COO insights

PwC Pulse Survey—September 15, 2020 findings
The global outsourcing industry is challenging conventional ideas about what can be done by an outsider after facing crucial tests of its ability to withstand major disruption. Most operations leaders (67%) say they’re planning to increase the amount of hours they outsource over the next 12 months as they look for ways to quickly respond to swings in demand that may be short-lived while they grapple with the effects of the pandemic on their business.

Yet how executives plan to distribute the work is poised to change as a result of lessons learned throughout the pandemic, according to findings from PwC’s survey of 90 US operations leaders from August 28, 2020, to September 3, 2020. Many executives associate outsourcing with back office activities like payroll and IT services. But across the close to half of respondents from Industrial Products companies, many executives are also considering outsourcing activities across manufacturing and the supply chain.

Operations leaders are mindful of potential impacts from shifts in US trade policies. For example, over half (55%) “strongly agree” that the federal government should implement a strategy to boost domestic production of essential goods to help the US economy. Consensus is building in Washington to ensure the US has access to supplies, which may materialize in bipartisan interest to increase incentives for reshoring over the longer term.

Q: Do you agree or disagree with the following statements: The federal government should implement a strategy to boost domestic production of essential goods to help the US economy. (responding ‘strongly agree’)

Source: PwC Pulse Survey
September 3, 2020: base of 575, Risk management leaders base of 77, COO base of 89, CFO base of 271
Top findings

Ninety operations leaders from Fortune 1000 and private companies, along with other C-suite executives, weighed in on this and other policy-related issues in our latest PwC Pulse Survey, fielded August 28, 2020 to September 3, 2020. Find these insights in our Road to Election 2020 report. In the ongoing survey, COOs also shared their perspectives on other top-of-mind issues, including strategies for outsourcing, business and technology vendors and managed services.

COOs look to outsourcing in order to scale as demand fluctuates

Findings make clear that outsourcing is a key component of strategies to adjust with minimal disruption to the twist and turns of demand in the new stay-at-home economy. A majority of operations leaders (67%) say they’ll increase outsourced work hours over the next 12 months. Moreover, of the 23% of COOs reporting that their company does not plan to increase or decrease outsourced work hours, 70% of those executives indicate this is due to constraints with contracts rather than a lack of need to increase outsourcing.

Companies are prioritizing flexibility. Costs remain under tight controls even as business leaders look for the returns from a series of actions taken throughout the year to return to growth. By outsourcing capabilities, operations leaders are finding ways to quickly scale up and meet new pockets of demand, which may be temporary, without adding to fixed, or permanent, costs.

Keep in mind: What companies choose to outsource will be specific to their needs. These findings show that operations leaders believe they’ll find lower costs elsewhere for a range of activities.

All companies will want to think carefully about what to outsource in order to retain the core capabilities that differentiate them from competitors and give them their right to win. Part of this challenge is that beliefs and models about costs have changed. Costs that were once fixed have become more variable, while others that might have been differentiators in the past are quickly becoming table stakes (think digital operations and automation).

Q: Which of the following best describes how outsourced work hours at your company will change over the next 12 months (relative to the previous 12 months)?

Source: PwC Pulse Survey
September 3, 2020; COO base of 90
COOs plan to diversify use of vendors for business and technology services

Cost structures are not the only consideration. Operations leaders are also looking across the entire operating model for ways to improve resiliency. A majority (68%) say they expect to use more third-party vendors over the next year while 19% report planning to consolidate use of vendors. Just 10% say there’ll be no change in their vendor mix.

Some respondents are likely planning to widen the pool of vendors in order to accelerate their own capabilities in areas of the business that may have been a lower priority for investment and/or cost savings before the crisis. The pandemic exposed shortcomings of some back office activities that were already inefficient—think of manual entry in accounting. The findings also indicate that executives are making decisions based on their experiences with vendors during the crisis and will take action to increase reliability and resiliency. For example, as call centers experienced spikes in volumes with reduced capacity, those able to make use of chatbots powered by natural language processing were able to handle more workflow.

COOs plan to diversify use of vendors for business and technology services

Q: Which of the following best describes the changes you are planning for third-party vendors for business and technology services over the next 12 months?

Highest-ranked choices for COOs from a list of 5 options; totals may not add up to 100% due to rounding.
Source: PwC Pulse Survey
September 3, 2020: COO base of 90
COOs plan to diversify owned, internal service delivery centers geographically

New models for internal services delivery are taking shape. On balance, COOs report plans to expand and diversify their own service delivery centers over the next year. These are typically based in low-cost locales and provide some (or all) back office functions for the business, such as call centers, invoicing or IT support. A majority (64%) of respondents plan to expand the reach of owned centers while 11% plan reduction of internal service delivery centers and 19% see no change.

With companies more determined to pursue operational resiliency as a part of business continuity and disaster recovery planning, it’s not surprising that focus is shifting to centers, many of which are located in countries where IT infrastructures and employees’ access to high-speed bandwidth may not be as reliable. Being able to rapidly shift workloads to different geographic locations and back again became table stakes during the crisis.

Q: What changes are you planning for your owned, internal service delivery centers over the next 12 months?

Totals may not add up to 100% due to rounding.

Source: PwC Pulse Survey
September 3, 2020: COO base of 90
Latest findings: Road to election 2020

No matter who occupies the White House next, business leaders must anticipate what policy and regulatory shifts will mean. The election focuses on big issues, such as economic stability, the role of government programs in driving economic recovery, and responsibility of business in creating domestic jobs and championing diversity and inclusion. See what’s top of mind and keep up with perspectives on how your company can be more agile and responsive to whatever comes next.

Learn more

Current and past surveys

PwC Pulse—September 2020
Workforce Pulse—July 2020
CFO Pulse—June 2020

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