

SUPPLY CHAIN DISRUPTION

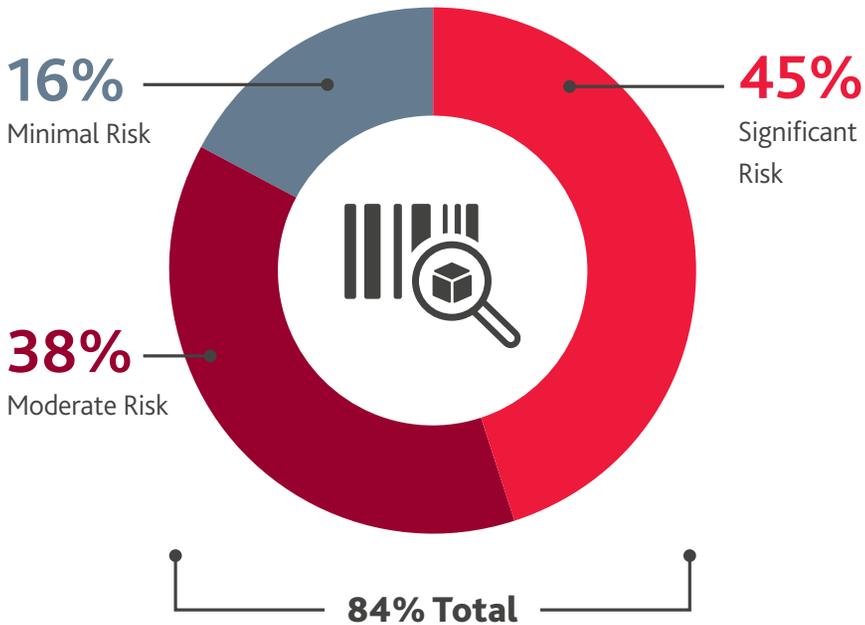
Insights from 600 U.S. CFOs



BDO

SUPPLY CHAIN DISRUPTION THREAT LEVEL

Degree of risk posed to respondents' businesses in 2022



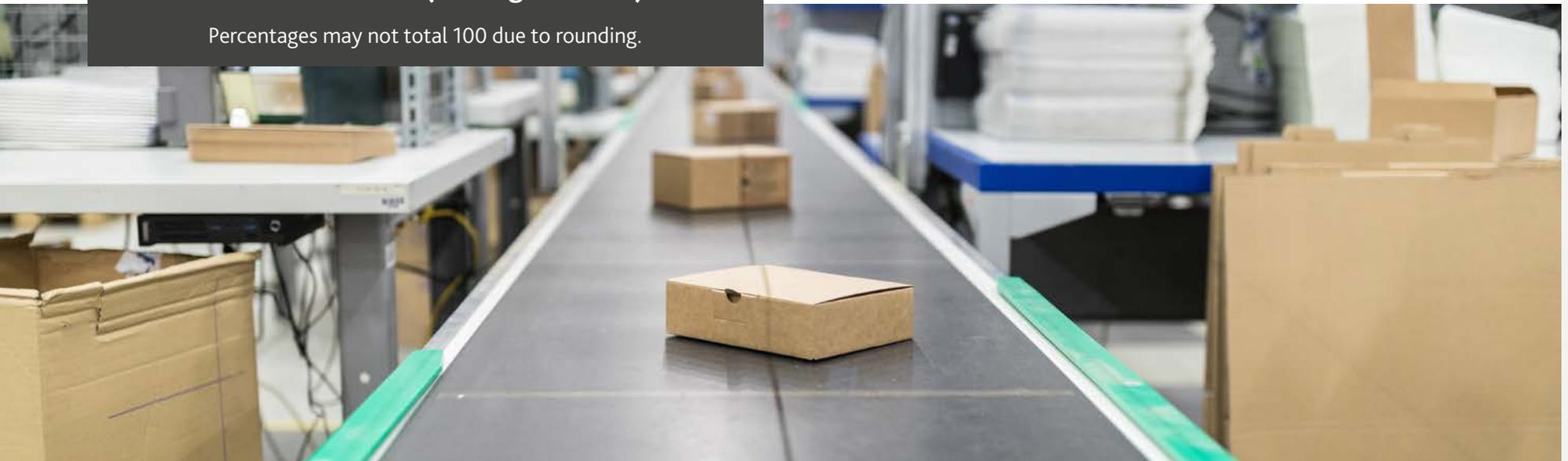
Nearly half say supply chain issues pose a significant risk to their business. And it's no wonder: Shortages in everything from raw goods and critical components to freight capacity and warehouse space have global supply chains in snarls. Costs continue to climb with minimal to no reprieve in the near term. Customers' expectations are as high as ever — people want and expect same-day shipping. And the pressure is on to reduce carbon emissions.

Navigating Supply Chain Risks

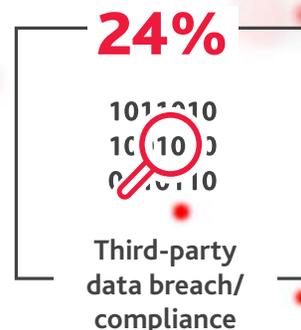
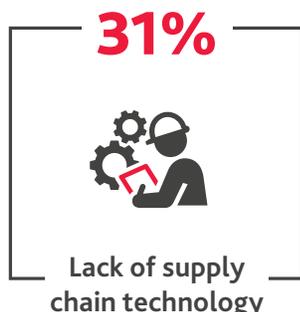
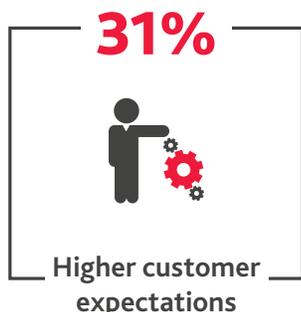
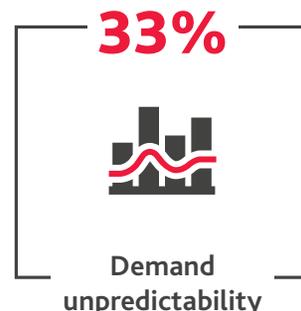
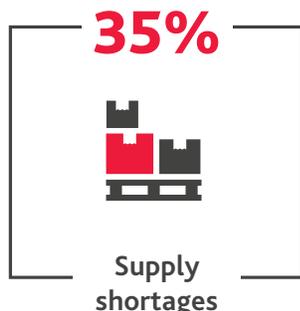
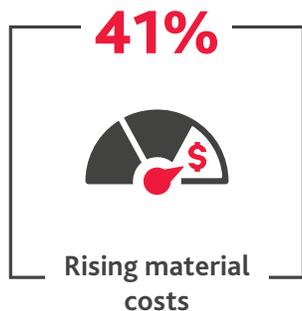
The survey suggests that many CFOs are more concerned about the symptom than the cause: Rising material costs tops the list of significant supply chain threats, ahead of delays and shortages. The issue of cost is ultimately one of control: The more control the business maintains over its own supply chain, the more control it has over costs. Businesses lose control of the supply chain when they can't see changes coming, an issue reflected by the 31% of respondents that cited lack of supply chain technology as a significant threat.

Supply Chain Disruption is the #1 Business Risk (cutting for 2022)

Percentages may not total 100 due to rounding.



SIGNIFICANT SUPPLY CHAIN THREATS



While costs, shortages and delays top the list, demand unpredictability is also of concern, perceived as a significant threat by roughly a third of respondents. Demand volatility increased during the pandemic, straining lean inventories with little if any buffer, resulting in extensive lead times. While production has resumed, stockouts remain an issue due to raw material unavailability and transportation delays. On the flip side of the coin, many companies overstocked under the assumption that demand spikes would continue.

OUR TAKE

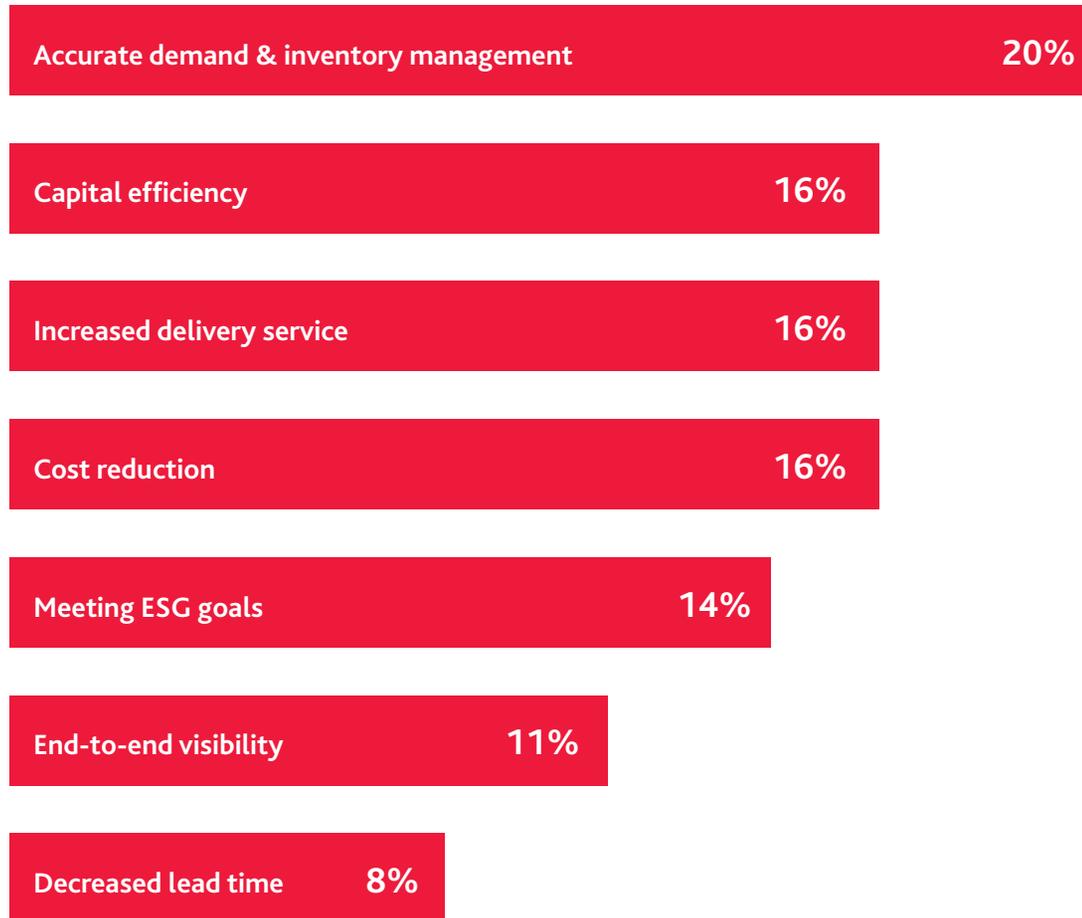
Increasing supply chain visibility through technology improves cost predictability and allows time to be proactive to any potential disruptions that could impact the supply chain. It also plays an essential role in addressing higher customer expectations. With supply chain disruptions expected to continue well into 2023, a combination of anticipating delays, and proactively communicating and implementing alternative solutions is the best way to keep customers satisfied.



Advancing the Supply Chain Agenda

Focused on optimizing inventory levels for greater resilience, CFOs rank accurate demand and inventory management as their top supply chain priority. The ever-challenging balance of supply and demand will continue to pressure supply chains until demand begins to level out or transportation, suppliers and labor constraints are minimized.

2022 SUPPLY CHAIN PRIORITIES



OUR TAKE

Supply chain moves are seldom made with a short-term lens, and so some businesses may be hesitant to make major shifts until uncertainty abates. But it would be a mistake to view supply chain disruption and soaring prices as transitory. While the pandemic exposed weaknesses in global supply chains, these issues were percolating well before we first heard the name COVID-19. Many businesses began rethinking their sourcing strategies in response to the imposition of tariffs and trade tumult from past years. Recently announced billion-dollar investments in new U.S.-based facilities are five-plus years in the making. The long-term view is already clear: Businesses need to reengineer their supply chain for optimal resiliency and service over lowest cost.



Over the next decade, we are likely to see a dramatic shift in how companies establish and manage their supply chains. Companies will prioritize minimizing the distance between their products' source and the customer, which will lead to a transformation in many businesses' global physical footprints. Supply chain reconfiguration of this scale is a massive and complex undertaking but may be a necessary one to control costs and keep customers happy in the long run.



ESKANDER YAVAR

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About the Survey

The 2022 BDO Middle Market CFO Outlook Survey polled 600 CFOs at U.S. organizations with between \$100M and \$3B in annual revenue across six industries: energy, healthcare, life sciences, manufacturing, retail and technology. Read the full report [here](#).

How BDO Can Help

Whether you need to evaluate efficiencies across the entire supply chain or optimize one key pillar in your organization, our professionals are ready to assist. Through an experienced staff and tailored approach, we are dedicated to helping your organization reach its maximum potential.

At BDO, our purpose is helping people thrive, every day. Together, we are focused on delivering exceptional and sustainable outcomes — for our people, our clients and our communities. Across the U.S., and in over 160 countries through our global organization, BDO professionals provide assurance, tax and advisory services for a diverse range of clients.

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