

## Financial Sustainability

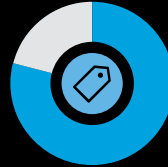
Modern businesses depend on third parties to advance their objectives, reduce costs and perform critical functions. The failure of any one of these third parties has the potential to impact business continuity and cause serious brand and reputational damage.

**1** Focus on cost reduction and accessing new skills and markets means that many businesses now depend on an extended enterprise to deliver their strategic objectives

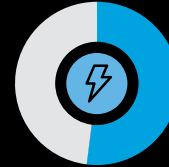
### Increasing complexity of third party relationships



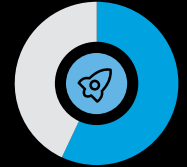
**2** Whilst cost reduction and access to new skills and markets are near the top of Board agendas, a careful balance is required to manage risk and ensure a financially sustainable operating model



**79%**  
Primary Board focus on cost reduction



**57%**  
Managing risks



**52%**  
Introducing new products/services or expanding into new markets

**3** If managed carefully, extended enterprise models can deliver significant improvements to profit



**4-5%**  
ROE outperformance over peers



**\$25 – \$500**  
(in million)  
EBITDA improvement



Avoiding punitive costs and reputational damage

Deloitte believes those organisations that have a good handle on their extended enterprise business partners will gain competitive advantage over their peers

**4** However, failures and breakdowns in the extended enterprise are currently costing UK businesses up to c. \$50m per annum



**87%** of respondents have faced a disruptive incident with third-parties in the last 2-3 years of which...



**28%** faced major disruption and...



**11%** experienced a complete third-party failure

**5** 60% of CPOs do not believe their teams have the skills to deliver their procurement strategy

2017



**40%**



**60%**

**6** How can Deloitte help clients mitigate risk?

Our Financial Sustainability experts will help you to manage the risk in your extended enterprise by identifying any third parties who you rely upon for business continuity but are at risk of failure.

We work with our clients to analyse their options and develop action plans to address the failure of a key trading partner, thereby minimising business disruption, brand and reputational damage.

### Key contacts



**Dominic Wong**  
Partner

Financial Sustainability  
+44 (0) 121 696 8585  
domwong@deloitte.co.uk



**Fiona Kaufman**  
Director

Financial Sustainability  
+44 (0) 20 7007 9328  
fkaufman@deloitte.co.uk