Widespread supply chain disruptions throughout 2021 have delayed and reduced sales, increased manufacturing costs, created unexpected excess production capacity, and resulted in customer disappointments—all of which have driven volatility in financial results and reduced the reliability of forecasts and projections. Chief financial officers (CFOs) responding to our Q3 2021 North American CFO Signals™ survey indicated that they would pursue multiple strategies to combat future supply disruptions, including multisourcing and changes in regional sourcing.

Finance should consider partnering with supply chain operations and procurement groups to analyze the financial impact of various mitigation strategies for their organization. Such strategies may include identifying product materials or components presenting the biggest risk to production and performing cost/benefit analysis for various strategies (such as supplier diversification, increasing safety stock levels, regional sourcing, and joint venture relationships with suppliers) that can be activated to mitigate those risks.

How can CFOs prepare for supply chain diversification?

Finance leaders consider supply chain sourcing with an eye to the future

Jason Barnes, Robert McGrath, Mike Seng, Brian Bartos, and Aaron Withers
How can CFOs prepare for supply chain diversification?

For the strategies highlighted above, finance may need to be mindful of the following:

- **Diversification of sources**
  - More frequent standard cost revisions due to pricing differences across vendors
  - Increased purchase price variances (PPV) created by multiple vendor prices, with systems typically able to hold only one active standard cost per material or component
  - Reduced volume discounts as volume is distributed across multiple vendors (which may also impact materials standards and PPV)
  - Cash-flow impacts as payment terms for new vendors may differ from historical norms, driving changes to net payment days and refinements needed for cash-flow modeling
  - Increased working capital as more supply chain variables drive inconsistency in supply timing and the need to hold more inventory

- **Regional sourcing**
  - Changing freight expense profiles as shipping methods and distance may vary across suppliers and differ from historical trends (for example, sourcing products from North America that were previously obtained from China may change sea and land transportation charges)
  - More complex cost modeling with changing source locations, creating the need to reevaluate “total landed costs,” including increased cost of quality, inspections, duties, and handling

As strategies to mitigate supply risks continue to be a focal point for many organizations, it may be beneficial for finance to work across functions to interpret and plan for potential impacts.

---

**Endnotes**


2. The Q3 2021 Deloitte CFO Signals™ survey reflects the feedback from 96 CFOs from the United States, Canada, and Mexico during August 2–14, 2021. Eighty-five percent of respondents were from companies with annual revenue exceeding US$1 billion, including 27% from companies with more than US$10 billion in annual revenue.
How can CFOs prepare for supply chain diversification?

### About the authors

**Jason Barnes | jabarnes@deloitte.com**
Jason Barnes is a Risk & Financial Advisory partner and CPA with Deloitte & Touche LLP, with over 20 years’ experience in industry accounting and financial planning and analysis, financial system implementation, CFO and controllership strategy, and finance transformation. He leads the Cost & Profitability Management service offering that leverages our experience in cost accounting, analytics, product costing, overhead costing, etc.

**Robert McGrath | rmcgrath@deloitte.com**
Robert McGrath specializes in delivering digital finance technologies, focusing on close, consolidation, and reporting solutions for over 15 years. He has significant experience in architecting and implementing optimized finance solutions that seamlessly integrate with management reporting platforms to enable decision-making through timely and accurate financials.

**Mike Seng | mseng@deloitte.com**
A Deloitte Risk & Financial Advisory partner, Mike Seng is a CPA and CGMA with more than 20 years’ experience. He provides consulting and operational services to consumer, industrial, life sciences, and health care companies and providers. He has led several projects involving cost allocation (chargeback) model design, budget and forecast redesigns, profitability analysis, strategy development, and organization restructures.

**Aaron Withers | awithers@deloitte.com**
Aaron Withers is a finance and accounting leader with over 20 years of industry and consulting experience including leadership roles across strategy, lean operations, and finance roles. He focuses on complex transformations where people, processes, and technologies intersect—often helping clients root out unnecessary complexities that hinder growth and creating standards that fuel continuous improvement.

**Brian Bartos | bbartos@deloitte.com**
Brian Bartos is a CPA and leader in Deloitte’s Finance Transformation practice. With over 16 years of accounting and consulting experience, he leverages his background in accounting, finance, supply chain management, and technology to elevate finance’s role by providing fact-based information to facilitate data-driven decision support.

### Finance Transformation Services

CFOs know finance transformation can be difficult and time-consuming. But they also know it’s an effective way to keep up with the changing needs of the business. Whether it’s technology disruption, business model innovation, or a new industry ecosystem, Deloitte helps finance organizations look ahead to what’s next while keeping the ship on a steady course. Learn more.
Deloitte Insights


Follow @DeloitteInsight

Deloitte Insights contributors

Editorial: Junko Kaji, Aditi Rao, Hannah Bachman, Dilip Kumar Poddar, and Arpan Kumar Saha
Creative: Adamya Manshiva, Govindh Raj, and Steffanie Lorig
Promotion: Nikita Garia, Hannah Rapp

About Deloitte Insights

Deloitte Insights publishes original articles, reports and periodicals that provide insights for businesses, the public sector and NGOs. Our goal is to draw upon research and experience from throughout our professional services organization, and that of coauthors in academia and business, to advance the conversation on a broad spectrum of topics of interest to executives and government leaders. Deloitte Insights is an imprint of Deloitte Development LLC.

About this publication

This publication contains general information only, and none of Deloitte Touche Tohmatsu Limited, its member firms, or its and their affiliates are, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your finances or your business. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

None of Deloitte Touche Tohmatsu Limited, its member firms, or its and their respective affiliates shall be responsible for any loss whatsoever sustained by any person who relies on this publication.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as “Deloitte Global”) does not provide services to clients. In the United States, Deloitte refers to one or more of the US member firms of DTTL, their related entities that operate using the “Deloitte” name in the United States and their respective affiliates. Certain services may not be available to attest clients under the rules and regulations of public accounting. Please see www.deloitte.com/about to learn more about our global network of member firms.

Copyright © 2022 Deloitte Development LLC. All rights reserved.
Member of Deloitte Touche Tohmatsu Limited