

Procurement and supply chain resilience in the face of global disruption

A survey by Deloitte in partnership with the Chartered Institute of Procurement & Supply

October 2022

Foreword

The last few years have witnessed a global pandemic, increasing cross-border trade barriers and the onset of war in Europe. Now the world faces soaring energy and consumer price inflation, growing geopolitical instability, labour shortages, increased volatility in both supply and demand, and continuing fall-out from the Covid-19 pandemic. How important it is to society that supply chains provide the goods and services we all need is something everyone now fully understands.

But what has been learned from the disruptions of the past five years? How have procurement departments responded? And how prepared do procurement professionals now feel to cope with future disruptions?

In order to seek answers to these questions Deloitte and the Chartered Institute of Procurement & Supply undertook an international survey of 468 industry professionals in the summer of 2022. This report sets out the findings. They show that procurement professionals have responded impressively and in a variety of ways to the challenges of recent years. But many continue to feel more needs to be done to make their organisations ready for the challenges of the future.

The report sets out where procurement teams need to focus.

It identifies some steps which can be taken to contribute towards future resilience. These include upskilling people in order to make them a source of resilience within an organisation, deploying sustainable procurement and supply chain strategies and investing in technology, with a focus on keeping sourcing strategies under continuous review.

We hope you enjoy the report and find its insights useful.



Kathryn Thompson
Deloitte
Partner, UK Head of
Procurement Consulting



Malcolm Harrison
Chartered Institute of
Procurement & Supply
Chief Executive Officer

Foreword >

Executive summary >

01 - Survey introduction >

02 - Resilience: what is it and how
are organisations increasing it? >

03 - The growing importance of
procurement and supply chain >

04 - Embedding resilience >

05 - Preparedness for
Sustainability threats
and opportunities >

Closing observations >

About us >

Appendix

Endnotes

Executive summary

Over the past five years global supply chains have faced unprecedented disruption. Across all sectors and industries, procurement and supply chain functions have had to face the impacts of these disruptions head-on. In many cases these often-unheralded teams have been vital to ensuring that their organisations were able not only to respond successfully but also prepare themselves for future disruptions. This has shone a light on the importance of procurement and supply chain functions. Their standing within organisations has risen significantly – and is likely to continue to grow.

The survey undertaken by Deloitte and the Chartered Institute of Procurement & Supply in the summer of 2022 shows that there is an increased sense of resilience across procurement and supply chain functions. The survey results also highlight that proactive steps to evolve through restructuring, securing additional investment, and upskilling, increases resilience.

The survey has also identified key areas to which procurement and supply chain functions must now turn their attention in order to maintain and enhance their resilience: in particular, improving supply chain visibility, revisiting their operating model and transforming Environmental, Social and Governance (ESG) ambitions into reality.

Key report findings:

- 74% of respondents across all sectors report that they believe their procurement and supply chain functions have been resilient through disruption.
- 70% of private and 63% of public sector respondents have increased their level of dual or multisource sourcing within their strategic spend categories.
- 38% of survey respondents have entered into new supply markets to reduce their risk to continuity of supply.
- There is low supply chain visibility across sectors: only 13% of respondents have a fully mapped supply chain network, and 71% of respondents have limited or no visibility beyond Tier 2.
- Organisations who have invested in their risk management and Enterprise Resource Planning (ERP) systems feel they are better prepared for future disruptions.
- 46% of organisations across sectors have outsourced some of their operations, often in the areas of recruitment, facilities management, and customer support, as a result of disruption while 34% have chosen to insource.
- The importance of carbon management is recognised across industries, with over 75% of respondents stating that it is important to their business. Charities and not for profit organisations placed a slightly higher importance on this, at 80%, in comparison to 72% for organisations in both the private and public sectors.

[Foreword](#)[Executive summary](#)[01 - Survey introduction](#)[02 - Resilience: what is it and how are organisations increasing it?](#)[03 - The growing importance of procurement and supply chain](#)[04 - Embedding resilience](#)[05 - Preparedness for Sustainability threats and opportunities](#)[Closing observations](#)[About us](#)[Appendix](#)[Endnotes](#)

Section 01

Survey introduction



Foreword



Executive summary



01 - Survey introduction



02 - Resilience: what is it and how are organisations increasing it?



03 - The growing importance of procurement and supply chain



04 - Embedding resilience



05 - Preparedness for Sustainability threats and opportunities



Closing observations



About us



Appendix

Endnotes

01 – Survey introduction

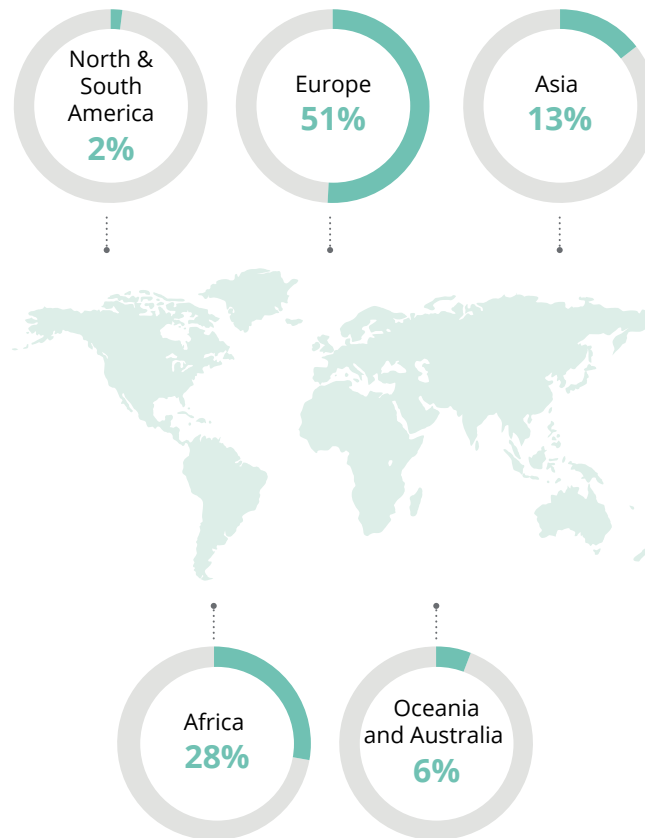
The report has been created in a partnership between Deloitte and the Chartered Institute of Procurement & Supply (CIPS) and provides insights into how the profession manages disruption. This report draws on the findings of the joint survey and focuses on how procurement and supply chain functions across the globe have reacted in an agile way in the face of major global disruptions.

We launched the survey in the summer of 2022 and asked procurement and supply chain professionals what resilience means to them. The responses demonstrate that there are different approaches to achieving resilience.

Throughout this report, the survey findings are used to explore the role Procurement and supply chain functions play in ensuring an organisation's ability to recover quickly from both predictable and unpredictable disruptions.

The survey was completed by 468 procurement and supply chain professionals globally, though with a concentration on Europe, Africa and Asia. It is further validated with insights from procurement leaders. Drawing on a combination of qualitative and quantitative responses, this report contains:

- A summary of the survey responses,
- An analysis of trends and insights,
- Perspectives from industry leaders.



- Foreword >
- Executive summary >
- 01 - Survey introduction >**
- 02 - Resilience: what is it and how are organisations increasing it? >
- 03 - The growing importance of procurement and supply chain >
- 04 - Embedding resilience >
- 05 - Preparedness for Sustainability threats and opportunities >
- Closing observations >
- About us >
- Appendix
- Endnotes

Section 02

Resilience: what is it and how are organisations increasing it?



Foreword >

Executive summary >

01 - Survey introduction >

02 - Resilience: what is it and how are organisations increasing it? >

03 - The growing importance of procurement and supply chain >

04 - Embedding resilience >

05 - Preparedness for Sustainability threats and opportunities >

Closing observations >

About us >

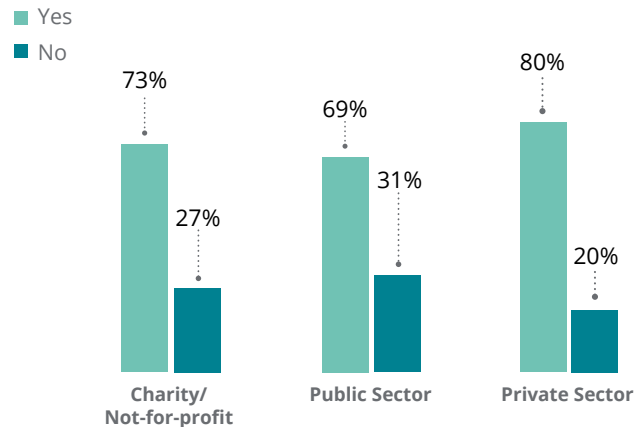
Appendix

Endnotes

02 – Resilience: what is it and how are organisations increasing it?

It is positive to see that on average 74% of respondents across all sectors report that they believe their procurement and supply chain functions have been resilient through the disruption of the past five years. From a sector perspective, the private sector shows the highest level of perceived resilience at 80%, compared to 73% in the charity/not-for-profit sector and 69% in the public sector (see Figure 1).

Figure 1. Organisations' perception of resilience over the past five years



Respondents were asked to explain what resilience meant to them. The results reveal that, for many, resilience is the ability to withstand disruptions with a positive outcome.

"We view resilience as a fundamental trait that is deeply embedded across all of our strategies."

John Dickson,

Chief Procurement Officer, AstraZeneca

"It's a north star type of vision that organisations have set themselves, meaning that it [resilience] can never be fully achieved as it's a constantly changing to adapt to our external and internal environment."

Neil Marsons,

Director of Global Purchasing, Jaguar Land Rover

"Resilience can be defined by competency of people, being future proof, and having the flexibility to take on tasks that couldn't be achieved in the past thanks to the right digital infrastructure."

Anna Spinelli,

Chief Procurement Officer, Deutsche Post DHL

Foreword >

Executive summary >

01 - Survey introduction >

02 - Resilience: what is it and how are organisations increasing it? >

03 - The growing importance of procurement and supply chain >

04 - Embedding resilience >

05 - Preparedness for Sustainability threats and opportunities >

Closing observations >

About us >

Appendix

Endnotes

02 – Resilience: what is it and how are organisations increasing it?

From the responses, it is clear that there is no singular approach to embedding resilience in an organisation; a multi-pronged approach is required. Respondents outlined strategies they have implemented to decouple their operations from risk and improve resilience. This section of the survey focuses on these strategies and examines how widely each has been deployed.

Spotlight

What challenges does the public sector face when embedding resilience in its functions and strategies?

Industry View

“By placing an emphasis on reducing barriers between our stakeholders, and by increasing direct contact with key decision makers and our ability to bring specialists from different functions together we have increased our ability to plan and respond to challenges. This helps to quickly resolve issues and foster collaborative working environments; but there is always more that we can do. Generating flexibility within our organisation, mirroring some of the approaches from the private sector, will enable even greater responses to disruptions, becoming more resilient.”

Andrew New

Chief Executive Officer, NHS Supply Chain

Deloitte View

“When faced with supply disruptions, public sector organisations have not always been equipped with the right information, systems, and structures to take proactive steps to mitigate risk. The unprecedented disruptions of the past few years have forced public sector to collaborate across organisational boundaries, problem-solving together to manage real-time disruptions and boost future resilience. The resulting legacy is a heightened focus on better supply chain visibility and proactive management, with new processes and supply resilience capabilities being built within commercial and procurement functions.”

Katie Bradley

Procurement Public Sector Lead, Deloitte

The findings from our survey have highlighted five key ways in which procurement and supply chain functions have increased resilience:

1. Moving away from single to dual or multiple source;
2. Outsourcing v insourcing operations;
3. Diversification of supply and production;
4. Restructuring procurement and supply chain functions;
5. Increasing procurement and supply chain visibility.

Foreword



Executive summary



01 - Survey introduction



02 - Resilience: what is it and how are organisations increasing it?



03 - The growing importance of procurement and supply chain



04 - Embedding resilience



05 - Preparedness for Sustainability threats and opportunities



Closing observations



About us



Appendix

Endnotes

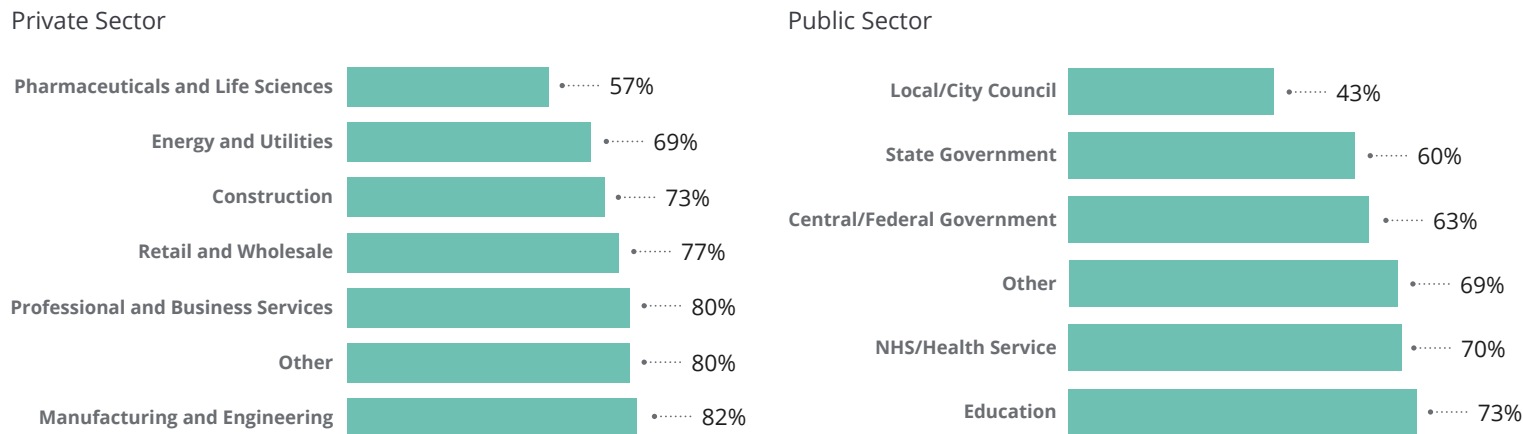
02 – Resilience: what is it and how are organisations increasing it?

1. Moving away from single to dual or multiple source

70% of private and 63% of public sector respondents have increased the level of dual or multi-sourcing within their strategic spend categories (see Figure 2).

A single source strategy has traditionally been considered a preferable approach to sourcing; however, it is often best suited to more stable, predictable environments. Given the increased rate of disruption, the perceived benefits from single sourcing may be outweighed by the risks. The demonstrable increase in multi-sourcing highlights that risk appetite within procurement and supply chain functions is changing. This is the case for organisations within manufacturing and engineering industries in particular who are the biggest adopters of dual or multi-sourcing strategies in response to disruption.

Figure 2. Private and public sector organisations have increased their level of dual or multiple sourcing



Foreword

Executive summary

01 - Survey introduction

02 - Resilience: what is it and how are organisations increasing it?

03 - The growing importance of procurement and supply chain

04 - Embedding resilience

05 - Preparedness for Sustainability threats and opportunities

Closing observations

About us

Appendix

Endnotes



02 – Resilience: what is it and how are organisations increasing it?

The Suez Canal blockage in 2021 and Brexit are examples of two recent supply chain disruptions that illustrate the importance of a multi-source approach in increasing resilience against supply chain disruptions. Lloyd's List (2021) reported that the Suez Canal blockage disrupted approximately \$9billion worth of goods each day that the canal was blocked.¹ The impact is particularly pronounced for organisations whose operations rely on the timely arrival of goods, such as those in manufacturing industry where a Just-In-Time (JIT) supply chain strategy is often implemented, as seen in Figure 2 where 82% of manufacturing and engineering respondents report that they have increased dual or multi-sourcing over the past five years.

In response to the departure of the UK from the EU and the resulting policy changes to labour and customs, a survey respondent told us that “the delivery, manufacturing and supply of key materials can be de-risked via multi-sourcing”. Instead of relying on a single supplier from the EU, some UK organisations are sourcing from suppliers both further afield and “reshoring” back to the UK, with one from the oil and gas industry reporting their organisation was “buying more local in all the operating units and growing the supplier base to mitigate risk in supply disruption”.

“Dual sourcing is good procurement, but it is not always about having multiple suppliers per product. By engaging with supplier organisations with the capacity to support us across a network of local geographies, we ensure resilience is embedded in our supply chain to help us mitigate supply risks.”

John Dickson

Chief Procurement Officer, AstraZeneca

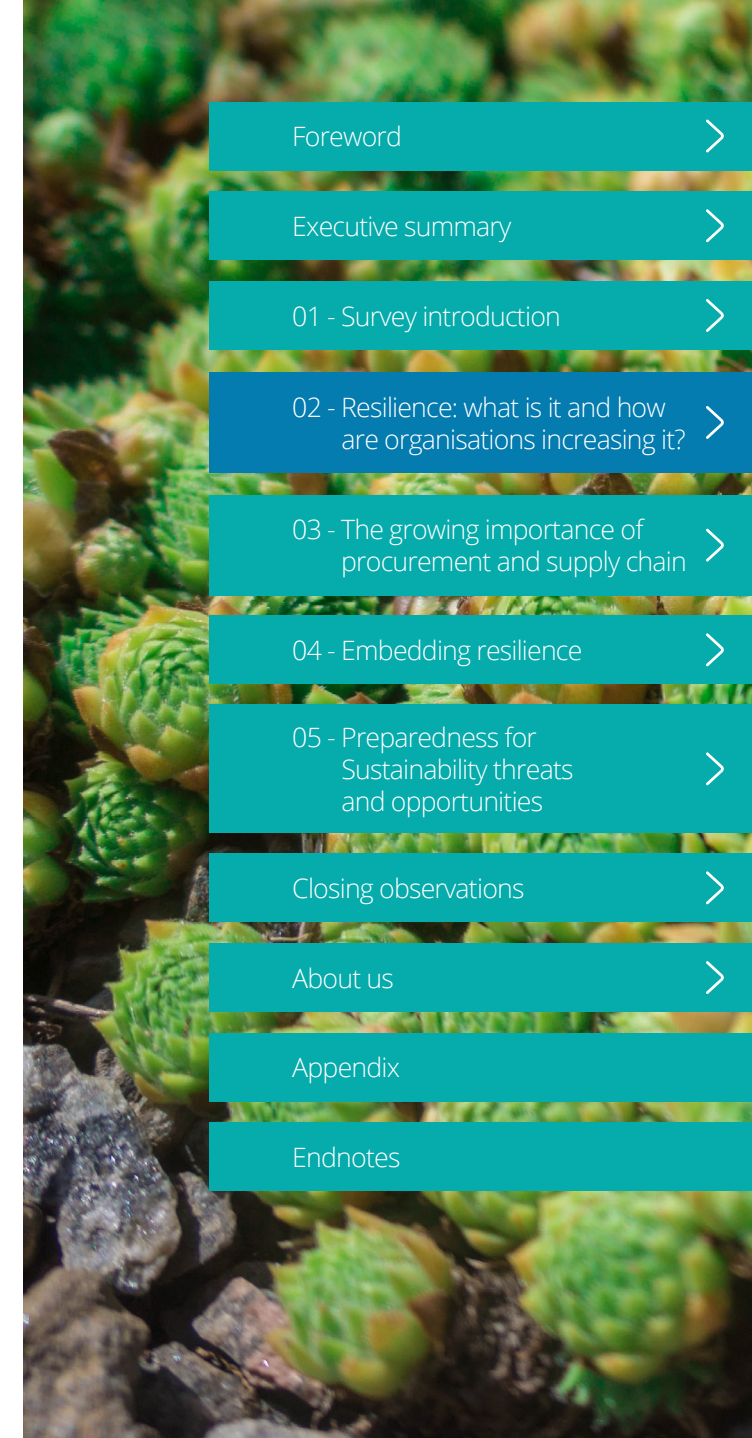
2. Outsourcing v insourcing operations

Rebalancing risk appetites has also led many organisations to revisit their operating models. Figure 3 shows that, overall, 46% of organisations across sectors have outsourced some of their operations as a result of disruption, often in non-core areas such as recruitment, facilities management and customer support. This is compared to 34% choosing to insource, as shown in Figure 4.

“Supply Chain Disruption has a way of shining a light on an organisation; whether that be illuminating its strengths, testing assumptions or even highlighting potential cracks in its operation. So it's not surprising that the events of recent years have caused Procurement professionals to re-evaluate where they insource and where they outsource their operations. It's the classic question of whether to 'make versus buy' but it doesn't need to be one extreme or the other. Organisations should reflect on their core capabilities, their true strengths and customer proposition when they consider how best to balance the blend of retaining essential capabilities and outsourcing to industry leading service providers.”

Matt Stallard

Director of Group Procurement, Sainsbury's



02 – Resilience: what is it and how are organisations increasing it?

Outsourcing can allow an organisation to focus on higher priority activities while driving cost efficiencies through more tactical spending. Organisations operating in technology-focused industries are more likely to outsource operations:

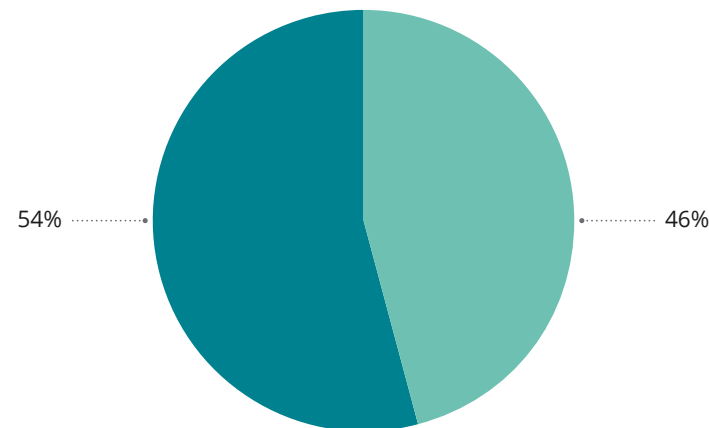
- 70% of respondents in IT have outsourced operations to cope with disruption.
- By contrast, 38% of manufacturing and engineering respondents have brought operations in-house. This has been an approach adopted by some companies in the automotive industry, for example. It reduces reliance on external partners and reduces the potential for adverse impacts on operations.

Outsourcing has also enabled organisations to respond more quickly to disruption in recruitment caused by the Covid-19 pandemic. Many organisations reduced or stopped hiring at the height of the pandemic, causing online job vacancies to drop by over 50%² (The Organisation for Economic Co-operation and Development , 2021). Organisations that had already outsourced recruitment to a Managed Service Provider rather than employing an in-house team had the benefit of being able to respond quickly, reducing hiring without the need to make redundancies.

Outsourcing can enable organisations to react quickly to supply chain disruptions and can typically move the responsibility for low value-add services away from the organisation to an expert supplier. Deloitte’s Annual Global Shared Services and Outsourcing Survey report (2021) concluded from its survey of 600 participants that the top three functions performed by outsourcing providers were IT (54%), Finance (44%) and Payroll (32%).³ Organisations are prioritising driving greater business value through development and retention of their existing workforce as well as enhancing the experience of the end-user.

Figure 3. Organisations that have outsourced operations

- Yes
- No



Foreword >

Executive summary >

01 - Survey introduction >

02 - Resilience: what is it and how are organisations increasing it? >

03 - The growing importance of procurement and supply chain >

04 - Embedding resilience >

05 - Preparedness for Sustainability threats and opportunities >

Closing observations >

About us >

Appendix

Endnotes

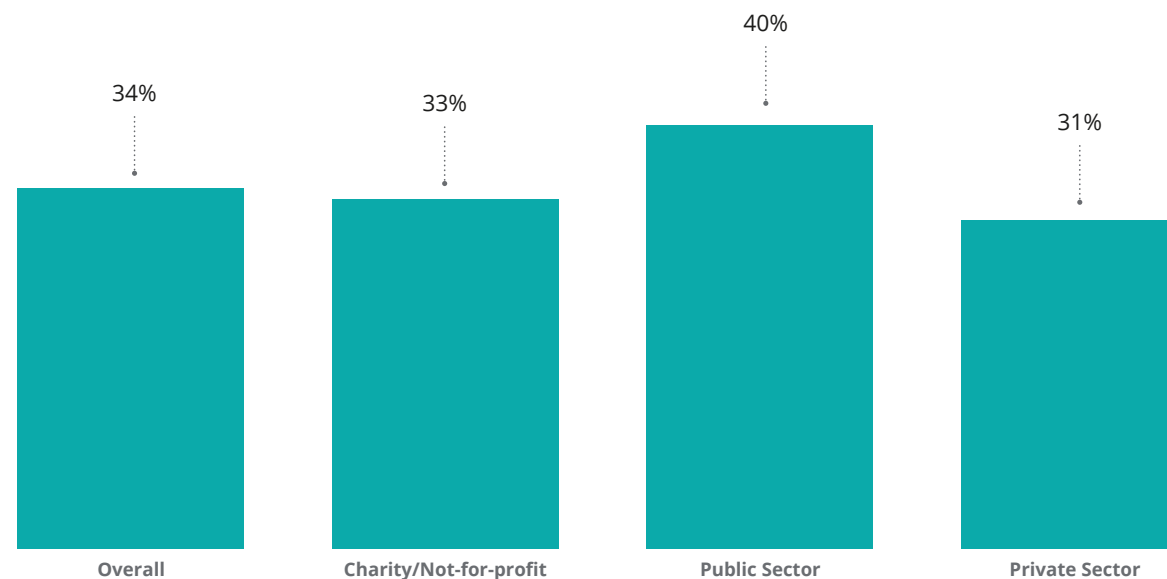
02 – Resilience: what is it and how are organisations increasing it?

Insourcing may also be beneficial

While some organisations favour outsourcing, others are moving towards insourcing certain operations that were previously outsourced. Survey results show that over 40% of respondents from the public sector have insourced operations over the last five years, more than in any other sector surveyed (see Figure 4).

The advances in policy and practice driven by the Cabinet Office Sourcing Playbook and related publications have enabled a greater focus on appropriate outsourcing decisions in the public sector, with commercial functions playing a crucial role in this.

Figure 4. Overview of sectors that have insourced operations



Foreword >

Executive summary >

01 - Survey introduction >

02 - Resilience: what is it and how are organisations increasing it? >

03 - The growing importance of procurement and supply chain >

04 - Embedding resilience >

05 - Preparedness for Sustainability threats and opportunities >

Closing observations >

About us >

Appendix

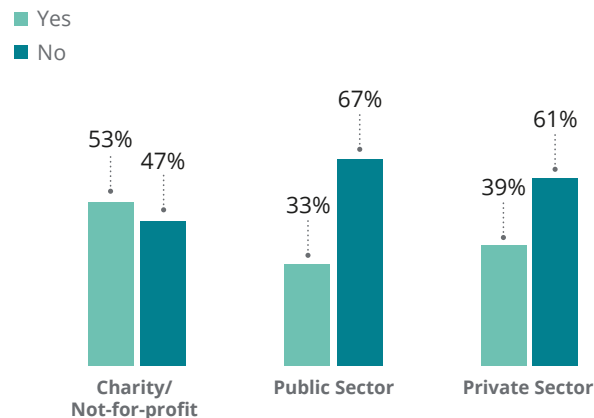
Endnotes

02 – Resilience: what is it and how are organisations increasing it?

3. Diversification of supply and production

Diversification is a strategy by which organisations can create a network of additional suppliers of different size and capabilities and in different locations, allowing organisations to proactively reduce their exposure to volatility and disruption.

Figure 5. Has your organisation entered into any new consumer or supply markets



When supply chain disruptions affect an organisation's operations, diversification of its supply markets can help mitigate risks. Just under 40% of survey respondents have entered into new supply markets to mitigate risk and strengthen continuity of supply. Diversification can also act as a means to make firms more competitive. Increasing their range of offerings to customers reduces their reliability on specific income streams.

Investing when diversification is difficult

For some industries, however, diversification may be challenging as the entire industry may be fundamentally inflexible. One example of this is the semiconductor industry where 40% of supply originates in East Asia⁴ (OEC, 2022), limiting organisations' ability to source from other areas.

Spotlight

Jaguar Land Rover and semiconductors

"I created a dedicated semiconductor procurement organisation with its own purchasing director, responsible for current semiconductor purchases and supply and execution of future semiconductor strategy. The aim is to bring closer collaboration internally with our supply partners and the tiers that sit below that, as well as at the front end in terms of our wholesalers, retailers and dealer networks. This will ultimately enable us to deliver the business transformation as part of our Reimagine strategy."

Neil Marsons

Director of Global Purchasing, Jaguar Land Rover

Foreword >

Executive summary >

01 - Survey introduction >

02 - Resilience: what is it and how are organisations increasing it? >

03 - The growing importance of procurement and supply chain >

04 - Embedding resilience >

05 - Preparedness for Sustainability threats and opportunities >

Closing observations >

About us >

Appendix

Endnotes

02 – Resilience: what is it and how are organisations increasing it?

4. Restructuring procurement and supply chain functions

The recent supply chain shocks have led only 45% of organisations to restructure their procurement and supply chain functions, as shown in Figure 6.

The least restructuring has taken place in the public sector; only 35% of organisations here have restructured. In the private sector there has been slightly more restructuring than on average: half the private sector organisations surveyed report that they have undertaken restructuring.

Restructuring procurement and supply chain functions represents a significant investment for organisations in terms of both time and money. But the survey shows that the investment usually proves beneficial.

Of the respondents who restructured, 61% state that they now feel more prepared for future disruptions.

Figure 6. Organisations that have restructured their functions

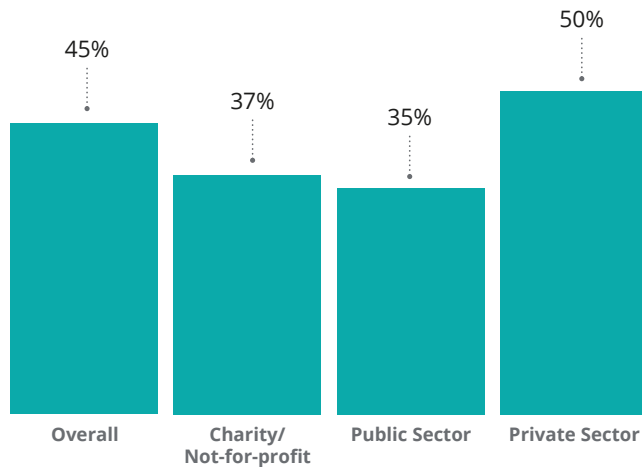
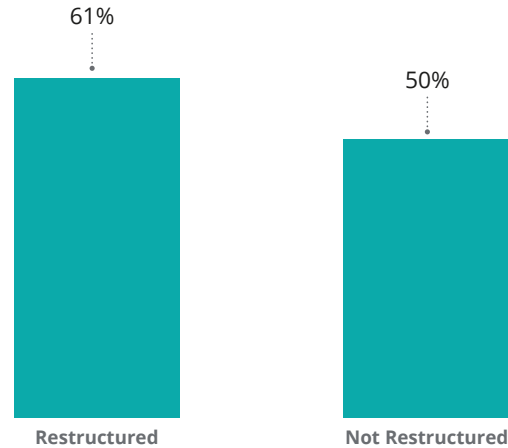


Figure 7. Restructuring enhances readiness for future disruption



Foreword >

Executive summary >

01 - Survey introduction >

02 - Resilience: what is it and how are organisations increasing it? >

03 - The growing importance of procurement and supply chain >

04 - Embedding resilience >

05 - Preparedness for Sustainability threats and opportunities >

Closing observations >

About us >

Appendix

Endnotes

02 – Resilience: what is it and how are organisations increasing it?

Spotlight

DHL restructure

"We at Deutsche Post DHL designed our Procurement strategy and operating model in response to megatrends and disruptions in recent years. Procurement needed to become much more strategic and relevant at a global as well as local level. We focused on building scale, skills and standards; in particular we built up expertise centrally, through a strong governance function, and share that knowledge across the organization. There is a big trend around multi-disciplined agile teams with a plug-and-play approach but in my opinion the category and supplier expertise across divisions and markets is still the best approach to build a competitive and sustainable ecosystem of suppliers. Our plan is set and its execution is in full swing"

Anna Spinelli

Chief Procurement Officer, Deutsche Post DHL

Spotlight

JLR restructure

Jaguar Land Rover has recently undergone several changes in its executive leadership structure, one of which means that Purchasing and Manufacturing now report into one Executive Director for Industrial Operations. The Director of Purchasing provides more insight into the benefits and reasoning behind this:

"The logic behind this was to think about Industrial Operations as a value chain. The external environmental headwinds that we've had to experience over the last two years have forced us to think more in terms of value chain as opposed to traditional supply chain: meaning that we have to ensure an efficient information flow as well as the usual considerations of material flows and industrial footprint. This is crucial to delivering our Reimagine corporate strategy."

Neil Marsons

Director of Global Purchasing, Jaguar Land Rover

Foreword >

Executive summary >

01 - Survey introduction >

02 - Resilience: what is it and how are organisations increasing it? >

03 - The growing importance of procurement and supply chain >

04 - Embedding resilience >

05 - Preparedness for Sustainability threats and opportunities >

Closing observations >

About us >

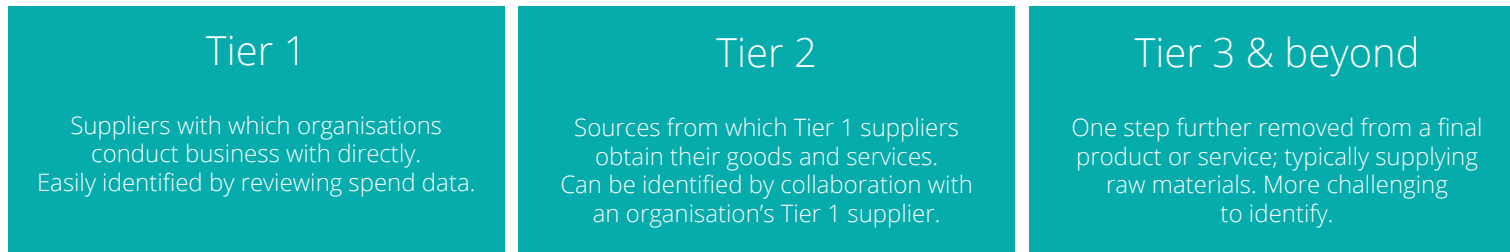
Appendix

Endnotes

02 – Resilience: what is it and how are organisations increasing it?

5. Procurement and supply chain visibility

Companies with greater visibility of their suppliers are more likely to have early insight into supply chain issues and are therefore more able to minimise effects of disruptions through early intervention.



The survey responses show that beyond direct, Tier 1 suppliers, most organisations lack good supplier visibility. Across private and public sectors, Figure 8 shows that:

- Only 13% of respondents state that they have a fully mapped supply chain network;
- 72% have partial or limited visibility beyond Tier 2

Organisations are at risk when they lack insight beyond Tier 1 as this is where a significant proportion of unexpected disruption occurs.

Foreword

Executive summary

01 - Survey introduction

02 - Resilience: what is it and how are organisations increasing it?

03 - The growing importance of procurement and supply chain

04 - Embedding resilience

05 - Preparedness for Sustainability threats and opportunities

Closing observations

About us

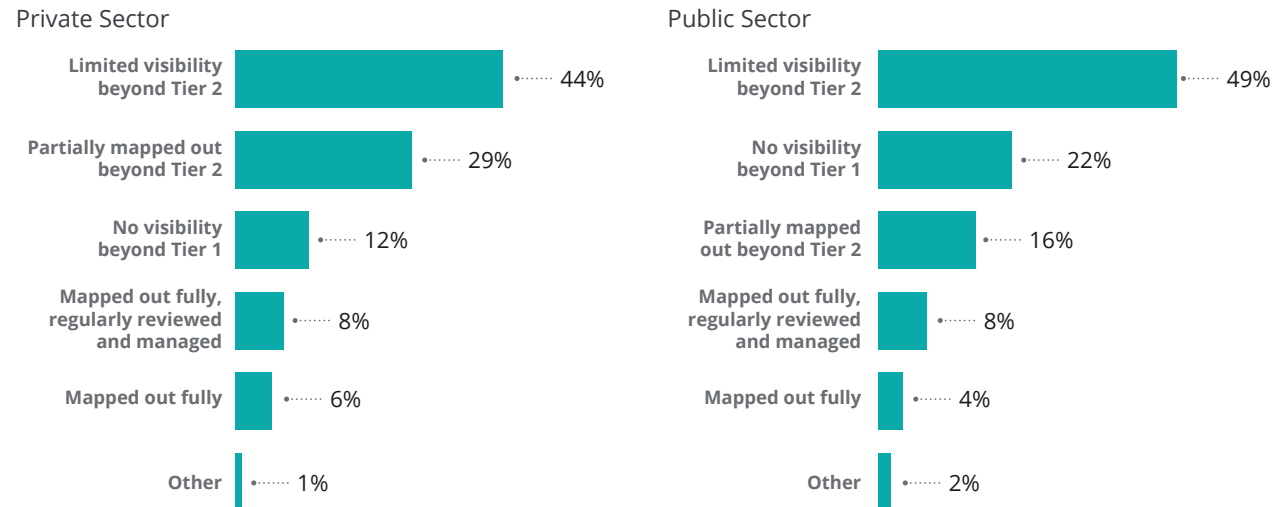
Appendix

Endnotes



02 – Resilience: what is it and how are organisations increasing it?

Figure 8. Private and public sector supply chain network visibility



Spotlight

Supply Chain Visibility

“First of all, the ones who say they have full visibility are misguided – the maths is just impossible! You can focus on certain areas to build a pretty good idea of the full picture, and that is what we do. We have been using technology to map supply chains as deep as we believe we can. For critical medicine (where people may die if they don’t get it) – we have our strategic portfolio review and have identified particular risks where we require full insight. Here we go very deep, delve into the details and ensure that we have 360 degree resilience mapped into our systems landscape.”

Thomas Udesen

Chief Procurement Officer, Bayer and Co-founder of the Sustainable Procurement Pledge

Foreword >

Executive summary >

01 - Survey introduction >

02 - Resilience: what is it and how are organisations increasing it? >

03 - The growing importance of procurement and supply chain >

04 - Embedding resilience >

05 - Preparedness for Sustainability threats and opportunities >

Closing observations >

About us >

Appendix

Endnotes

Section 03

The growing importance of procurement and supply chain



Foreword



Executive summary



01 - Survey introduction



02 - Resilience: what is it and how are organisations increasing it?



03 - The growing importance of procurement and supply chain



04 - Embedding resilience



05 - Preparedness for Sustainability threats and opportunities



Closing observations



About us



Appendix

Endnotes

03 – The growing importance of procurement and supply chain

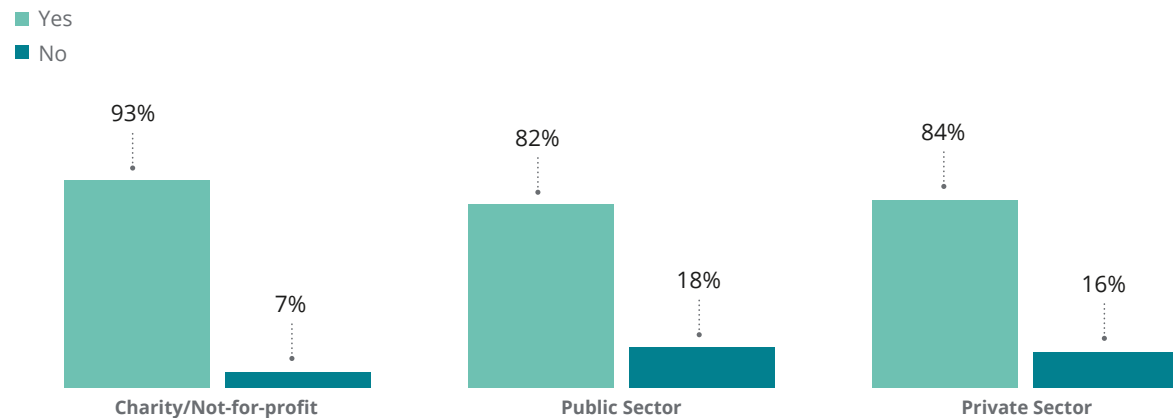
The main finding from a Deloitte 2022 worldwide, cross-industry survey on resilience identified that “senior executives recognise the need for more proactive, forward-looking, and strategic approaches to resilience, but they are struggling to develop and operationalise them in their organisations.”⁵⁹ Procurement and supply chain functions have never been better placed to operationalise these types of strategies; with this survey finding that the perceived value of the procurement and supply chain function has soared in the past five years (see Figure 9). In the charity and not-for-profit sector 93% of respondents see this as being the case. In the private sector the figure is 84%, and in the public sector 82%.

“Fortunately at Sainsbury’s we have authentic sponsorship for Procurement from the most senior levels in the business and have earned our opportunity to influence decision-making. Our Procurement team has the confidence and the capability to step up to the responsibility helping to shape business strategy. In our profession, we need to consider ourselves as “business-people first and procurement people second”. Not a week goes by where our team isn’t advising the Operating Board on matters that are central to Sainsbury’s core priorities, whether that be facing into inflationary challenges, building sustainable energy strategies or sourcing innovative technology, to name a few.”

Matt Stallard

Director of Group Procurement, Sainsbury’s

Figure 9. Has the perceived value of the procurement and supply chain function increased over the past 5 years?



- Foreword >
- Executive summary >
- 01 - Survey introduction >
- 02 - Resilience: what is it and how are organisations increasing it? >
- 03 - The growing importance of procurement and supply chain >**
- 04 - Embedding resilience >
- 05 - Preparedness for Sustainability threats and opportunities >
- Closing observations >
- About us >
- Appendix
- Endnotes

03 – The growing importance of procurement and supply chain

Procurement and supply chain are increasingly being seen as key strategic functions across organisations. More Chief Procurement Officers (CPOs) are sitting on boards (see Figure 10) and are therefore more likely to be involved in the decision-making process at the strategic level for the business. Of those respondents, 50% stated that this decision was made within the previous five years.

“Procurement can either be your friend or your foe and I think without exception all of the good, successful companies definitely have procurement as #1 or #2 in their top three or four strategic priorities, regardless of industry, at the moment.”

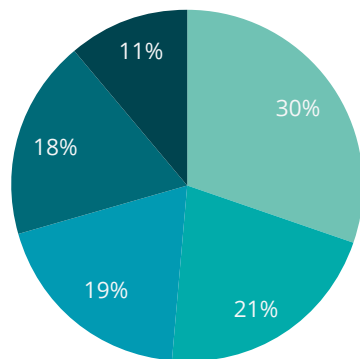
Neil Marsons

Director of Global Purchasing, Jaguar Land Rover

The reporting line for procurement and supply chain functions differs widely between organisations, as illustrated in the diagram below, where we see procurement and supply chain reporting into an array of functions (see Figure 10).

Figure 10. Diverse reporting lines for the procurement and supply chain function

- Finance
- The Board
- Operations
- Other
- Supply Chain



In 30% of organisations surveyed, procurement and supply chain teams report into Finance. For 21% of respondents, the reporting line is direct to the board, and in 19% of cases to Operations. More rarely, in 11% of cases, these teams report into a Chief Supply Chain Officer or equivalent.

We are seeing functions across organisations focus more on resilience. However, there are often differing priorities for procurement and supply chain functions, depending on who they report into.

The survey shows that when the procurement and supply chain functions report into Finance, the increased focus is on cost management, whereby cost is the primary measure of how value is defined across organisations. This is illustrated in Figure 11.

Deloitte’s latest Global CPO Survey further reinforces this as it was reported that reducing costs was the second highest priority for CPOs over the next 12 months. However, for the first time in ten years, this was closely surpassed by new entrant ‘driving operational efficiency’ taking first position. This is unsurprising given the numerous supply chain disruptions faced by organisations in recent years and the financial impact of this. Cost savings and operational efficiency are intrinsically linked as CPOs are now looking towards implementing efficiency improvements and digitisation to ensure they deliver on their cost reduction goals whilst delivering continuity of supply in the least disruptive way.

The second highest response to how value is defined is sustainability factors, which supports the view that procurement’s role is evolving beyond just cost control into more of a value driver.

Foreword >

Executive summary >

01 - Survey introduction >

02 - Resilience: what is it and how are organisations increasing it? >

03 - The growing importance of procurement and supply chain >

04 - Embedding resilience >

05 - Preparedness for Sustainability threats and opportunities >

Closing observations >

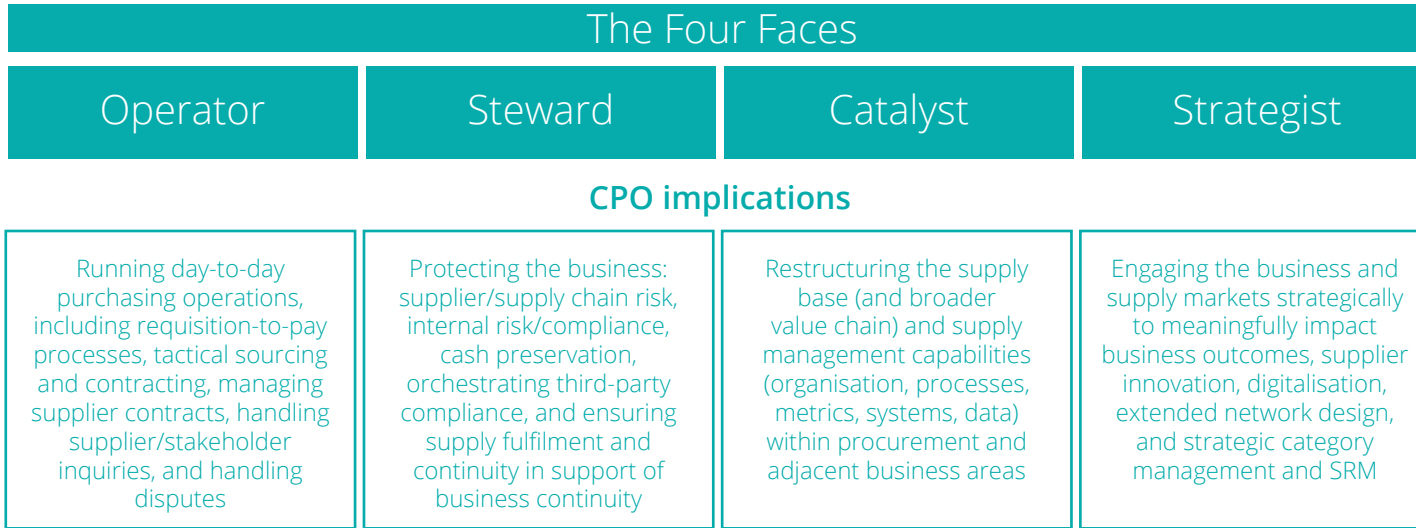
About us >

Appendix

Endnotes

03 – The growing importance of procurement and supply chain

In the last ten years, the role of the CPO has become more aligned with that of the CFO in terms of its broadening of responsibilities beyond operational activities. Deloitte has categorised this into four key roles and applied this to CPOs:



It was observed that the highest CPO performers i.e., those that often have ‘a seat at the table’ were those that focused their time on more Catalyst and Strategist activities.

“73% of high performers spend 20% to 40% of their time influencing and shaping overall strategy”⁶ (Deloitte, 2021).”

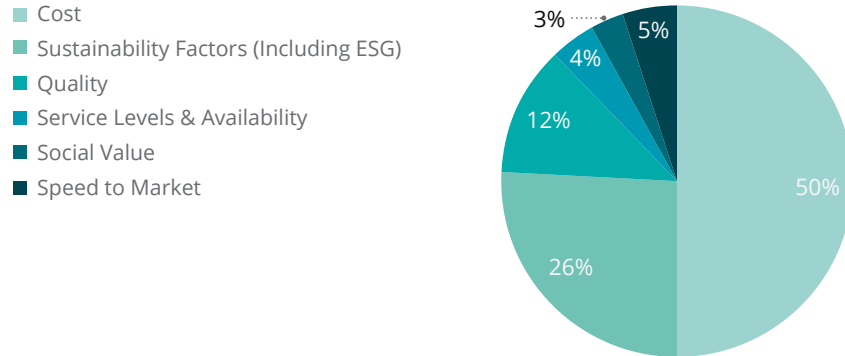
This demonstrates the evolving role CPOs from historically being a transactional, traditional entity to now adopting a strategic transformation mindset in order to deliver its intended outcomes successfully.



- Foreword >
- Executive summary >
- 01 - Survey introduction >
- 02 - Resilience: what is it and how are organisations increasing it? >
- 03 - The growing importance of procurement and supply chain >
- 04 - Embedding resilience >
- 05 - Preparedness for Sustainability threats and opportunities >
- Closing observations >
- About us >
- Appendix
- Endnotes

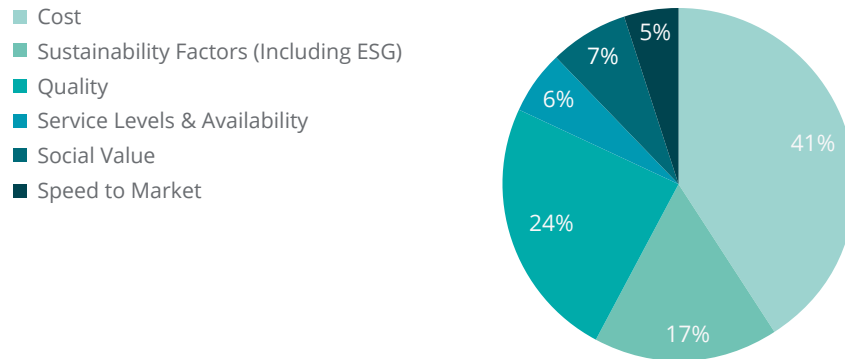
03 – The growing importance of procurement and supply chain

Figure 11. How value is defined by the organisation when procurement and supply chain reports into Finance



Conversely, if procurement and supply chain into the board, although the primary focus is still on cost, the spread between the different responses presents a more well-rounded view of priorities, as represented in Figure 12.

Figure 12. How value is defined by the organisation when procurement and supply chain reports into the board



Foreword



Executive summary



01 - Survey introduction



02 - Resilience: what is it and how are organisations increasing it?



03 - The growing importance of procurement and supply chain



04 - Embedding resilience



05 - Preparedness for Sustainability threats and opportunities



Closing observations



About us



Appendix

Endnotes

Section 04

Embedding resilience



Foreword



Executive summary



01 - Survey introduction



02 - Resilience: what is it and how are organisations increasing it?



03 - The growing importance of procurement and supply chain



04 - Embedding resilience



05 - Preparedness for Sustainability threats and opportunities



Closing observations



About us



Appendix

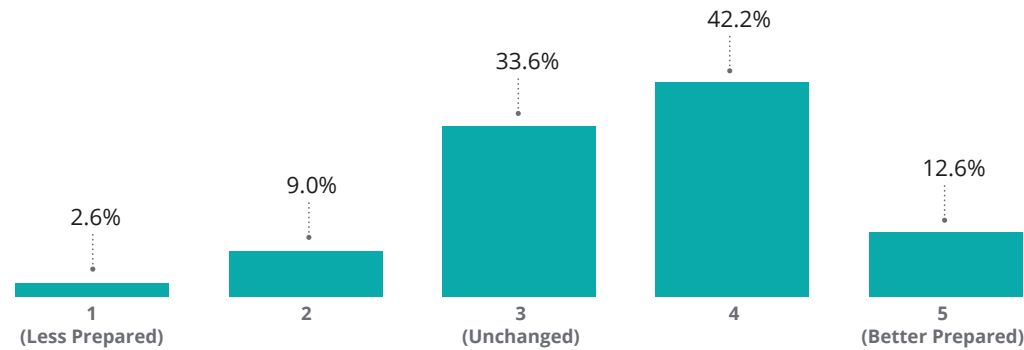
Endnotes

04 – Embedding resilience

The disruptions of the previous five years have highlighted the need for businesses to be prepared for a wide range of developments.

Respondents across all sectors were asked to rate, on a scale of 1–5, whether they felt their organisations were more, or less prepared for future disruptions. A rating of 4-5 indicates strong confidence in being more prepared, while a rating of 1–2 indicates feeling less prepared. These findings are presented in Figure 13, below.

Figure 13. The extent to which organisations feel more or less prepared for future disruptions



- The chart shows that 54.8% of the procurement and supply chain professionals surveyed believe their organisation is better prepared for future disruptions.
- This confidence is not shared across all organisations:
 - 33.6% feel their level of preparedness is no different to before.
 - 11.6% feel their business is less well prepared.

In the private sector the perception of preparedness is higher than in the public or charity/not-for-profit sectors. 57% of private sector respondents believe they are more prepared (rated 4 and 5) vs 10% who think they are less prepared (rated 1 and 2).

- In the public sector 50% of respondents believe they are more prepared vs 14% who think they are less prepared.
- In the charity/not-for-profit sector 50% of respondents believe they are more prepared vs 10% who think they are less prepared.

Foreword



Executive summary



01 - Survey introduction



02 - Resilience: what is it and how are organisations increasing it?



03 - The growing importance of procurement and supply chain



04 - Embedding resilience



05 - Preparedness for Sustainability threats and opportunities



Closing observations



About us



Appendix

Endnotes

04 – Embedding resilience

The Deloitte Global CPO Survey (2021) highlighted that the three top risks CPOs were most concerned about were:

1. Economic downturn and deflation
2. Continuing effects of the Covid-19 pandemic
3. Supplier resiliency/supply continuity

In order to ensure business continuity, the need for agility within procurement has become more prominent than ever as organisations are now having to think and respond quickly to challenges and complexities they have not experienced before.

Deloitte defines agility as the ability to deliver high performance without the use of additional resources.⁷

In the survey, those that were considered ‘high performing agility masters’ were those that embraced new ways of working and adopted a dynamic mindset.

For instance, from a technological perspective, the most agile organisations were those that adopted “next-gen” technology such as advanced analytics, robot process automation.⁸ The implementation of these tools lead to higher levels of standardisation and automated processes so that energy can be invested into more strategic and opportunistic initiatives.

Similarly, from a people outlook, organisations that felt it was getting more difficult to recruit and retain the right workforce, invested less time in knowledge building activities such as one-to-one coaching, mentoring, junior talent programmes to build a diverse resource pool.⁹ This helps employees broaden their skill set and capabilities across a range of specialisms, giving them the ability to work cross-functionally as opposed to being siloed within a particular function.

We spoke to John Dickson, CPO of AstraZeneca (AZ) about the legacy of the Covid-19 Pandemic and what approaches and learnings he and his Procurement function have taken forward to continue to embed resilience across their Procurement strategy.

Spotlight

The legacy of Covid-19 for Procurement functions

“As a function, Procurement have always needed to be resilient and develop a thick skin, however I think the Covid-19 Pandemic allowed us to step out of the shadows in a more assertive manner. During the pandemic, we were challenged to operate with greater agility and flexibility in order to coordinate and facilitate the influx of activity with external suppliers and supply chains - in a way that was also far more reactive. We had to do this all whilst keeping other parts of the business running as usual. Our role during the pandemic was to coordinate and facilitate the influx of activity with external suppliers and supply chains and so we had to be agile, flexible and reactive. I am particularly proud of how at AstraZeneca we effectively ‘cut-through’ removed a lot of the hierarchy during that period enabling us to make decisions much quicker. We had a common goal both within the organisation and with our suppliers and so everyone fostered a feeling of commonality.

Post Covid, we are working to maintain that momentum and keep this as our ‘norm’ - as it really brought our suppliers and Procurement organisation together. This is especially important now as we see inflation headwinds really starting to take hold.”

John Dickson

Chief Procurement Officer, AstraZeneca

Foreword >

Executive summary >

01 - Survey introduction >

02 - Resilience: what is it and how are organisations increasing it? >

03 - The growing importance of procurement and supply chain >

04 - Embedding resilience >

05 - Preparedness for Sustainability threats and opportunities >

Closing observations >

About us >

Appendix

Endnotes

04 – Embedding resilience

We asked respondents what steps their organisations have taken in response to the disruptions of the past five years. The responses to this question were illuminating.

- The top two actions taken by organisations to ensure their resilience were to increase their focus on supplier relationships and contract management.
- Both the more-prepared and less-prepared had done this to a similar extent, suggesting that there is consensus across industries and that these two areas contribute to the foundations of a healthy supply chain.

However, the more prepared focused on a wider range of actions, including:

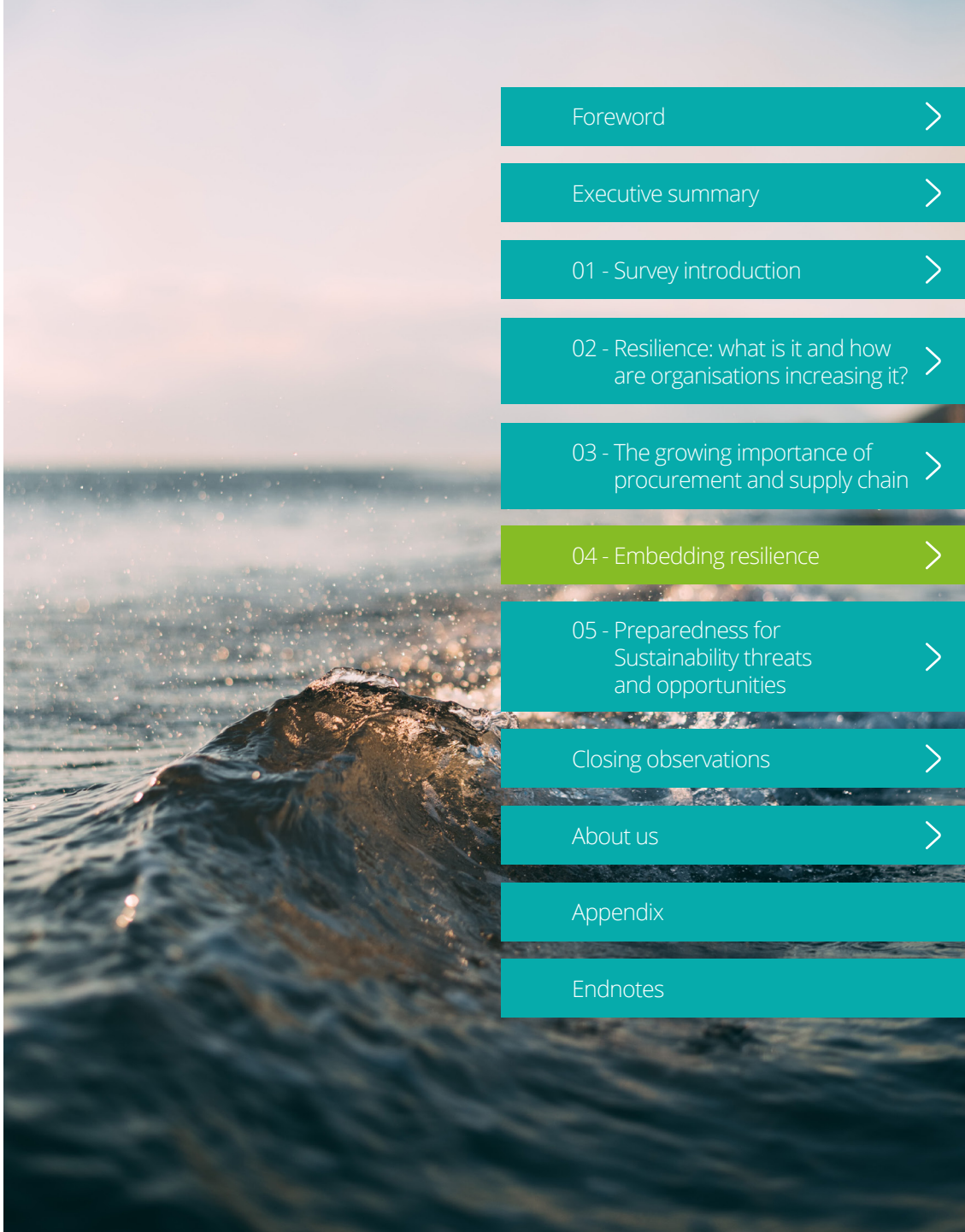
1. People: recruiting and retaining talent, and upskilling;
2. Technology: investing in enterprise resource planning (ERP) and risk management (RM) software and end-to-end supply chain management technology;
3. Strategy: developing their strategy (for example, restructuring procurement and supply chain functions, as discussed in Section 2);
4. Supplier base: evaluating their supplier base and rationalising or diversifying it.

In our interviews, focusing on upskilling procurement teams emerged as a key area of focus.

According to the CIPS Procurement Salary Guide 2022, there has been a 4.9% average increase in salaries for procurement professional across Europe this year.¹⁰

These salary increases reflect rapidly increasing market demand for procurement professionals. Among the most in-demand professionals are those who can manage supply chains from end-to-end and are also sufficiently skilled digitally to guide organisations in the transition toward a more digitised supply landscape.

Organisations recognise that hiring talent with the technical, analytical and digital skills to leverage advancing supply chain technologies is vital. Staff recruitment, retention and the availability of essential skills are crucial to being able to deal with disruption effectively.



- Foreword >
- Executive summary >
- 01 - Survey introduction >
- 02 - Resilience: what is it and how are organisations increasing it? >
- 03 - The growing importance of procurement and supply chain >
- 04 - Embedding resilience >**
- 05 - Preparedness for Sustainability threats and opportunities >
- Closing observations >
- About us >
- Appendix
- Endnotes

04 – Embedding resilience

“The war on talent is nothing new for procurement particularly at a leadership level but I think there is a need to do more as a profession to collectively shape the expectation of our vocation. Procurement leaders need to be clear on the direction of their functions to attract the best fit and should be open to leveraging the business acumen of colleagues across other functional areas to fill any gaps.”

John Dickson
Chief Procurement Officer,
AstraZeneca

“Our first priority is always our people. You can’t make meaningful strategic progress without great people and so fostering and developing exceptional talent always has to come first. As we look ahead it’s clear that, in our profession, we must always continue to broaden our capability. When you consider our role in adding extensive value to the worlds of ESG, technology, digitalisation and resilience, Procurement professionals now need to be multiskilled to a degree that they never have before!”

Matt Stallard
Director of Group Procurement,
Sainsbury’s

“People are clever, they know if you’re walking the talk. Giving them the right platform to make an impact, supporting them to build their knowledge and empowering them will allow them to become comfortable with ambiguity. Disruptions will feel like just another day at the office if they are equipped to handle them.”

Thomas Udesen
Chief Procurement Officer, Bayer and Co-founder
of the Sustainable Procurement Pledge

“When we think about supply chain resilience, I still think there is a huge training, education, and capability exercise that we need to take people and businesses on in terms of their understanding of what it actually means.”

Neil Marsons
Director of Global Purchasing,
Jaguar Land Rover

Foreword >

Executive summary >

01 - Survey introduction >

02 - Resilience: what is it and how are organisations increasing it? >

03 - The growing importance of procurement and supply chain >

04 - Embedding resilience >

05 - Preparedness for Sustainability threats and opportunities >

Closing observations >

About us >

Appendix

Endnotes

Section 05

Preparedness for Sustainability threats and opportunities



Foreword



Executive summary



01 - Survey introduction



02 - Resilience: what is it and how are organisations increasing it?



03 - The growing importance of procurement and supply chain



04 - Embedding resilience



05 - Preparedness for Sustainability threats and opportunities



Closing observations



About us



Appendix

Endnotes

05 – Preparedness for Sustainability threats and opportunities

Organisations that recognise the magnitude of Environmental, Social, Governance (ESG) risks and opportunities and act accordingly will be ready for the increased ESG demands of the coming years.

“Sustainability and resilience are totally correlated and interlinked; if you have sustainable practices, you are automatically resilient. However, if you are resilient exclusively you are not automatically sustainable.”

Thomas Udesen

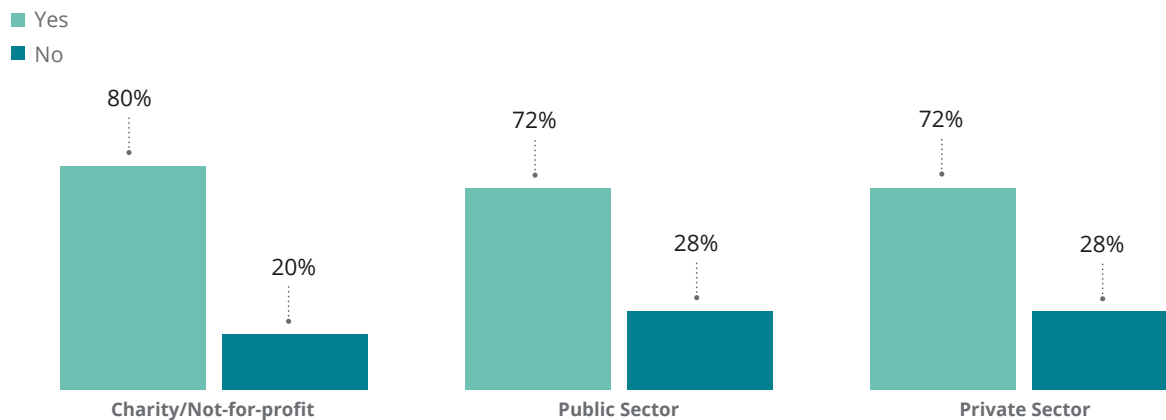
Chief Procurement Officer, Bayer and Co-founder of the Sustainable Procurement Pledge

Ensuring that procurement and supply chain functions have visibility of their end-to-end supply chain is a vital first step. Supply chain visibility is paramount to supporting an organisation's continuity of supply and is equally critical from an ESG perspective. With an increased focus on measuring and managing Scope 3 emissions, organisations must now map their full value chain beyond Tier 1 and 2 suppliers.

It is reassuring to see in Figure 14 that the importance of carbon management is recognised across industries. Over 75% of respondents state that it is important to their business. Charities and not-for-profit organisations placed a slightly higher importance on this, at 80%, in comparison to 72% for both the private and public sectors.

Procurement and supply chain functions understand the importance of sustainability and have the ambition to address ESG concerns.

Figure 14. Importance of carbon management across sectors



Foreword



Executive summary



01 - Survey introduction



02 - Resilience: what is it and how are organisations increasing it?



03 - The growing importance of procurement and supply chain



04 - Embedding resilience



05 - Preparedness for Sustainability threats and opportunities



Closing observations



About us



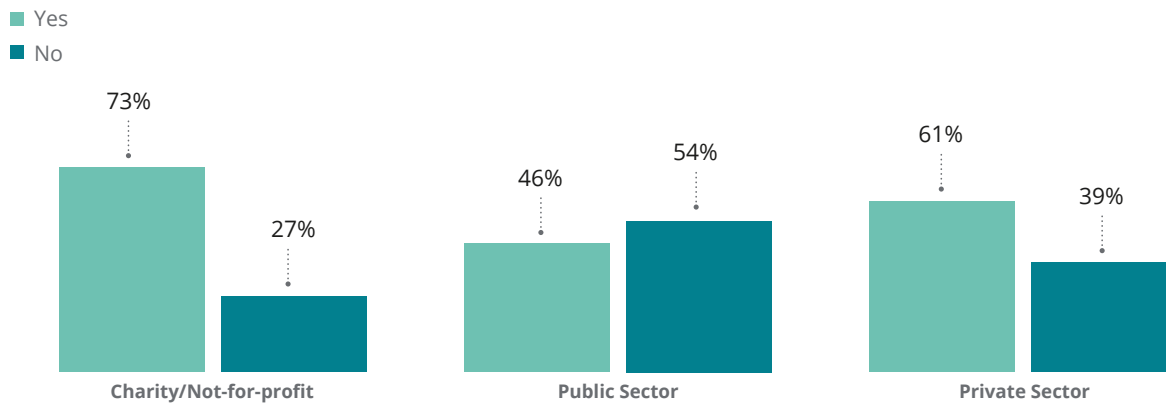
Appendix

Endnotes

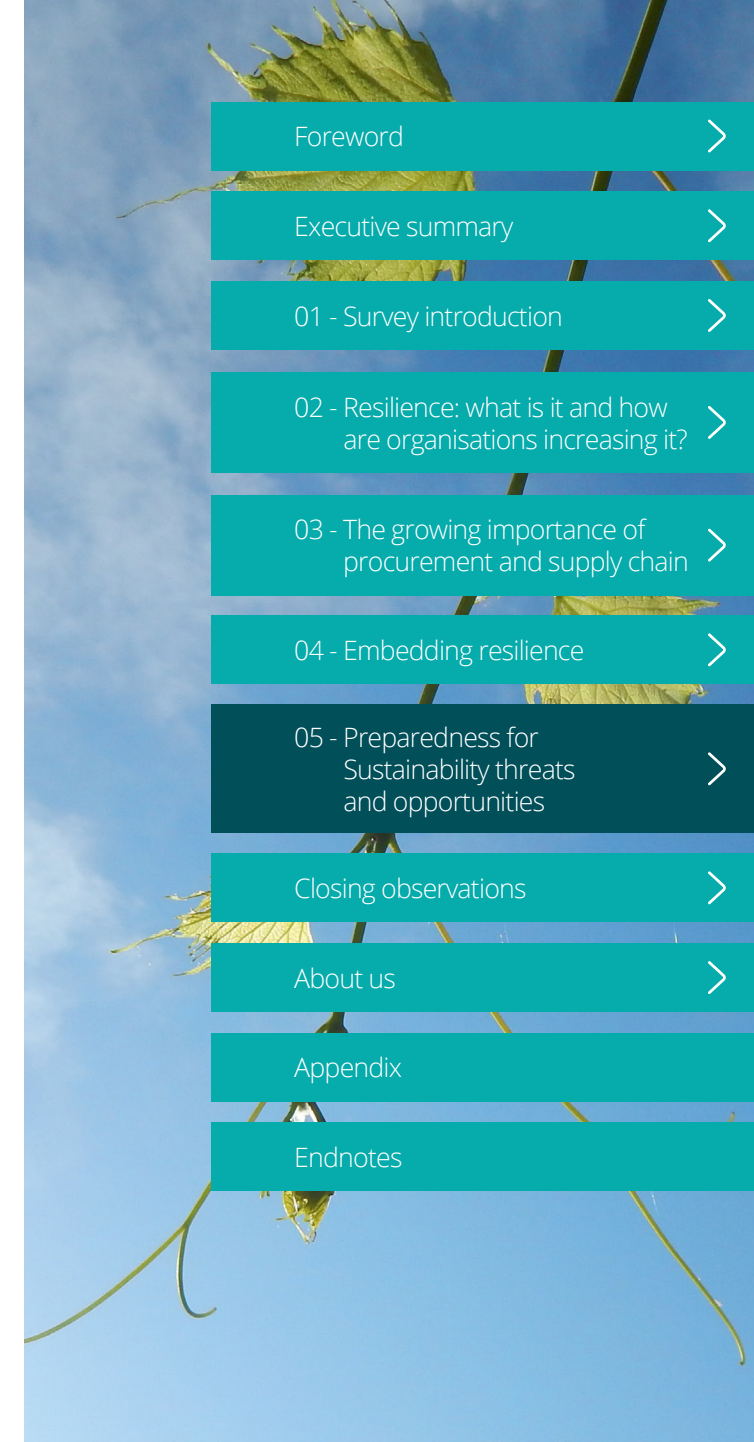
05 – Preparedness for Sustainability threats and opportunities

But the actions organisations are so far taking to address these issues do not yet match their ambitions. The Deloitte CxO Sustainability report¹¹ (Deloitte, 2022) showed that over a third of organisations have not yet implemented more than one of the five required needle-moving sustainability actions. When asked whether or not their organisation had a carbon reduction programme in place, the public sector answered positively to a lesser extent than both the private and not-for-profit sectors. Figure 15 illustrates this.

Figure 15. Do you have a carbon reduction programme in place to reduce emissions?



However this is not necessarily a lagging vs. leading indicator. In the UK, the Cabinet Office has introduced new national procurement policies that set out their strategic priorities relating to decarbonisation, climate change and social value that must be applied across public sector organisations. This is different from a specific carbon reduction programme but is nonetheless intended to drive progress in carbon reduction across the board.



05 – Preparedness for Sustainability threats and opportunities

Spotlight

What challenges do the public and private sectors face in turning ambition into action?

Public Sector view

"We at NHS Supply Chain have a mature plan for Scope 1 and 2 emissions and a clear vision to achieve net zero in these areas. Scope 3 is now the next area of focus. Have we mapped it to the degree where we understand the exact make up of our Scope 3 emissions and have a detailed plan as to how to address them? Not yet, we can only do this by collaborating with our suppliers and by engaging with supply markets.

We understand the importance of these big focus areas and opportunities they present. Sustainability is being invested in as a function and a capability. However, we need to encourage colleagues to systemically integrate and embed sustainability into everything we do, it's so important. I think this is probably reflected across the public sector where there is a shared understanding of the environmental and social issues we face and we are taking the immediate steps to deliver the improvements we want, but we are not yet at the point where we have detailed plans and milestones with dates to achieve."

Andrew New

Chief Executive Officer, NHS Supply Chain

Private Sector view

"There are a lot of people who have good intentions, but they either do not know where to start or the leadership within their organisation doesn't give sustainability the funding or priority it requires. As a result, this survey's finding is not surprising, although it is concerning.

It is important for organisations to have their sustainable procurement strategies as a formalised commitment, and using SBTi (Science Based Targets initiative)¹² as a methodology will give these strategies credibility.

Another action organisations should consider taking is to link sustainability to compensation by making sustainability targets part of the balanced scorecard. Bayer has adopted this by making it one of their non-financial goals (50% of our score card is financial and 50% non-financial). The bonuses for everybody are based on the progress towards meeting our sustainability targets - and a big part of that is the SBTi for carbon reduction."

Thomas Udesen

Chief Procurement Officer, Bayer and Co-founder of the Sustainable Procurement Pledge

Foreword

Executive summary

01 - Survey introduction

02 - Resilience: what is it and how are organisations increasing it?

03 - The growing importance of procurement and supply chain

04 - Embedding resilience

05 - Preparedness for Sustainability threats and opportunities

Closing observations

About us

Appendix

Endnotes

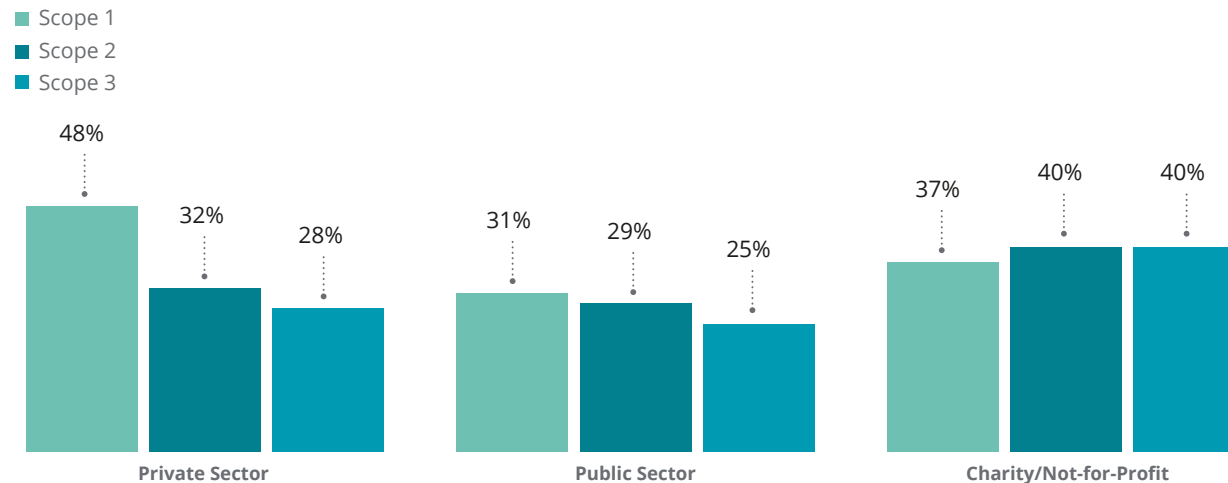
05 – Preparedness for Sustainability threats and opportunities

There are three types of emissions:

- **Scope 1 emissions:** covers Green House Gas (GHG) emissions that an organisation makes directly, for example emissions from company facilities or vehicles.
- **Scope 2 emissions:** refers to indirect GHG emissions resulting from consumption of purchased energy such as electricity, heating or cooling.
- **Scope 3 emissions:** this includes all indirect GHG emissions associated with an organisation's upstream and downstream value chain, for example from buying products from its suppliers and from its products when customers use them.

Across the private and public sectors the survey responses confirmed that measuring and understanding Scope 3 emissions is a big challenge (see Figure 16). Only 26% of respondents currently have the mechanisms in place to actively monitor these types of emissions.

Figure 16. Scope 1-3 emissions that organisations measure



Foreword

Executive summary

01 - Survey introduction

02 - Resilience: what is it and how are organisations increasing it?

03 - The growing importance of procurement and supply chain

04 - Embedding resilience

05 - Preparedness for Sustainability threats and opportunities

Closing observations

About us

Appendix

Endnotes

05 – Preparedness for Sustainability threats and opportunities

Organisations are faced with increased pressure from legislation, investors, and consumers to understand, communicate and reduce carbon emissions. For a typical organisation, Scope 3 will represent >80% of its total emissions¹³ (CDP, 2022). But it may not know how to accurately gather, calculate, and monitor Scope 3 emissions data.

“Scope 3 will be a critical part of our strategy as we move towards 2030 and so we are going to have to make sure that our supply base is aligned to our ambitious thinking. Some of our suppliers may have other customers who are perhaps less ambitious, and so we are collaborating with them on this. Suppliers have a lot of competing priorities, and we need to support them with ensuring Scope 3 is amongst these priorities.”

John Dickson
Chief Procurement Officer,
AstraZeneca

Scope 3 emissions reporting is complex as it requires organisations to accurately assess their end-to-end value chain. While the requirements for disclosure and transparency are increasing, there is a persistent lack of regulatory consistency. Calculating the carbon footprints of some products or services present a particular challenge, such as data centres and professional services.

The data required to get to a product-level of granularity is often unavailable, outdated or lost in a variety of formats and methodologies. This means that organisations need extensive manual effort and supplier engagement to build a transparent and holistic view of their Scope 3 emissions and make data-driven strategic decisions to progress towards net zero.

Deloitte is tackling this issue by bringing together a community of procurement leaders to share data and accelerate decarbonisation. Our Scope 3 Community leverages a cloud-based solution that collects, calculates, analyses and reports on Scope 3 emissions, identifying and using the best available data to take organisations on a journey from spend to activity-based analysis, as well as allowing them to begin incorporating product level data in their emissions data.

The community model creates a collaborative environment for procurement leaders across industries to share data and best practice and jointly influence suppliers to improve their emissions data quality and reporting. Ultimately this provides organisations with the tools and insights needed to make informed purchasing decisions that help decarbonise their supply chains.

“By bringing together procurement leaders across different industries, we propose a novel way of collaborating and moving forward to tackle climate change together. We strongly believe that we need to work together to solve this major challenge and we want to be the glue between actors. We seek to develop rigorous methods of arriving at our carbon footprints, but also provide user-friendly analysis to allow for action and decisions based on our findings. We hope that this could spark conversations and enable actors to benefit from increasing their sustainability agenda”.

Kathryn Thompson
UK Procurement Lead & Partner, Deloitte

Foreword

Executive summary

01 - Survey introduction

02 - Resilience: what is it and how are organisations increasing it?

03 - The growing importance of procurement and supply chain

04 - Embedding resilience

05 - Preparedness for Sustainability threats and opportunities

Closing observations

About us

Appendix

Endnotes

Closing Observations

The survey and interviews demonstrate that to stay resilient, procurement and supply chain functions must employ a multitude of different actions that are relevant to their particular industry and organisation.

The need to be resilient is not in question, but what practical steps can procurement leaders focus on? Deloitte recommends focusing on the following areas:

People – key to resilient functions

Staff recruitment, retention and the availability of essential skills are crucial to being able to deal with disruption effectively. Giving people the right support to develop their knowledge and skills will mean that they will be more ready to deal with disruptions when they occur.

Sustainable strategies – at the heart of staying resilient

Organisations need to recognise the magnitude of ESG risks and opportunities and increased ESG demands of coming years and act accordingly. With an increased focus on measuring and managing Scope 3 emissions, organisations must now map their full value chain beyond Tier 1 and 2 suppliers.

Sourcing strategy - keep under constant review

The more resilient procurement and supply chain functions do not just respond positively to change – they seek to be proactive and prepare for it. Apply this to your sourcing strategies and ensure that you have considered your readiness to meet disruption head-on.

Value drivers – delivering for the organisation

Procurement and supply chain functions can provide much more than just cost savings; they are well placed to help organisations operationalise proactive, forward-looking and strategic approaches to resilience. Leverage the full value that they can drive.

Technology – Continue to invest

The link between organisations that invested in technology and a greater feeling of readiness for future disruptions is clear. Consider investing in tools such as Illuminate that can provide the supply chain visibility needed to proactively mitigate against supply chain risks.

[Foreword](#)[Executive summary](#)[01 - Survey introduction](#)[02 - Resilience: what is it and how are organisations increasing it?](#)[03 - The growing importance of procurement and supply chain](#)[04 - Embedding resilience](#)[05 - Preparedness for Sustainability threats and opportunities](#)[Closing observations](#)[About us](#)[Appendix](#)[Endnotes](#)

About us

About Deloitte

Deloitte is a leading global provider of audit and assurance, consulting, financial advisory, risk advisory, tax, and related services.

Deloitte currently has approximately 330,000 people in more than 150 countries and territories. Our culture and purpose - to make an impact that matters - is shared by our member firms all over the world. It is brought to life in our work for clients, but also in three common ambitions:

- Our WorldClass initiative, through which we will support 50 million people by 2030 develop job skills, improve educational outcomes, and access opportunities to succeed in this new economy;
- Our WorldClimate sustainability strategy, through which our people are playing their part by making responsible climate choices within our organization and beyond;
- Our ALL IN diversity and inclusion strategy.

We are the world's largest sourcing and procurement practice, and have extensive performance improvement experience across strategy, sustainable purchasing, digital, process and operating model.

About CIPS

We are CIPS, the Chartered Institute of Procurement & Supply. A global membership organisation driving positive change across our profession. We are the voice and standard, defining and amplifying best practice across all our worlds.

As the awarding body for the profession, we lead in education and training. Helping professionals advance their ambition. We provide insights, information, and tools. Enabling members to develop their own best practice. We help build capability within organisations. Interrogating, troubleshooting, and training. Through all our work, we build a community.

A global network of professionals powering procurement and supply so our societies can thrive.

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Foreword



Executive summary



01 - Survey introduction



02 - Resilience: what is it and how are organisations increasing it?



03 - The growing importance of procurement and supply chain



04 - Embedding resilience



05 - Preparedness for Sustainability threats and opportunities



Closing observations



About us



Appendix

Endnotes

Appendix

Number of responses: 468 responses

We reached out to Procurement and Supply Chain professionals across the private, public and charity sectors...

Private sector

- Agriculture, Forestry & Fishing
- Arts, Entertainment & Recreation

Public sector

- Banking, Finance & Insurance
- Construction
- Defence
- Energy & Utilities

Not-for-profit

- FMCG
- Healthcare
- Hotels & Catering
- IT

- Manufacturing & Engineering
- Marketing, Advertising & PR
- Pharmaceuticals & Life Sciences

- Professional & Business Services
- Property
- Retail & Wholesale
- Sport
- Tech, Media & Telecoms
- Transport, Distribution & Storage

- Central/Federal Governments
- Defence
- Education
- Emergency Services
- Local/City Councils
- NHS/Health Services
- Non-Departmental Public Bodies
- Regulators
- State Governments

- Charitable care providers
- Domestic Charities
- Educational Societies
- Historic Building Conservation Groups
- Housing Associations
- International Charities (NGO)
- Tourist Attraction Management

Foreword



Executive summary



01 - Survey introduction



02 - Resilience: what is it and how are organisations increasing it?



03 - The growing importance of procurement and supply chain



04 - Embedding resilience



05 - Preparedness for Sustainability threats and opportunities



Closing observations



About us



Appendix

Endnotes

Endnotes

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Foreword



Executive summary



01 - Survey introduction



02 - Resilience: what is it and how are organisations increasing it?



03 - The growing importance of procurement and supply chain



04 - Embedding resilience



05 - Preparedness for Sustainability threats and opportunities



Closing observations



About us



Appendix

Endnotes

Notes

Notes



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