

*Industrial  
manufacturing  
CEOs challenge  
the COO agenda*







*From PwC's recent CEO survey we see that industrial manufacturing CEOs are slightly more pessimistic about the economic outlook than other CEOs, less worried about the prospect of major disruptions to their industry, and keenly aware of the changing landscape of employees in their organizations. These concerns are shifting the focus of COOs in the industrial manufacturing sector.*



## ***The modern COO is an enabler to the CEOs vision***

CEOs are still generally cautious about the economic outlook: 46% think the economy will stay the same over the next 12 months. But they're relatively confident about generating higher revenues in the short- and longer-term<sup>1</sup>. How can that be? A third of all Industrial Manufacturing CEOs have already entered a new industry or considered doing so. They have their sights on the healthcare and life sciences, energy, utilities and mining sectors, as well as other areas of manufacturing, and 51% think it's likely that companies will increasingly compete in new sectors over the next 3 years<sup>2</sup>. The challenge is evident—identifying activities that represent a competitive advantage as well as product and service features that differentiate from the competition.

In moving to new markets, many companies are redefining 'digital' as a new channel or a way of revolutionizing existing business models. These game changers are not for the faint of heart. They require deep understanding of global markets and customers as well as the dynamic forces that encourage new market entry, and are changing what COOs need to address.

The Industrial Manufacturing CEO, like other CEOs, are exploring new ways to fend off their rivals by ensuring operational performance, implementing new products, driving profitability, and efficiently delivering to the customer. These are classic tasks of the COO and represent only a few of the tasks the operational leaders execute to support the visions of the CEOs. The operations leaders, COOs in most instances, are chartered with problem identification, corrective action and resolution to ensure the sustainability and profitability of the firm.

## ***Creating an integrated supply chain vision***

According to the most recent manufacturing cut of the 18th Annual Global CEO Survey, the CEO agenda items, or concerns, that will directly impact the COO in the industrial manufacturing space are:

- Increase in number of significant direct & indirect competitors—traditional and new (60% vs. 61% overall)
- Changes in customer behaviour (51% vs. 61% overall)
- Changes in industry regulation (48% vs. 66% overall)

These factors, among many others, put pressure on the need for efficient and integrated supply chains. Operations within this changing landscape are faced with new challenges including

---

1 PwC's 18th Annual Global CEO Survey, Industrial Manufacturing cut, 2015-02

2 PwC's 18th Annual Global CEO Survey, Industrial Manufacturing cut, 2015-02

## ***Industrial manufacturing COOs are confronted with both a changing global landscape in which to operate and the simultaneous need to adopt new tools and secure the best resources across the entire supply chain.***

the need to mitigate the risk of supply chain disruption, leverage technology as a competitive advantage, and attract and retain the best talent.

## ***Mitigating the possibility of supply chain disruption***

Industrial Manufacturing CEOs share greater concern than other sectors in three areas; volatile energy costs (65%), supply chain disruption (55%), and bribery & corruption (55%). In fact, 58% of CEOs think there are more threats to their company's growth than there were 3 years ago<sup>3</sup>. Highly volatile energy costs are a regular source of anxiety, because they account for a considerable chunk of most manufacturing companies' bills. Building robust risk mitigation strategies around supply chain disruption is becoming more critical to long-term success. Recent examples of significant and relatively unpredictable events highlight the need for preparedness. We all witnessed the significant impact the 2011 earthquake and tsunami had on the global manufacturers. Port slowdowns are yet another example, costing economies billions of dollars each day. To mitigate such risks, COOs are being asked to design and build in efficient redundancy to help offset material cost volatility, loss of critical suppliers or channels to market.

## ***Technology accelerating the pace of change***

Technological advancements are coming at unprecedented levels and pace. There is no shortage of information available from and about customers, which brings both opportunities and threats. Innovation is an increasingly important engine of growth—for

---

3 PwC's 18th Annual Global CEO Survey, Industrial Manufacturing cut, 2015-02

new product development, improved processes, and new business models and supply chains. Innovation requires investments in technology and people, especially in the information technology and research and development arenas<sup>4</sup>. Industrial Manufacturing CEOs see mobile technologies for engaging with customers, cybersecurity tools and data analytics tools as having particular strategic value. They're also more likely than other CEOs to emphasize the importance of 3D printing. But they're increasingly worried about the speed at which technology is changing and the growing number of cyber threats, especially when it comes to 3D printing<sup>5</sup>. COOs are

***The skills gap in manufacturing is getting larger in part because of external forces, or megatrends.***

***As 3D printing is adopted, information will be housed and concentrated in digital files that, and like any other digital document, is subject to security breach.***

more often tasked with realizing the transformational benefits of 3D printing, including appropriate product design, material selection, and use criteria. As 3D printing is adopted, information will be housed and concentrated in digital files that, and like any other digital document, is subject to security breach.<sup>6</sup>

CEOs also regard mobile technologies for engaging with customers (73%), cybersecurity (72%) and data mining and analysis (70%) as strategically important to sustainable success in the markets they serve<sup>7</sup>. COOs are being asked to actively invest in new technologies to ensure they are getting the biggest bang for their bucks from analytics, operational improvements and enhanced innovation. The success of these investments hinges on having a proper plan with clearly defined measures of success.

### ***The changing dynamics of the talent pool in the organization***

CEOs are increasingly challenged to tap into a shifting talent pool in a way that enables continued growth. More than half of industrial manufacturing CEOs (53%) also intend to hire more people, but

74% are worried about the shortage of key skills. Noteworthy that nearly 71% of companies are actively searching for talent in different countries, industries or demographic segments, and 77% are looking for a broader range of skills than they have in the past<sup>8</sup>. Still further, the skills gap in manufacturing is getting larger in part because of external forces, or megatrends, that are creating a greater need for skilled labor. The competencies required in these new industries challenge the operations and human relations leadership<sup>9</sup>. The C-Suite will need to facilitate leveraging transferrable skills to keep employees and inspire the new skills and competencies required to implement the transformational change and drive to the execution in the evolving landscape. Increasingly, the COO is faced with understanding how advancements in technology are driving new employee skills and the requirement for increases in continuous training to remain competitive. Adding to the challenge are landscape changes across the global demographics that make it difficult to find and retain the workforce of tomorrow<sup>10</sup>.

The increase in robotics in the manufacturing industry is also changing the skillset needed. Could a greater robotic workforce actually drive a need for more human talent to train, repair and minister to that growing robotic workforce, not to mention the talent needed to develop the burgeoning robotic technology industry itself?

***The increase in robotics in the manufacturing industry is also changing the skillset needed.***

4 Talent management in manufacturing: The need for a fresh approach, 2015-01

5 PwC's 18th Annual Global CEO Survey, Industrial Manufacturing cut, 2015-02

6 How 3D printing puts manufacturers at risk of cybertheft, 2015-26-02

7 PwC's 18th Annual Global CEO Survey, Industrial Manufacturing cut, 2015-02

8 PwC's 18th Annual Global CEO Survey, Industrial Manufacturing cut, 2015-02

9 Talent management in manufacturing: The need for a fresh approach, 2015-01

10 Talent management in manufacturing: The need for a fresh approach, 2015-01

According to a PwC survey of US manufacturers, 35% responded that the biggest impact in an increase in robotics and automated technologies will lead to an increase in job opportunities to engineer advanced robots and systems. 28% felt that there would be a replacement in workers<sup>11</sup>.

### ***What's next for the COO***

COOs have been asked to take on a more strategic and growth oriented outlook focusing on the rapid changes in risk management, technology and supply chain, as the industrial manufacturing industry continues to evolve. The increasing focus on innovation and technological changes shaping the manufacturing industry has further increased the need for COOs to be flexible and think outside the box. The integrated supply chain execution is challenging the Chief Supply Chain Officer, COO, and virtually the entire C-suite. The competitive internal and external landscapes along with new disruptors entering the market and the increased challenge of retaining the right talent, present an even greater need for COOs to support their CEOs vision and ensure the organization maintains alignment.

Effective communications and coordination is required across what have traditionally been 'fiefdoms' within large organizations. The COO will need to concurrently enhance skills across all areas of talent, technology, innovation, growth and risk both professionally and throughout the organization. Supporting the CEO in an environment that is both rich in new ideas and organizational learning and development, drives a sustained culture of operational execution. Executing the strategies in support of the evolving business model and rapidly shifting customer "needs" is the competitive advantage the operational leadership strives to demonstrate. Is that your COO?

---

<sup>11</sup> The new hire: How a new generation of robots is transforming manufacturing, 2014-09

---

## *PwC industry contacts*

**Barry Misthal**

*Global Industrial Manufacturing Leader*

barry.misthal@ch.pwc.com

**Monica Lammert**

*Director, PwC Advisory*

monica.m.lammert@us.pwc.com

**Jim Snyder**

*Managing Director, PwC Advisory*

jim.snyder@us.pwc.com

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be recorded to ensure the integrity of the financial data. This includes not only sales and purchases but also expenses and income. The text suggests that a consistent and thorough record-keeping system is essential for identifying trends and making informed decisions.

In the second section, the author addresses the challenges of budgeting and financial planning. It notes that many businesses struggle to stay within their budgets due to unforeseen expenses or changes in market conditions. The document provides several strategies to mitigate these risks, such as creating a contingency fund and regularly reviewing the budget to adjust for any deviations.

The third part of the document focuses on the role of technology in modern accounting. It highlights how software solutions can streamline the accounting process, reduce errors, and provide real-time insights into the company's financial health. The text discusses various types of accounting software and offers advice on how to choose the right one for a specific business.

Finally, the document concludes with a discussion on the importance of seeking professional advice. It suggests that consulting with an accountant or financial advisor can be particularly helpful for businesses that are complex or operating in a highly competitive market. The text encourages business owners to take advantage of these resources to ensure they are making the most of their financial data.

[www.pwc.com](http://www.pwc.com)