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2023 EMEA Chief Operating Officer (COO) Survey

Addressing current key challenges faced by COOs



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Introduction

Chief Operating Officers (COOs) play a more pivotal role than ever in today's fast-moving and ambiguous business landscape. They find themselves helping to meet margin objectives to contribute to corporate success. They steer organisations towards operational efficiency and are responsible for the transformation agenda in many cases.

This report reveals the results of an EMEA-wide survey conducted with COOs and senior Supply Chain Executives across industries. In the survey we examined the priorities of COOs, the pressing challenges confronting them, and the difficulties they face overcoming these challenges.



Strategic priorities of COOs: efficiency first

Driving operational efficiency was by far the number one strategic priority named by COOs, followed by reducing costs. The prominent focus on operational efficiency and cost reduction mainly stems from the increase in raw material and energy prices as well as high costs of capital due to rising interest rates. Increasing competition,

disruption in the global marketplace and stagnating or declining revenue growth in major economies have highlighted the pressing demand for significant efficiency gains and cost reductions in operations to address declining margins.

Further priority topics for COOs are expanding capacity (organically or through acquisitions), implementation of sustainability initiatives and a greater focus on innovation.

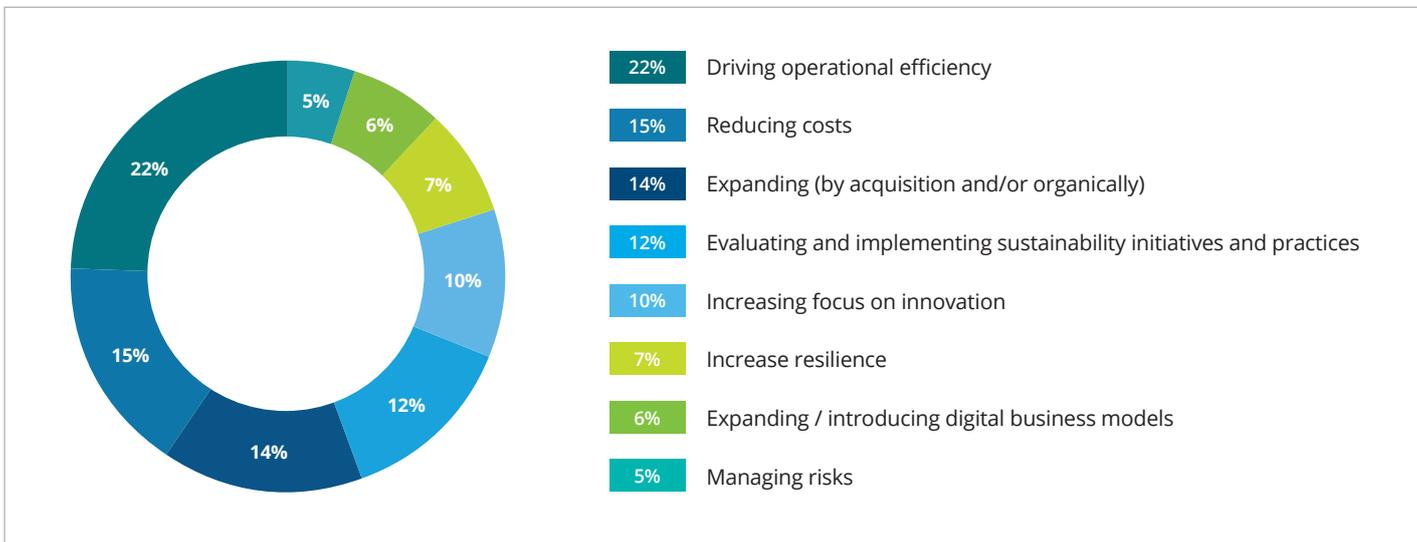


Figure 1. Strategic priorities of COOs





Key challenges – and obstacles to tackling them

In recent years companies have been increasingly focused on growth strategies, market expansion, technological integration, and sustainability initiatives. COOs face multifaceted challenges that require new approaches and tools.

Technology-enabled optimisation has been identified as an area in which COOs want to invest substantially. But seamless integration across applications & functional silos and ensuring effective data management are perceived as major challenges that are hindering implementation and impact return on investment. Measures to understand efficiency and effectiveness are therefore very important when starting a digital transformation. The unfortunate reality is that data in many companies is not up to basic standards, let alone good enough to fully enable transformation agendas.

The position is similar with the task of **embedding sustainability and ESG measures**. While most COOs express their determination to investing in sustainable solutions such as renewable energy or water consumption reduction measures, these goals remain a significant challenge.

Anticipating change and implementing effective risk management measures is yet another significant challenge for most COOs. Many organisations are

not able to predict change and potential disruption risks – whether from innovations, new regulation, or global and domestic upheavals – in such a way that they can successfully mitigate the consequences of any disruptions.

Accessing the required talent and essential skills stands out as another pressing challenge. Most COOs confess that they have only a partial grasp of the skills that will be necessary in the next decade, or even lack them entirely. The strategies they are adopting most often to address workload volatility and enhance agility is tactical increases in staffing and standardisation of policies, processes, and systems. The main difficulties with these mitigation strategies are poor knowledge transfer and capability building, as well as internal resistance to the use of third-party resources.

The following sections of this report will explore the most critical challenges faced by COOs, centering on digital capabilities & technology, change anticipation & risk management and ESG.





Digital capabilities and technology: breaking down data silos

When it comes to digital capabilities and digital transformation, efficient processes enabled by technology are COOs' number one ambition. This stems from recognising that leveraging technology can significantly enhance operational productivity, streamline workflows, and optimise resource utilisation. Embracing technology-enabled process improvements offers various opportunities and can ultimately lead to enhanced overall agility and competitiveness.

The main obstacles to progress are weak integration across applications, poor data quality and a lack of data management capabilities and a data-sharing culture. These factors are preventing COOs from implementing digital technology in their organisations effectively.

Generative Artificial Intelligence (GenAI) is beginning to be incorporated into companies' applications and ways of working. They are starting with small, isolated pilot projects. Companies who have already implemented pilot projects are, however, mostly using an internal GPT-based chatbot. They are yet to use GenAI in overarching, enterprise-wide applications.

In the manufacturing sector specifically, most COOs expect Control Tower capabilities & principles in the supply chain and production facilities to have the biggest impact in the next two years.





Anticipation of change and risk management: critical to managing disruption

The key driver for change highlighted by COOs revolves around ongoing supply shortages. Staff shortages and a lack of visibility also concern COOs. As a result, they are unable to anticipate change and predict potential disruptions to operations. This is a critical area of improvement highlighted by the respondents.

Supply chain and manufacturing disruptions mean that plants must reschedule their production at the last minute, leading to cost and capacity utilisation

inefficiencies. Therefore COOs need to rethink their supply chain footprint strategically and find ways to better anticipate change.

Some companies have already successfully implemented measures that enable them to predict operational disruptions more effectively. The most common tools used are continuous monitoring (e.g. via the implementation of digital twins) and cross-functional scenario planning.





Environmental, social and governance (ESG): only of medium importance

Even though most organisations have a dedicated team responsible for sustainability, most COOs do not have the required know-how or capability to implement impactful ESG initiatives. On top of this, they consider the

carbon footprint to be only of medium importance in the decision-making process. They do not yet see that ESG initiatives can have a positive impact on their company's performance.

Hardly any of the organisations surveyed has pledged to specific greenhouse gas (GHG) reduction targets beyond 2030.





The role of operations

COOs prioritize their involvement in various operational aspects within an organization – as **Figure 2** shows. COOs are putting strategic emphasis on network decisions, workforce planning, financial planning and digital strategy, showing that their approach to managing operations is a holistic one. On the other hand, corporate risk planning and M&A are perceived to be far less vital to operations.

The data suggests a strong commitment to operational efficiency through outsourcing and automation, as well as a deep understanding of the critical role workforce planning plays in organisational and transformational success – and in the end corporate success.

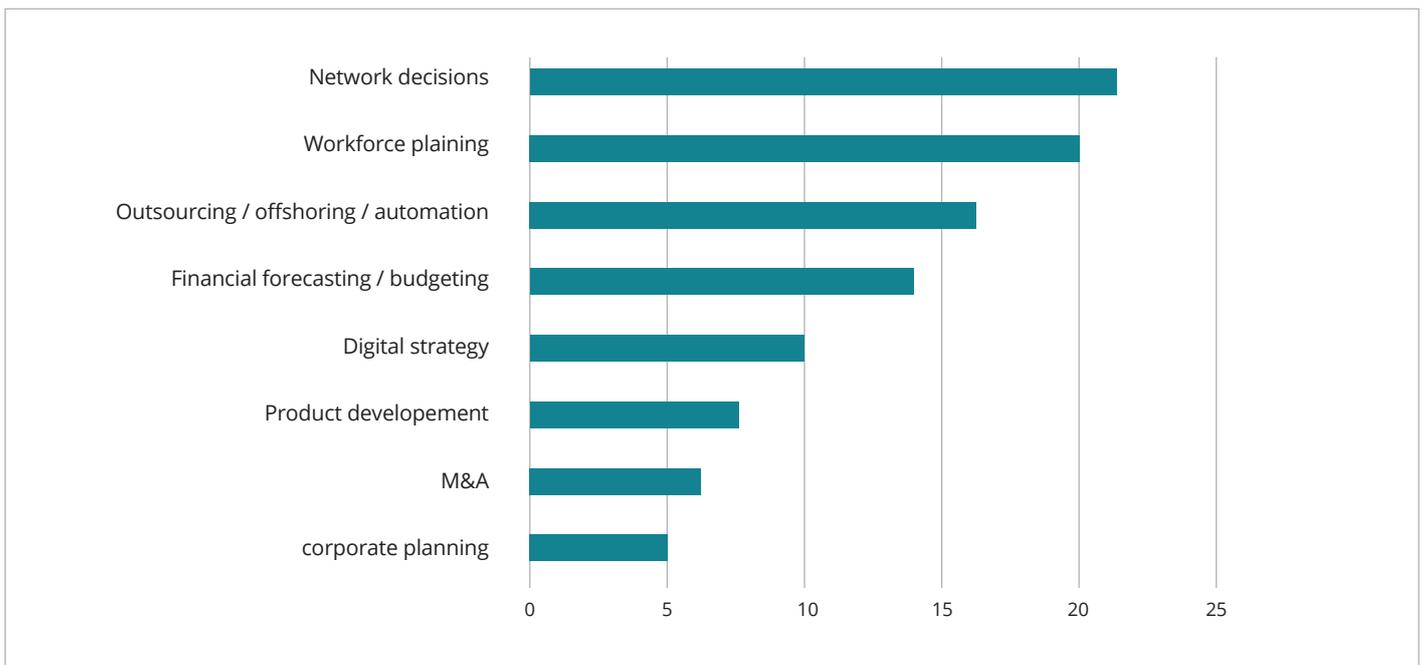


Figure 2. Role of Operations in an organization





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