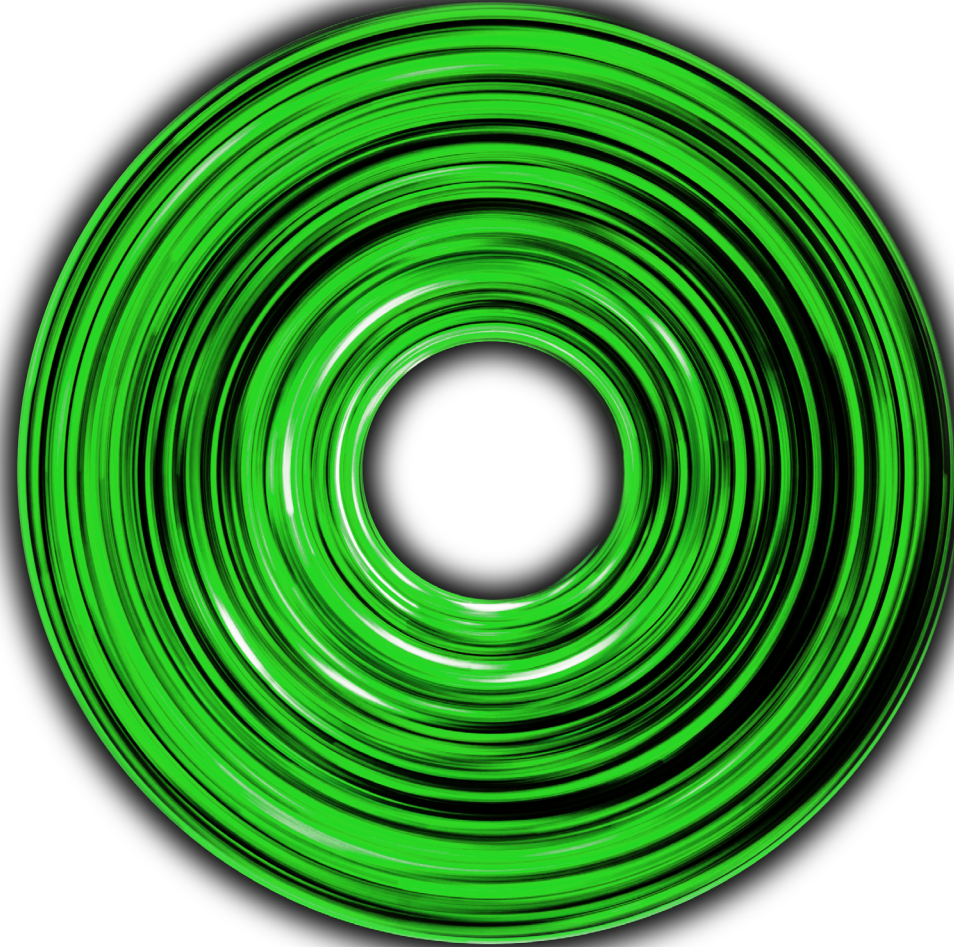


Deloitte.



The CFO Programme

Supply chain management insights

A special publication by Deloitte Central Europe



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Introduction

Supply chain issues are high profile in 2023, not only due to the potential disruption caused by the global geo-political challenges that so many nations, communities and businesses face from day to day. In fact, the danger of disruption is just the most visible challenge that supply-chain management (SCM) professionals have to contend with today.

From building the resilience needed to bounce back from the pandemic to multiple ESG factors, digitisation and better integration of sourcing, contracting, financial processing and risk-management functions, companies are in danger of seeing their specialist supply-chain resources spread increasingly thin.

At Deloitte Central Europe, we therefore believe that it's essential to have insight into the views of those companies across our region with a daily involvement in managing supply-chain challenges. That's why we've created this special SCM supplement, which identifies not only the key challenges across multiple sectors but also the strategies most often implemented to resolve them.

We very much hope you find it helpful when considering the SCM priorities for your company. And this is not the only recent Deloitte publication on the subject. For further insight into how to address the trends at play, see this recent Deloitte article in the [Wall Street Journal](#). [And see here](#) for a deep dive into how best to leverage the circular economy in resolving the specific challenges facing the power industry.

The last three years have demonstrated that the familiar formula of minimising costs and maximising efficiency in global supply chains is often no longer enough. Global supply chains are under intense pressure to rapidly transform so they can function effectively in a complex world of increasing risk and uncertainty.

COVID-19 and the Russian invasion of Ukraine have together highlighted just how inflexible and at risk organisations are that have to contend with the operational, structural, cultural and data-flow constraints of the legacy information systems upon which supply chains still rely.

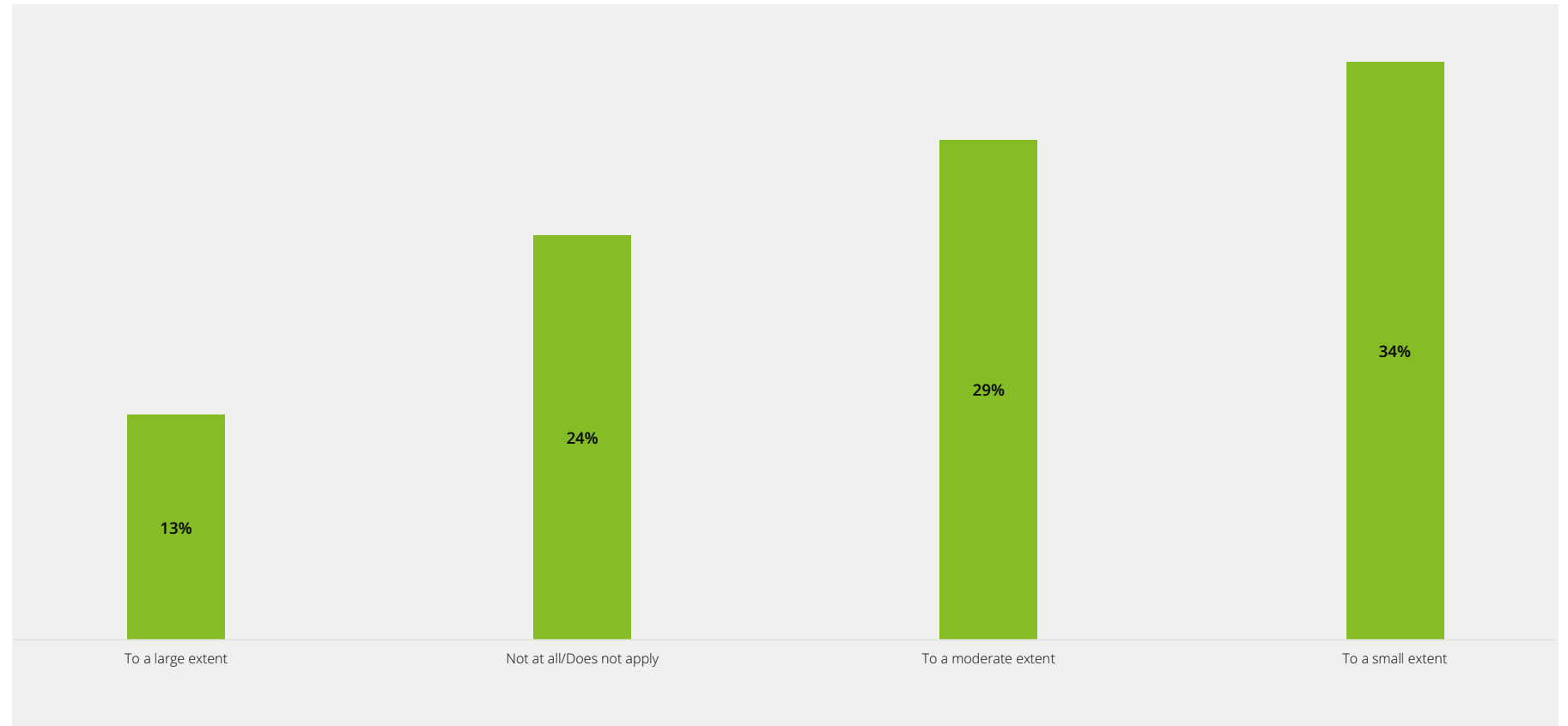
In an era of unprecedented disruption, supply chains need to do more than merely react to events. They have to predict change, to adapt and to maintain their momentum.

Responses to these questions were gathered between October and December 2022.

Prevailing supply chain disruptions

Despite the rise in the costs of raw materials and transport that followed the Russian invasion of Ukraine, and the swings in supply and demand that took place during the pandemic, nearly two out of three European CFOs (63%) say their companies are only affected to a moderate or small extent by supply chain and delivery problems. A quarter of respondents told us their organisations are not affected at all by supply chain problems.

To what extent is your company currently affected by supply chain/delivery problems?



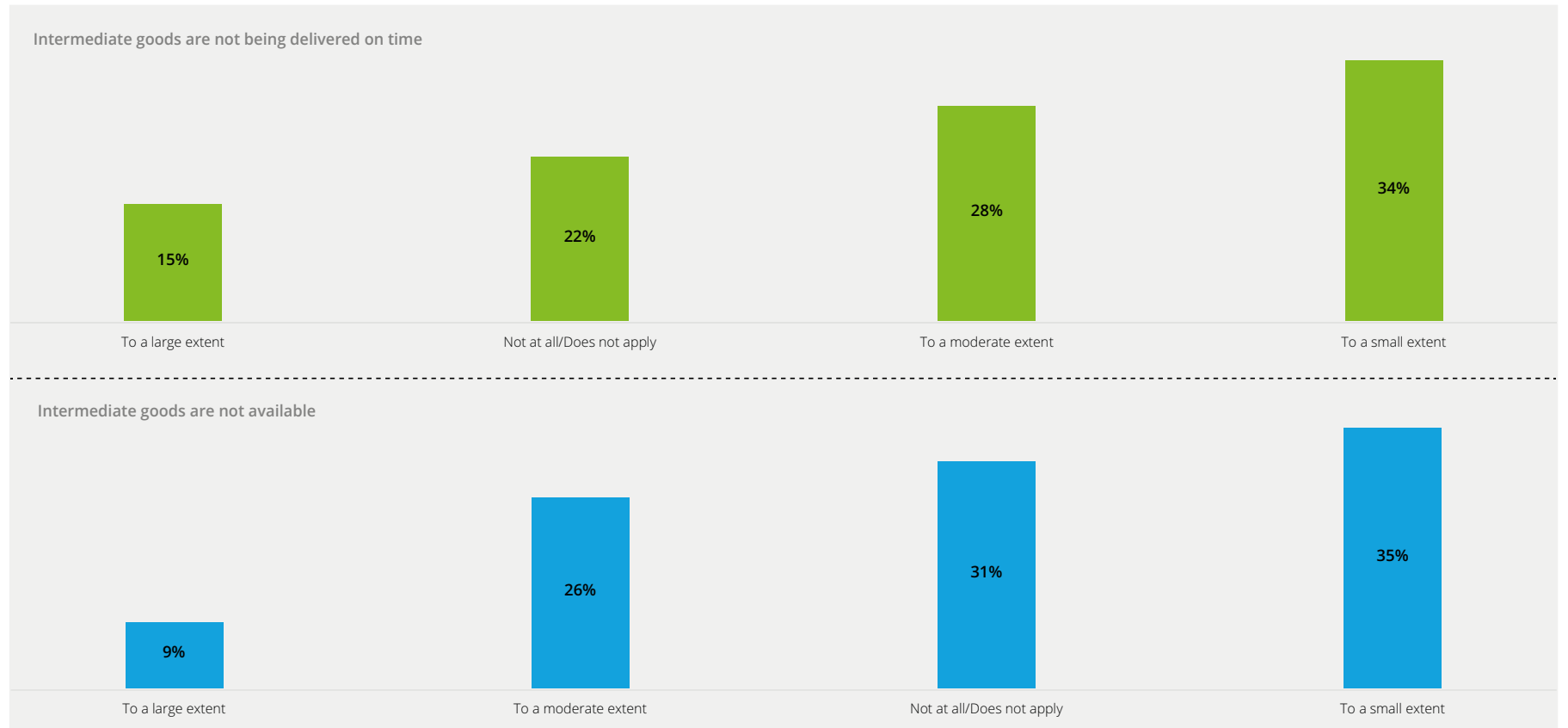
There is little significant difference between the sectors most substantially affected by supply chain problems. Not surprisingly, the least affected sectors are Financial Services (71%) and Business & Professional Services (52%).

To what extent is your company currently affected by supply chain/delivery problems?

	Business & Professional Services	Manufacturing	Construction	Technology, Media, Telecommunication	Life Sciences	Consumer Business	Energy, Utilities, Mining	Financial Services	Other
To a large extent	19%	18%	21%	18%	21%	19%	24%	10%	15%
To a moderate extent	29%	39%	48%	35%	43%	39%	35%	19%	45%
To a small extent	52%	42%	31%	47%	36%	43%	41%	71%	40%

Among those Central European CFOs who say supply chain issues have become acute for their companies, more than 40% identified late delivery as their biggest problem (to a large or moderate extent). Slightly over a third of respondents (35%) say that a lack of intermediate goods (i.e. those used as inputs in the production of other goods) is the biggest problem for their organisations.

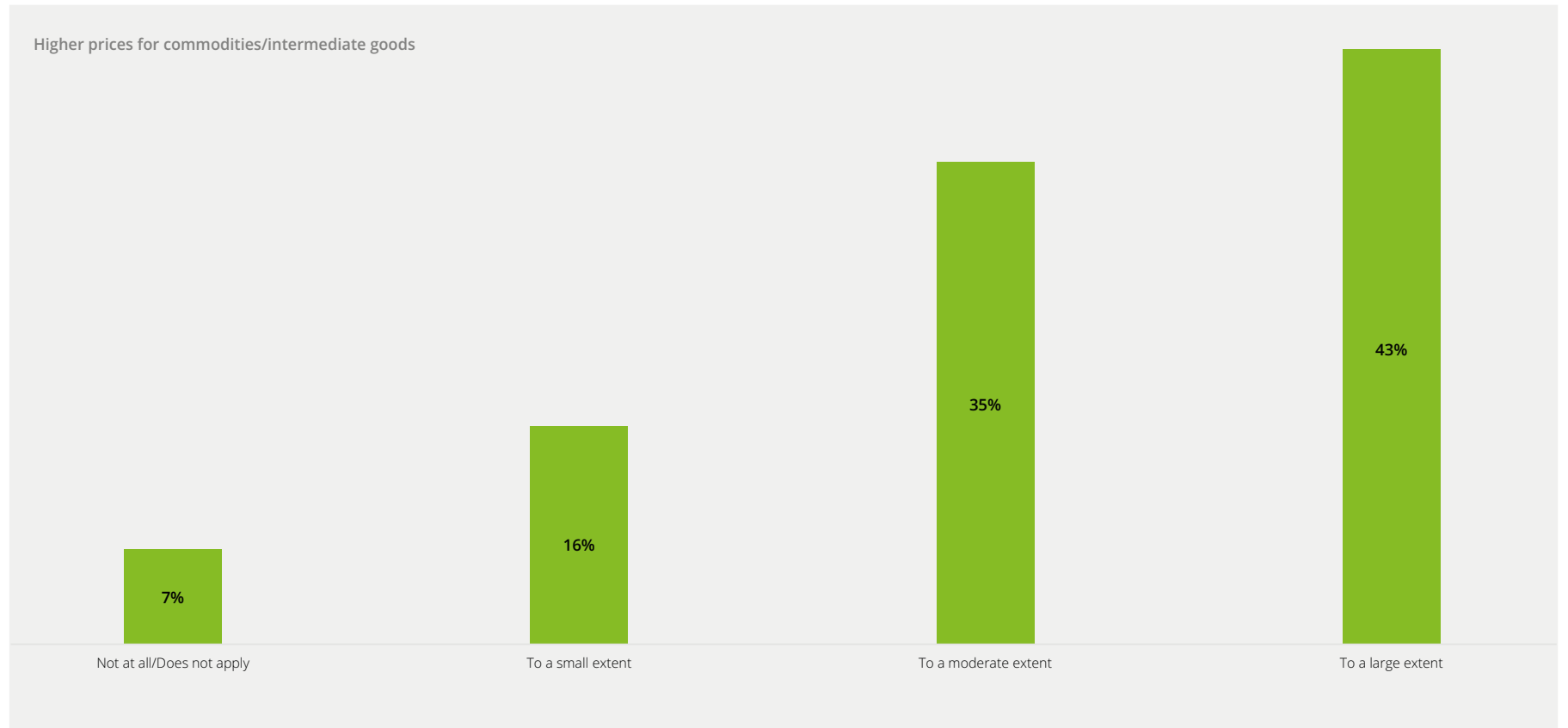
What are the main supply chain problems for your company?



Higher prices for commodities or intermediate goods are a moderate or significant issue for almost 80% of Central European CFOs.

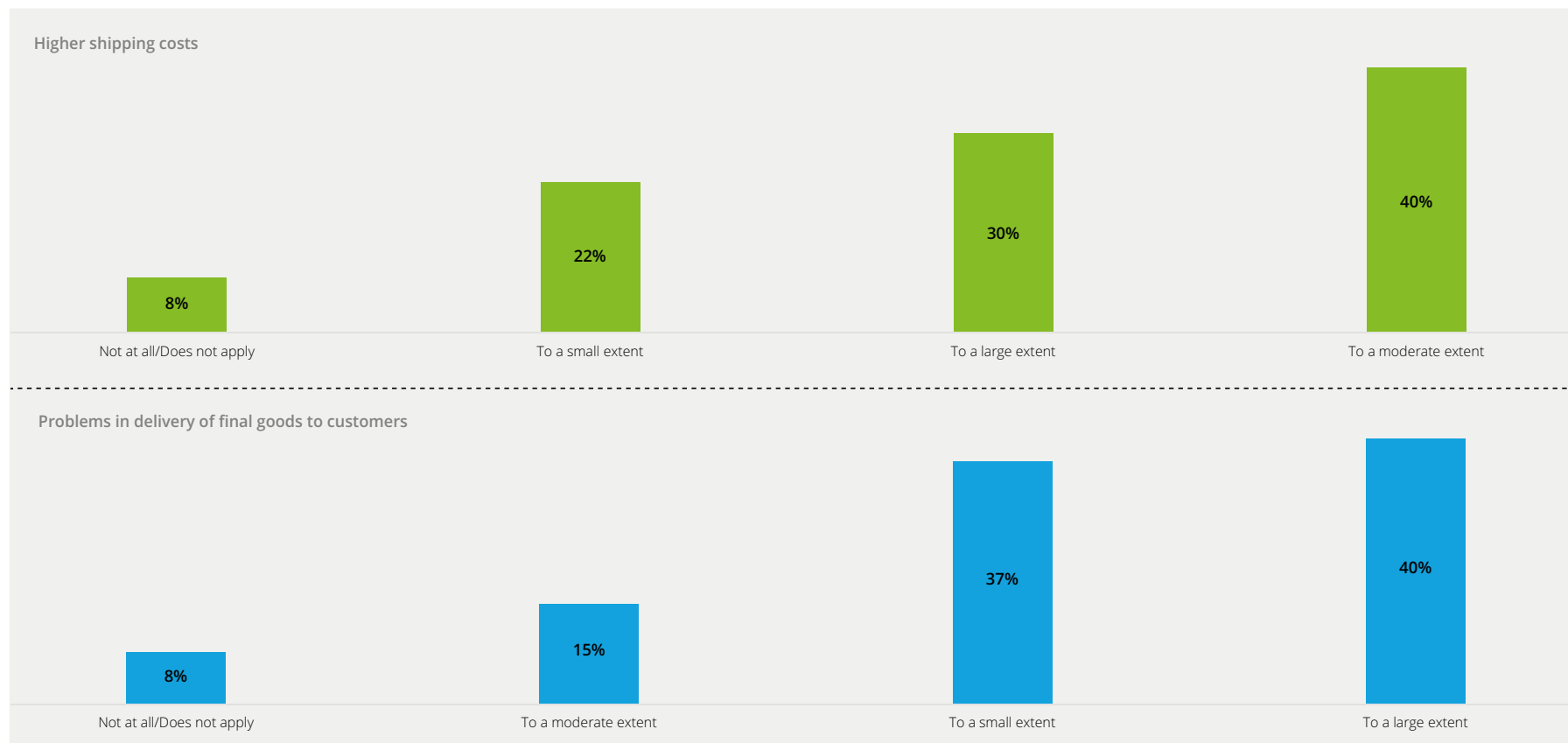
Central European CFOs are telling us that they're at least moderately affected by supply chain problems, specifically by late deliveries, the unavailability of goods and the higher costs of commodities, intermediate goods and shipping.

What are the main supply chain problems for your company?



Higher shipping costs and problems in the delivery of final goods to customers are the most significant issue respectively for 70% and 77% of respondents.

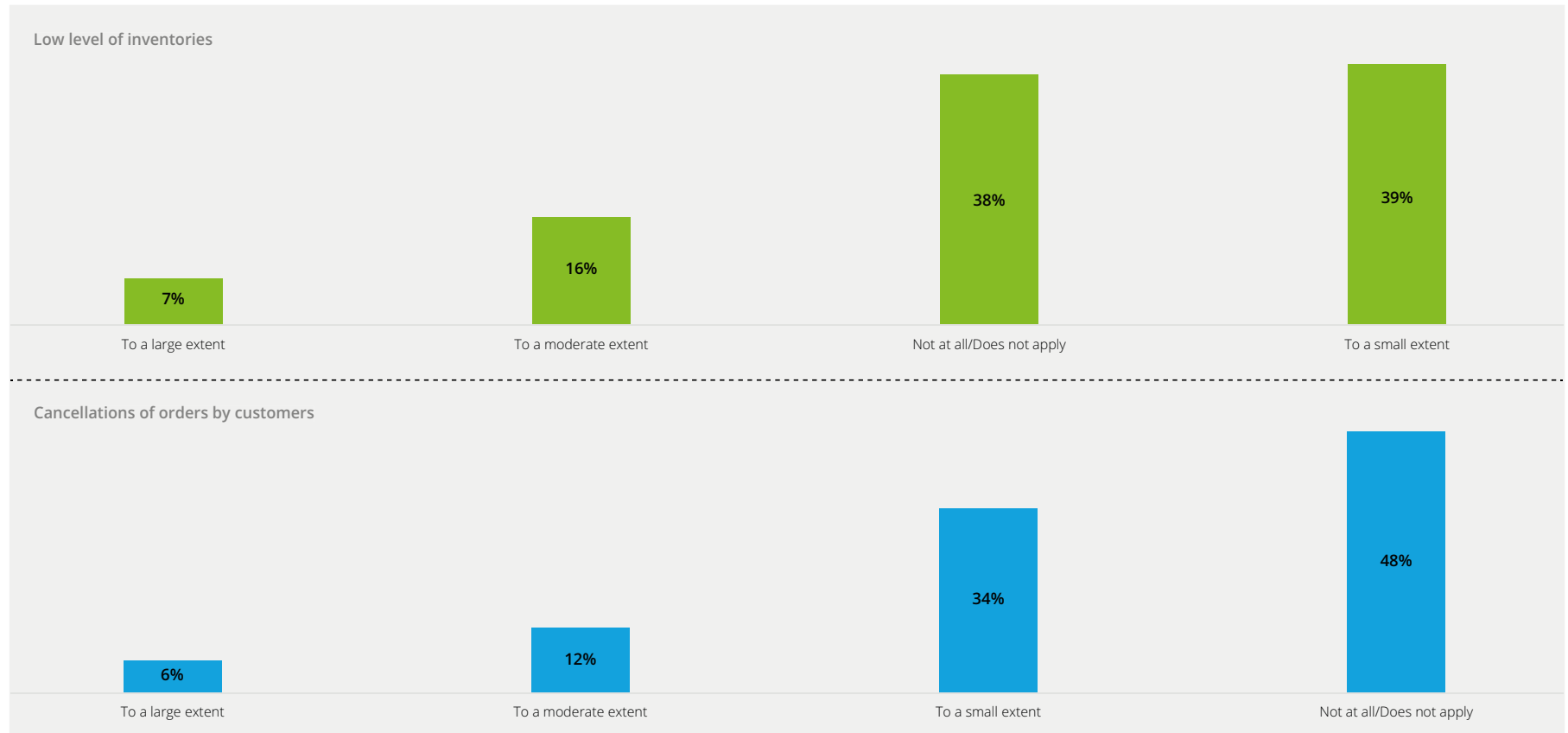
What are the main supply chain problems for your company?



The cancellation of orders by customers and low inventory levels were not seen as significant by the great majority of CFOs.

The last three years have demonstrated that the familiar formula of minimising costs and maximising efficiency in global supply chains is often no longer enough. Global supply chains are under intense pressure to rapidly transform so they can function effectively in a complex world of increasing risk and uncertainty.

What are the main supply chain problems for your company?

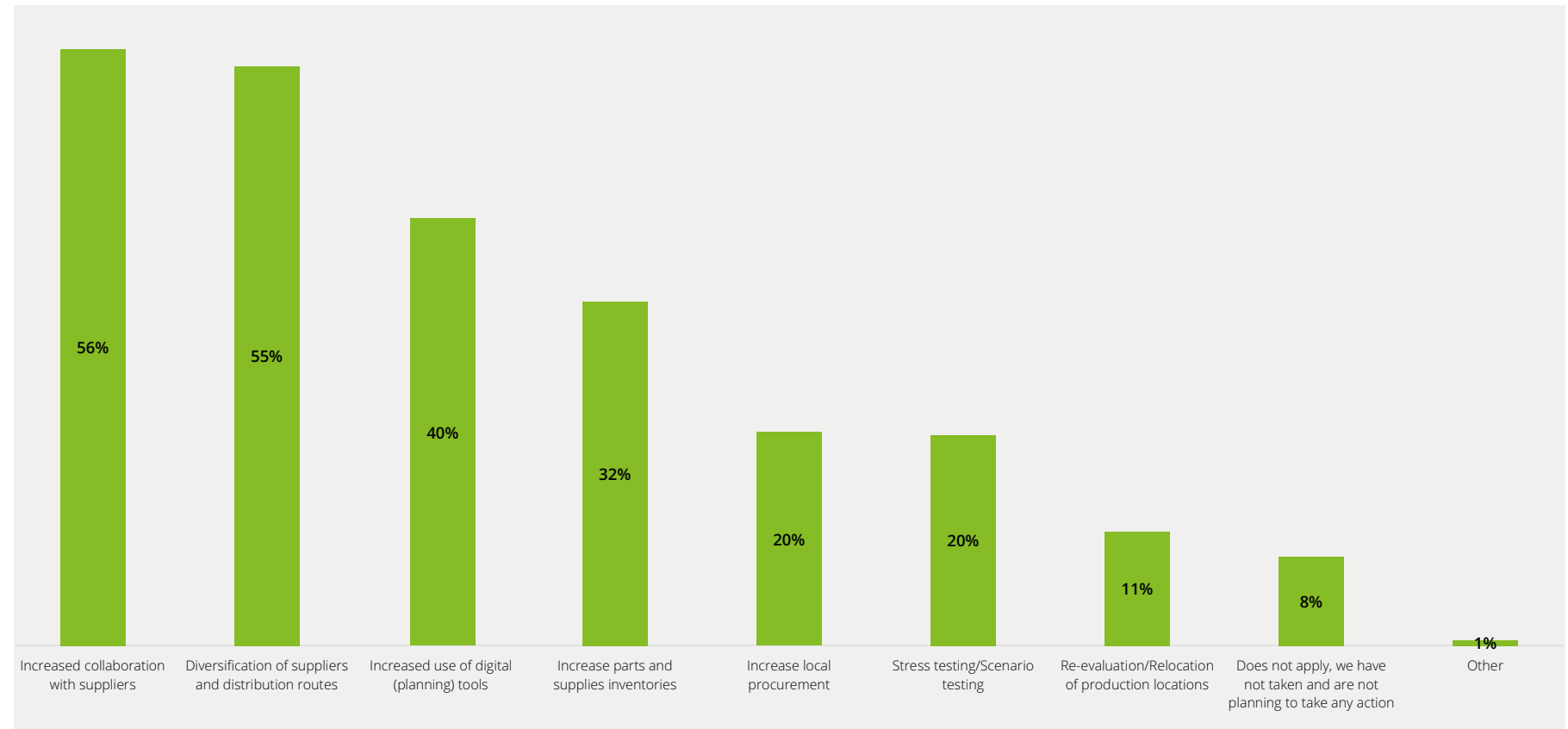


Measures to mitigate supply chain problems

More than half of the companies surveyed are responding to their supply chain challenges by increasing collaboration with suppliers and by diversifying their suppliers and supply routes.

Increasing use of digital planning tools and parts and supplies inventories are the other two major actions Central European CFOs are taking to address their supply chain problems.

Is your company taking or about to take any of the following actions?



Mitigation strategies differ between sectors. Two out of three CFOs in Manufacturing (68%) and Construction (66%) say that diversifying their suppliers and distribution routes is a key strategy for mitigating supply chain risks. By contrast, slightly over a third of CFOs in Life Sciences (36%) and the Technology, Media, Telecommunication (38%) sectors said they are deploying this strategy.

Three-quarters of CFOs in the Construction sector (76%) feel that increased collaboration with suppliers is an effective strategy for mitigating supply chain problems. Well over half (57%) of respondents in the Consumer Business sector say they are increasing the use of digital (planning) tools to ease the challenges they face.

Is your company taking or about to take any of the following actions?

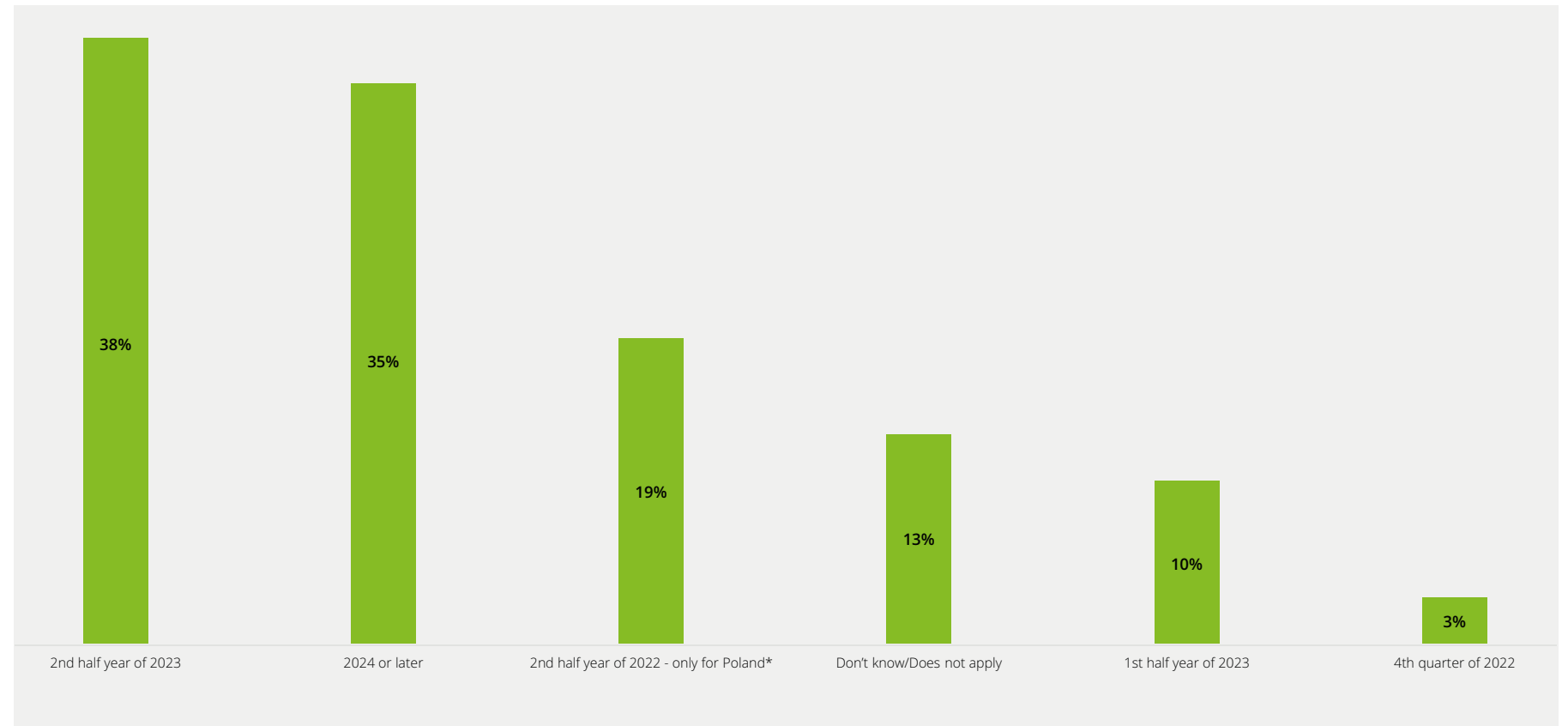
	Business & Professional Services	Manufacturing	Construction	Technology, Media, Telecommunication	Life Sciences	Consumer Business	Energy, Utilities, Mining	Financial Services	Other
Diversify suppliers and distribution routes	52%	68%	66%	38%	36%	50%	53%	45%	55%
Increase local procurement	29%	24%	14%	6%	29%	28%	12%	13%	20%
Increase parts and supplies inventories	33%	43%	17%	21%	29%	39%	47%	10%	33%
Re-evaluate/relocate production locations	0%	20%	3%	12%	29%	7%	12%	3%	8%
Increase collaboration with suppliers	57%	60%	76%	53%	50%	61%	59%	32%	56%
Increase use of digital (planning) tools	33%	47%	31%	29%	21%	57%	41%	42%	34%
Stress testing/scenario testing	10%	14%	10%	15%	14%	31%	47%	32%	18%
Other	0%	0%	0%	0%	7%	0%	0%	0%	1%

Expected supply-chain recovery times

Most CFOs (48%) expect supply chain concerns to remain part of the business landscape until well into 2023. A third feel the supply chain issue will improve in 2024 or later. One in five believe it will improve before the end of 2023.

In an era of unprecedented disruption, supply chains need to do more than merely react to events. They have to predict change, to adapt and to maintain their momentum.

When do you expect your supply chain(s) to be working normally again?



* Poland took part only in the European CFO survey in September 2022 (supply-chain management questions for Poland were not included in the 2023 CE compilation).

Across different sectors, most of CFOs believe supply chain issues will persist until the end of 2023. More than two thirds of CFOs from the Energy, Utilities & Mining sector (69%) do not feel that supply chain issues will be resolved before the end of 2024.

Is your company taking or about to take any of the following actions?

	Business & Professional Services	Manufacturing	Construction	Technology, Media, Telecommunication	Life Sciences	Consumer Business	Energy, Utilities, Mining	Financial Services	Other
2nd half year of 2023	37%	49%	59%	40%	73%	40%	19%	46%	37%
1st half year of 2023	37%	9%	7%	16%	0%	16%	13%	0%	11%
2024 or later	26%	35%	33%	40%	18%	40%	69%	50%	47%
2nd half year of 2022 - only for Poland*	0%	4%	0%	4%	0%	0%	0%	0%	0%
4th quarter of 2022	0%	4%	0%	0%	9%	4%	0%	4%	5%

* Poland took part only in the European CFO survey in September 2022 (supply-chain management questions for Poland were not included in the 2023 CE compilation).

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