






Future of Operations





Navigating the Operational Edge

Exploring the priority issues shaping the COO agenda

EDITION: 2023

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Introduction



Howard Doberman

Partner, COO Executive
Program Global Leader,
Deloitte UK

Of all C-suite roles, the Chief Operating Officer (COO) is the most misunderstood – it doesn't have the clear functional definition of other peer Executive roles, it lacks a structured and well-established career pathway, and expectations of the role vary wildly – and yet, in today's rapidly evolving and digitally-driven environment, it is unquestionably one of the most diverse, multi-faceted and influential Executive roles.

And it is changing. The remit is growing. It's no longer sufficient to simply manage today's business. In addition to ensuring smooth daily operations, COOs are increasingly responsible for shaping and executing business strategy, leading the transformation agenda; managing enterprise risk and resilience, driving sustainability responsibilities, and the like – albeit there is no one size fits all. In this paper, we explore how this change manifests itself in terms of the big signature issues that COOs face today. We explore how to navigate the Operational Edge.

Howard



Ciaran McGovern

Partner,
Head of Operations
Transformation,
Deloitte Ireland

To Operations Leaders,
It is a privilege to share with you our perspectives and those of our clients on the future of operations.

We here in Deloitte are deeply passionate about helping operations leaders to think through some of their priority issues and in successfully transforming their operations to meet the ever-changing needs of their organisation and the customers they serve.

If you are an operations leader who wants to gain an operational edge, who believes operations can provide a competitive advantage for your organisation, then this paper is for you.

If you require any support or wish to discuss the future of operations further, my team and I would be delighted to hear from you.

A handwritten signature in black ink, reading 'Ciaran McGovern', positioned above a horizontal dotted line.



Summary - Navigating the operational edge

Change in the business world is nothing new, but today's realities feel different.

The legacy of COVID-19 will not be fully understood for many years. That much we can be sure of. Initially we witnessed an unprecedented level of intervention by central banks and governments which served to calm global financial markets and provide life-support to businesses and citizens alike¹. Within months, the lockdowns had birthed a wave of innovation, across both public and private sectors, as governments, businesses and educational institutions scrambled to provide goods and services over digital channels^{2,3}. Three years ago, it would have seemed implausible, but today hybrid working has become the de-facto norm for large sections of the workforce, with legislation enshrining the right to work from home being considered by many governments⁴. Throughout 2021, the pandemic ebbed and flowed in waves, disrupting supply chains, and creating labour shortages in its wake. As a result, the cost

of imported goods and shipping surged worldwide. While supply was constrained, demand picked up as excess savings were readily spent after lockdown restrictions eased, and vaccines became widely available⁵. Economies rebounded and businesses began to ask how to move on from an operating model that whilst new, was anything but normal. But the pandemic was only the beginning.

In early 2022, as much of the world was still grappling with these pandemic-related shocks, Russia launched a full-scale invasion of Ukraine. The invasion threatened the supply of numerous critical materials such as oil, natural gas, metals, fertilizer, and grain, sending food and energy prices soaring⁶. The inflation rate may be falling from eye-watering highs but is still projected to remain higher than the ECB 2% target in 2023 and 2024⁷. The spectre of further increases in interest rates and the potential for recession within the EU and US compound the uncertainty of this 'polycrisis'⁸. The result is a once



in a generation cost of living crisis for consumers, many of whom, particularly those on lower incomes, are caught between spiralling prices and higher loan repayments. Executive officers ask what is our “purpose”, our responsibility to vulnerable customers (and employees), whilst at the same time grappling with how to uncouple cost-income ratios^{9,10}.

M&A activity, while down in 2022 from all-time highs in 2021, is still robust and set to pick up in 2023¹¹. Globally, there are calls for new financial and consumer regulation, particularly to address how emergent technology is impacting businesses and society¹². Some speculate that this may indeed be the end of globalisation as trade barriers are erected and global supply chains dismantled^{13,14}. Of course

the impending climate crisis looms on the horizon and trumps all risks. We are told that sustainability is an imperative from board room to shop floor. But will the Gen-Z workforce accept these claims to be authentic and credible?¹⁵

Little wonder that business leaders are putting a premium on flexibility, resilience, and transformation. In this paper we pose the question: What is the role of the Chief Operating Officer (COO) and how can the COO navigate these stormy waters to find their operational edge? A state where business operations are a driver of competitive advantage. The Future of Operations is in finding that edge. It is characterised by being purpose-led, digital by design, adaptable, intelligent, resilient, and commercially focused.



John Kilbride
Director
Deloitte Ireland



We have framed this point of view through seven priority issues shaping the COO agenda in 2023:

1. Being an Impactful leader:

Navigating change as a COO.

Empowering operations through a purpose-led transformation mindset, that adapts and anticipates the changing demands of business and society. Setting a direction for operations aligned with the organisation's purpose and strategy, and inspiring delivery through others.

2. Unlocking Greater Shareholder Value through Operations:

A laser focus on value.

Managing organisation-wide performance, profit and loss (P&L) transparency, and cost efficiency to achieve strategic growth. The COO can play a critical role in driving a relentless focus on enterprise-wide performance, characterised by full end-to-end P&L transparency that builds upon, but goes beyond, the COO's traditional focus on cost efficiency.

3. Building Customer Obsession in Operations:

Simplicity. Speed. Value.

Developing customer-centric, digital first business and operating models that embeds customer needs and preferences throughout the organisation to simplify and optimise their experience, earn loyalty, and enable growth.

4. Re-Imagining Operations:

Simplify. Modernise. Reimagine.

Transforming core operations to be digital-first, in support of new business models and disruptive market offerings. Modernising the operating model by leveraging emerging technologies to simplify operations, improve customer and colleague experience and reduce cost.

5. People and Productivity in Operations:

The future remains about people.

Creating a differentiated and compelling employee experience that empowers your workforce, fosters an adaptive and entrepreneurial mindset, and ultimately drives productivity in operations.

6. Risk and Operational Resilience:

Resilient organisations thrive.

Shifting to offence and preparing the organisation to be more agile, mitigate risk, and better withstand marketplace disruptions.

7. Sustainable and Responsible Operations:

Sustainability and social enterprise.

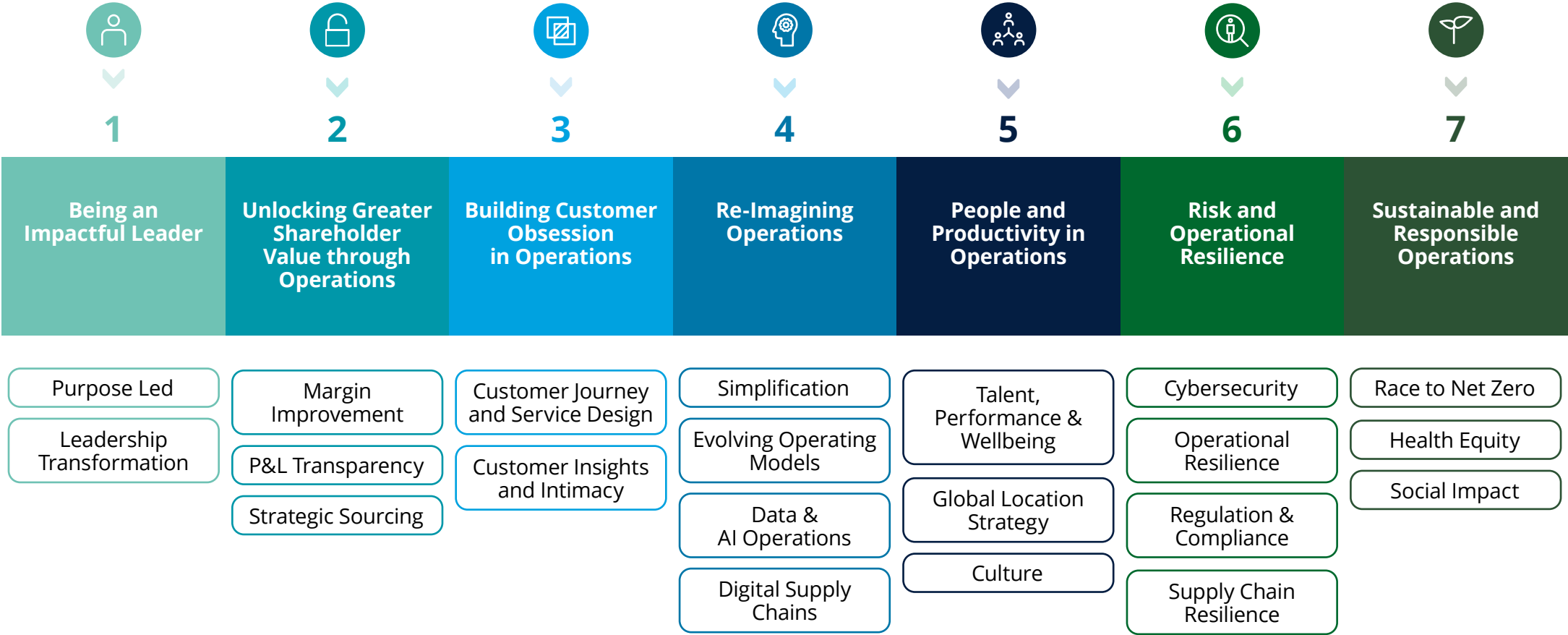
The imperative to transition legacy operating models, ways of working, and infrastructure to a sustainable basis aligned to increasingly scrutinised environmental, social, and corporate governance (ESG) commitments.

Explore each of these priority issues and their underlying ever-changing talking points in more detail further in the document.



What are today's seven priority COO issues?

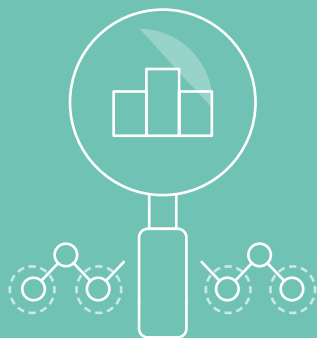
To help you explore the Future of Operations, we have further broken out the priority issues into twenty-one foundational talking points.





“The world of operations is changing faster than ever; being purpose-led helps mitigate the risk that this constant change brings. Impactful leadership helps organisations most effectively embody their purpose, be that customer satisfaction or a sustainable supply chain. Leading with impact gives COO’s a competitive edge.”

– **Abigail Brehcist, Senior Manager, Deloitte Ireland.**



1. Being an Impactful Leader

Navigating change as a COO.

Empowering operations through a purpose-led transformation mindset, that adapts and anticipates the changing demands of business and society. Setting a direction for operations aligned with the organisation’s purpose and strategy, and inspiring delivery through others.

Evolving talking points:

Purpose Led: Businesses’ relationship with society, their wider purpose, is evolving. Boards and executive teams are grappling with the expectation from customers, employees, and investors to demonstrate they are purpose-led organisations intent on playing a positive, impactful role in society.¹ This ambition must be translated into strategic objectives to address diverse topics including driving the growth of a sustainable economy, protecting vulnerable customers, managing global and local risk, and offering a compelling and differentiated employee experience to attract top talent. We are

increasingly seeing the evolution of the COO’s role in organisations today; CEOs and COOs are forming strategic partnerships to deliver an innovative vision for the organisation that creates long-term value (as opposed to a historical focus on day-to-day business operations).²

The challenge for executive and operational leadership in purpose-led transformation is two-fold:

- How to balance the long-term ambitions (and investments) with the expectations of stakeholders and the market who, whilst supportive, are often focused on quarterly earnings?
- How to translate the well-intentioned ambition into authentic, credible operational practices that stand up to external scrutiny? Authenticity is vital for businesses to connect with their customers, employees, and communities. The COO can and should be at the forefront in creating that authenticity.³





“The modern COO is a facilitator of change. The COO must have the soft skills and deep understanding of the organisation’s business model to bring together the organisation and empower purpose-driven change.” – **Ciaran McGovern, Partner, Head of Operations Transformation, Deloitte Ireland.**

“From the 150+ COO Transition Labs delivered globally, we’ve learned the traditional scope of the COO role is quickly growing in scope & complexity – from a focus on the traditional operational responsibilities towards a strategic leader and owner of the transformation agenda.” – **Allison Soenksen, COO Executive Program Global Manager, Deloitte UK.**

Future of Operations **Being an Impactful Leader**

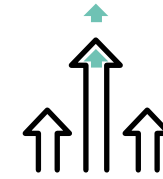
Leadership Transformation: As a proactive leader and facilitator of change in the organisation, the modern COO is uniquely positioned to sponsor a purpose-led transformation across the enterprise which promotes the culture, behaviours, and core capabilities to drive end-to-end operational excellence and sustainable performance improvement.

Purpose-driven leadership in operations is about creating a vision and culture that both energises and empowers operational teams to execute on the organisation’s purpose and commercial strategy; the COO’s impact is dependent on the support they are able to secure from their teams. Teams who are empowered with a purpose-led mandate from leadership and are given access to the right tools to continuously improve operations, can drive better outcomes for customers, colleagues, and the wider society.⁴



84%

of employees consider it important to work for an employer that provides meaningful work.⁵



Only

23%

of organisations say their leaders have the capabilities to navigate a disrupted world.⁶





“The COO no longer only controls a narrow set of operations. To enable margin improvement and P&L transparency, they must now take charge of – and effectively leverage – a whole ecosystem of partners for service delivery.”
– **Kedar Kamalapurkar, Managing Director, ESG Leader, Deloitte Consulting US.**

“Operations has traditionally been seen as “keeping the lights on”, a lower priority for some organisations in their pursuit of growth, and not always an attractive route for those looking to progress their careers. This has now changed in part due to increasing competitiveness, disruption in the global marketplace and declining growth in many major economies. There is a pressing need for dramatic efficiency gains and operations is being increasingly seen as a driver of margin growth.” – **Ciaran McGovern, Partner, Head of Operations Transformation, Deloitte Ireland.**



2. Unlocking Greater Shareholder Value through Operations

A laser focus on value.

Managing organisation-wide performance, profit and loss (P&L) transparency, and cost efficiency to achieve strategic growth. The COO can play a critical role in driving a relentless focus on enterprise-wide performance, characterised by full end-to-end P&L transparency that builds upon, but goes beyond, the COO’s traditional focus on cost efficiency.

Evolving talking points:

Margin Improvement: Traditionally, the perception of operations as a cost centre has often translated into a self-fulfilling prophecy where the role of the COO is to optimise the cost base, with commercial and product owners equally siloed in the role of revenue generators. Neither silo supports an optimal end-to-end customer experience or product or service P&L transparency. From the perspective of the COO, it is now their role to look at the organisation’s wider business model rather than simply the operating model. And if the role of the COO and entire Executive team is to drive sustainable revenue

streams and higher margins, then an integral part of that ambition is the need to uncouple cost-income ratios and create capacity for growth (cost avoidance). Margin improvement requires an on-going dialogue between revenue and cost category owners to drive trade-offs between revenue, cost, risk, and client service.¹

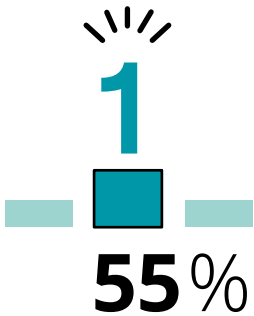
P&L Transparency: In order to drive margin improvement, organisations need real-time P&L transparency across customer journeys and services which involves triangulating data from end-to-end customer journeys, finance, and business intelligence sources.² To facilitate this ambition, the COO needs to lead operations through an evolution from a back-office/cost centre to a service mindset, becoming a more front-office, growth-minded function, demonstrating all the behaviours of a commercial entity with a service orientation e.g., developing pricing, managing SLAs, and tracking profitability.³



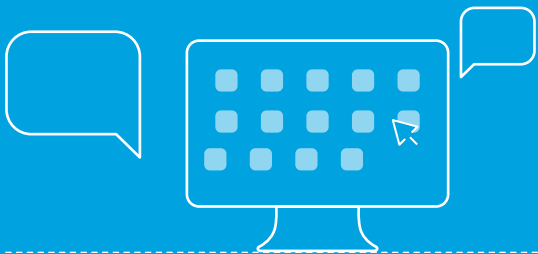
Strategic Sourcing: COO's must re-consider what operations⁴ are "core" and "non-core" and look to outsource, or better still automate, the non-core operations. Strategic sourcing and external spend management can help the COO reduce expenses without the PR and brand repercussions that come with staff reduction and other cost reduction strategies. To achieve this, the COO must actively engage with procurement and cost category executive sponsors to ensure that appropriate processes, controls, and behaviours are in place to manage those cost categories that impact operations (HR, IT, data, consulting, legal). Furthermore, strategic sourcing also affords the COO the ability to leverage complimentary platform capabilities and provides access to innovative commercial models, whereby partnerships with cloud, technology, and consulting will unlock novel mechanisms to fund capital intensive transformation initiatives that share risks and returns more equitably.⁵



Cost control and cash accumulation are top balance sheet priorities for organisations in 2023.⁶



of executives view cost reduction as a top priority in the next 12 months.⁷



“The organisation must digitalise purposefully – and the customer must be given the power to understand why digitalisation of the services they are using is occurring. Simply digitalising the customer-facing services for digitalisation’s sake will only expose the faults in your back-office processes and maintain or increase overall costs.”

– **Kedar Kamalapurkar, Managing Director, ESG Leader, Deloitte Consulting US.**

“How to run operations profitably while meeting customers’ needs has become a defining challenge for many Operations Leaders today. Strategic investments in digital and analytics to simplify and connect front and back-end processes, can help organisations improve their customer experience and unlock value.”

– **Philip Manning, Manager, Deloitte Ireland.**



3. Building Customer Obsession in Operations

Simplicity. Speed. Value.

Developing customer-centric, digital-first business and operating models that embed customer needs and preferences throughout the organisation to simplify and optimise their experience, earn loyalty, and enable growth.

Evolving talking points:

Customer Journey and Service Design: Effective and efficient customer operations are being defined by the provision of simple, frictionless, omni-channel experiences on the front-end, coupled with seamless distribution, final-mile fulfilment, and servicing capabilities on the back-end. For years, organisations have been moving customers towards digital and self-service, but adoption of these channels surged during the COVID-19 pandemic and is set to further accelerate. To improve customer experience in the race to “be digital”, many firms have invested predominantly in their front-end digital channels. However, encouraging – or forcing – customers onto

digital channels comes with trade-offs: lifting the operational hood and inviting customers to self-serve is effectively asking them to perform some of the operational work themselves. This inadvertently exposes the efficacy of an organisation’s back-end operations to customers, for better or for worse. If a journey, started online at a time and place of the customer’s convenience, hits an operational brick-wall when handed back to the actual employees to complete the process, this will result in a poor customer experience. In the future, effective end-to-end service design, the orchestration of front stage experiences with back-stage processes, will be the driver of competitive advantage – or an organisation’s Achilles heel. This will be a particular challenge when there is a more fundamental shift in the customer base served by operations, for instance when a business expands into a product area it has no previous experience of.

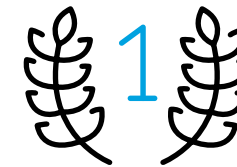


Customer Insights and Intimacy: Differentiated customer operations should be seamless, on-demand, and effortlessly digital. To deliver a 24/7, personalised, omnichannel experience, forward-thinking COOs are leveraging emerging technologies that harness customer and transaction data to simplify and optimise customer experience and facilitate more efficient and effective agent interactions.

Examples include:

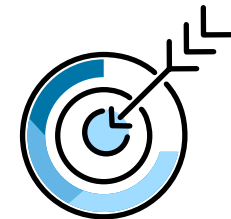
- Leveraging AI to enable 24/7 management of self-directed customer engagement, and automation of time-intensive in-line and post enquiry processes;
- The use of cognitive agents and structured communication analysis to manage, triage, and route customer inquiries, freeing up employees to focus on high-value interactions;
- Personalised engagement based on an integrated 360-degree view of customers and providing proactive triggers when cross- or up-sell opportunities are identified;

- Automated post-interaction analytics and sentiment analysis to drive performance insights and opportunities for efficiency, effectiveness, and compliance.



80%

of COOs see customer experience as a top priority, and 20% ranked it as their #1 priority.¹



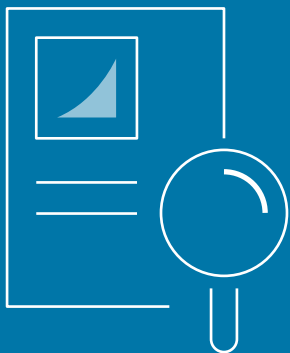
87%

of customer experience leaders say customers expect omnichannel personalisation.²



“Technology and Operations are converging. Technological developments and the move toward a more integrated operating model (built around platforms) necessitates a much tighter relationship between Technology and Operations Leaders. The COO will need to consider factors such as governance and team composition to deliver the benefits of this shift, which includes democratised access to data and technology across the value chain, and increased speed to launch for new cloud-native products.”

– **Jeffrey Todd, Partner, Retail Banking Global Leader, Deloitte Canada.**



4. Re-Imagining Operations

Simplify, Modernise, and Reimagine.

Transforming core operations to be digital-first in support of new business models and disruptive market offerings. Modernising the operating model by leveraging emerging technologies to simplify operations, improve customer and colleague experience and reduce cost.

Evolving talking points:

Simplification: Simplification initiatives intend to eliminate, simplify, digitise, and automate customer journeys and internal processes to improve customer and colleague experience, reduce risk and waste and increase operational efficiency. The adoption of low-code workflows and intelligent automation affords operations more autonomy (within an established IT corridor of governance) to bridge the gap between digital channels and legacy archaic core systems and processes whilst simultaneously empowering staff to move up the value-chain.¹

Evolving Operating Models: To keep pace with novel digital-first business models, simply “optimising” existing operating models will not be enough. Rather, operations transformation requires a radical re-imagination, moving away from “business”, “operations”, and “technology” siloes to flexible and scalable models centred on value streams or end-to-end customer journeys and platforms.^{2,3}

Operations of the future will be characterised as cloud and platform-based and right-sourced, with data-driven performance management and decision-making that offers agility in terms of product development and service delivery.⁴

Data & AI Operations: The data that can be collected through operations – and the value it can drive – is practically infinite. Technologies such as smart sensors, intelligent resource monitoring, process mining and intelligence, speech and sentiment analytics provide operational managers,





“Data is essential for today’s COO. It enables all other levers. It’ll tell you if your transformation is successful, what training you need for your people, what processes need to be improved. The risk for organisations and COOs is in becoming overwhelmed by their data.”

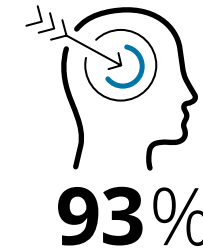
– **Caroline Thiemi Yokomizo, Partner, Core Business Operations Leader, Deloitte Brazil.**



the COO, and the wider executive team with real-time data-based insight into the performance of customer and operational processes and controls; data will also be critical in measuring sustainability across the organisation.⁵ The insights can further be used to provide quantitative feedback to staff and drive continuous performance improvement, productivity, and efficiency gains. All of this is, however, dependent on sufficient tech fluency among operational leaders and staff; with greater use of data and emerging technologies such as AI, the tech skills and understanding of tech required will also need to take a huge leap forward.⁶

Digital Supply Chains: Technology will transform supply chains into fluid, intelligent, and optimised networks. No longer a cost-reduction engine, supply chains will focus on delivering a superior customer experience via building digitally enabled supply

networks (DSNs) with the customer at the centre and a focus on self-service and customisation. The traditional fixed network has to be replaced by an asset-light model to service multiple customer segments through multiple networks based on shared assets and leverage allies to foster agility.⁷



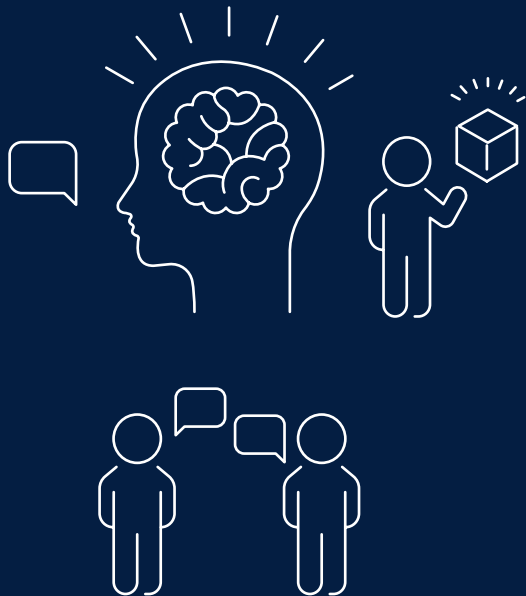
of organisations are implementing more automation to meet changing customer needs.⁸



of senior business executives plan to invest to some degree in AI over the next 12 months.⁹



“COOs are creating more community-based teams and organisations in order to break silos and foster collaboration and decentralised decision-making. It is a big cultural change, founded in empowerment of your people.” – **Mariangela Zingaropoli, Partner, Operations Transformation Global Leader, Deloitte Consulting Italy.**



5. People and Productivity in Operations

The future remains about people.

Creating a differentiated and compelling employee experience that empowers your workforce, fosters an adaptive and entrepreneurial mindset, and ultimately drives productivity in operations.

Evolving talking points:

Talent, Performance & Wellbeing: Through smart hiring, operations will have access to a much wider talent pool, irrespective of location and providing an opportunity to tap into distributed, more diverse talent pools.¹ Utilising an extended workforce (e.g., STEM, niche talent pools, crowd) will require investment in digital tools to aid remote working, collaboration, and connectivity. As the focus will shift from “hours worked” to “value delivered”, regular feedback loops should be established to pulse check team productivity, morale and pre-empt burnout.² Performance management processes should evolve to be more collaborative, adaptive, and individualised. To retain talent in a competitive market, employee

wellbeing should be at the core of an employers offer.³ With increasing digitisation and automation of routine work, operational staff will need to move up the value chain. Operations teams can deploy talent acquisition strategies and continuous learning programmes that promote the required behaviours and capabilities associated with this shift.

Global Location Strategy: Covid-19 and subsequent geo-political shocks have forced firms to re-evaluate BPO (& ITO) partnerships and offshore service delivery models; while it may not be the ‘end of globalisation’, organisations are seeking to de-risk their delivery models and bringing some of their activity onshore. The risks and business resilience shortcomings highlighted by the pandemic are juxtaposed with the success of remote working and the need to manage supply-chain costs through labour arbitrage.⁴ Moreover, COOs should look to build agility into operational structures and move



“The COO can play a pivotal role in building the organisation’s culture – and benefit from it. A strong culture will empower their workforce, bring it together to pursue shared objectives, and embed the behaviours required for the organisation to be successful..” – **Jari Marjelund, Senior Manager, Deloitte Ireland.**



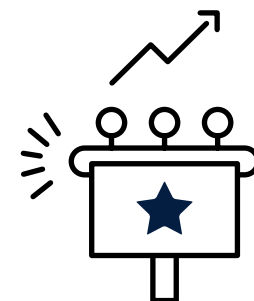
Future of Operations **People and Productivity in Operations**



away from rigid functional silos towards customer centric cross-functional organisational models which facilitate collaboration and end-to-end transformation, and tap into physically distributed and diverse talent pools.⁵

Culture: COOs seek a culture that empowers the workforce and promotes an adaptive and entrepreneurial mind set. Post-covid working norms offer the COO greater access to specialist resources, but they will also need to tackle new challenges that arise in a hybrid workforce – e.g., how to foster a shared sense of culture and encourage individuals, especially those at the earlier stages of their career, to develop softer interpersonal skills and nurture personal networks. COOs, in turn need to encourage employees on their personal development journey and facilitate training and upskilling accordingly. Importantly, the boundaries of the organisation

and its culture are not necessarily clear cut; the COO must ensure that their organisation’s culture encompasses their entire delivery ecosystem.⁶



60%

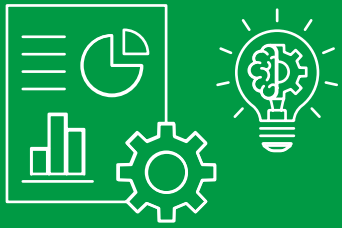
of COOs polled are investing in customer experience and human centered design skillsets.⁷

Nearly all senior executives



96%

plan to focus on the employee experience for in-demand talent.⁸



“When organisations practice data-driven decision making, leveraging the right sources and types of internal and external data, it’s possible to use it in a more proactive way e.g., identifying business opportunities before your competition does, or detecting risks before they become regulatory issues. When decisions are linked to facts, it establishes credibility and trust, and creates a precedent for forward-looking decision processes which can be tested and refined through subsequent and continuous review of data in a feedback loop. Trust is the capital that confers legitimacy in the eyes of regulators through enhanced transparency, that nurtures effective and accountable teams, and becomes a platform for a resilient business.”

– **Caroline Costello,**
Director, Deloitte Ireland.



6. Risk and Operational Resilience

Resilient organisations thrive.

Shifting to offence and preparing the organisation to be more agile, more effectively mitigate risk, and better withstand marketplace disruptions.

Evolving talking points:

Cybersecurity: Organisations must stay ahead of malicious actors by boosting their cybersecurity and resilience. The COO and the executive team have an increasingly important role to play in increasing the organisation’s cybersecurity capabilities and ultimately digital trust with stakeholders including supporting the advancement of trust-enabling technologies in ways that go beyond simply allocating investment dollars.¹ Security teams must support activities beyond traditional cybersecurity and contribute to operational technology transformation - and become a core thread of all operations. Vast increases in the amount of data processed, coupled with increased privacy concerns, will also require robust, future-proofed security strategies.²

Operational Resilience: During the Covid-19 pandemic, operational resilience came to the forefront of the COO’s responsibilities – and will remain so in the future. Resilient operations can withstand major shocks to revenue (scale up or down), are cyber-secure, are hedged against major risks, and use data more effectively to anticipate and better mitigate global risks as early as possible.

Anticipation is critical; the temptation may be to prepare for the ‘last war’ – say, another pandemic – but the next threat to the organisation’s resilience may lie elsewhere. Resilience is largely the domain of the COO, although it will require close collaboration with Risk, Compliance, and other key leaders across the enterprise.³

Regulation & Compliance: In regulated industries, operations must allocate a substantial portion of their budget and headcount simply to comply with increasingly complex regulation. Organisations





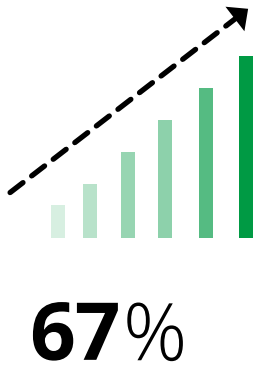
are facing increased regulatory responsibilities, such as resilience planning, data, and privacy requirements, often related to new technologies.⁴ Such responsibilities can only be fulfilled if operations can deliver on them, and operational leaders from multiple coordinated groups at the front line and back office are responsible for managing risk across operations and (often legally) accountable for any breaches.

Supply Chain Resilience: The threat of disruption is higher than ever. That's why it's critical for businesses to build supply chain resilience and implement a risk management strategy that embraces complexity. Focusing on building supply chain resilience as part of your risk management strategy allows your organisation to transform its view of risk to create value rather than just manage it. The goal: accelerating performance. In the wake of COVID-19 and widening geopolitical risks as a result of the

conflict in Ukraine, companies around the world are optimising their supply chains for resilience and efficiency.⁵ Focusing on understanding data, managing compliance, mitigating, and monitoring risk, staying agile, assessing suppliers consistently, and training vigorously, can help ensure organisations thrive.⁶



of COOs polled saw operational resiliency as their #1 priority.⁷



of organisations have seen their resilience tested by regulatory change recently.⁸



7. Sustainable and Responsible Operations

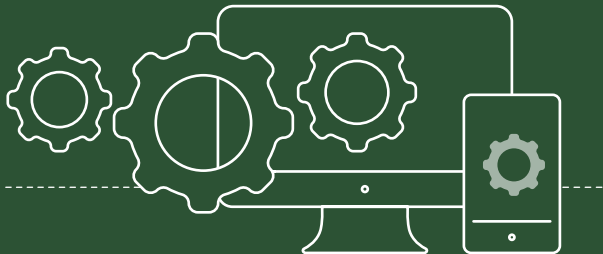
Sustainability and social enterprise.

“Sustainability is clearly important; the ‘so what’, the key question, is how COOs actually tackle it on a very tangible level – how do they make it real, and where do they start?”

– **Donal Lehane, Partner, Head of Financial Services, Deloitte Ireland.**

“As societal demands and regulatory pressures increase, CEOs are rapidly maturing their focus on sustainability and ESG. This responsibility, which typically varies by organisation and industry, is sometimes not clearly defined, but COOs are responsible for reviewing the operating model so that it is sustainable and sometimes measuring impacts against ESG metrics.”

– **Mariangela Zingaropoli, Partner, Operations Transformation Global Leader, Deloitte Consulting Italy.**



The imperative to transition legacy operating models, ways of working, and infrastructure to a sustainable basis aligned to increasingly scrutinised environmental, social, and corporate governance (ESG) commitments.

Evolving talking points:

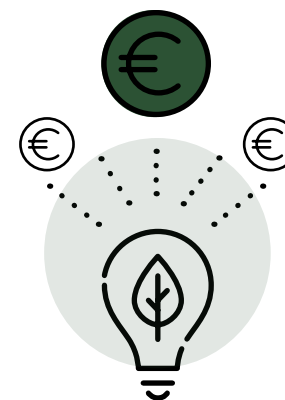
Race to Net Zero: Perhaps the societal challenge of our time, COOs and their organisations undoubtedly deem the “race to net zero” important. The challenge for COOs, however, is on the practical meaning and implementation of the lofty ambitions – determining exactly how sustainability is measured and how they can accelerate their transition to sustainable operations.¹ The COO is in a position to utilise a full end-to-end view of their organisation, supply chain and business processes – harnessing detailed real time data that is fit for purpose – to identify the key pain points and opportunities for sustainable

transformation and deliver by leveraging the right technologies.^{2,3}

Health Equity: Successful health outcomes can be impacted by disparities in health care access and treatment across dimensions including race, gender, age, location, disability status, and sexual orientation. Health Equity crosses industry lines and can affect value chains / impact workforce productivity, consumer expectations, global suppliers, legal and compliance, and diversity, equality, and inclusion (DEI). An analysis of operations can help to bring health equity opportunities into sharper focus. COOs should focus across four domains: organisation, offerings, community, and business ecosystem.⁴ From there, you can identify opportunities to improve business processes, implement processes that benefit employee wellbeing, and manage critical risks.^{5,6}

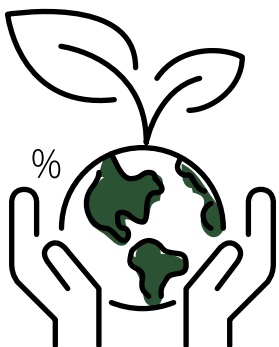


Social Impact: There is an increasing focus on the social element within ESG, especially in the operations space and under the COO's remit of responsibilities. The COO's responsibility for the supply chain – where a large amount of ESG focus is required – as well as their company-wide influence, can make them critical for fulfilling the social impact. The social pillar within the ESG agenda customarily focuses on organisational policies and practices regarding human rights, business ethics, supply chain management, diversity and inclusion, wellbeing, and social impacts resulting from corporate operations. Managing these is critical to a COO.



74%

percent of Senior Executives agree that increasing ESG efforts attracts investors.⁷



Over

50%

of Executives say they have created new roles to deliver on their net-zero strategy.⁸



Conclusions

Given the political, social, and economic volatility that organisations are operating under, it is little wonder that business leaders are putting a premium on flexibility, resilience, and transformation. The role of the COO and Operations Leader is undergoing far reaching change, creating a unique challenge to define what it should now be. It is no longer sufficient to manage business-as-usual operations. In today's rapidly evolving and digitally-driven environment, operations must drive business modernisation to deliver true, end-to-end value.

In this paper we explored the role of the COO and how business operations is increasingly being called upon to act as a catalyst across the organisation, creating positive change and becoming a driver of competitive advantage.

Navigating the Operational Edge aims to help COOs avoid missing a beat. Focused on the seven priority issues shaping the business operations landscape, this point of view draws from our deep experience serving COOs and the resources of Deloitte's Global COO Program.








We would welcome an opportunity to talk to you about your specific challenges and how these priority COO issues relate to your business. To support you on your journey, we have designed a Future of Operations Lab accelerator. Built around the priority COO issues, the Future of Operations Lab is an immersive one-day experience designed to help COOs find their Operational Edge and create a tangible vision for operations and transformation roadmap. Please get in touch to explore how we could tailor our immersive Future of Operations Lab for you.

Thank you.

Howard Doberman, Partner, COO Executive Program Global Leader, Deloitte UK
Ciaran McGovern, Partner, Head of Operations Transformation, Deloitte Ireland
John Kilbride, Director, Deloitte Ireland



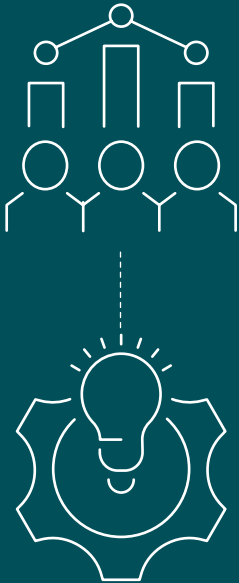
Key questions for COOs to consider?

	Being an Impactful Leader	Do your workers, peripheral talent, and stakeholders truly buy-in to a shared purpose that unites them?
	Unlocking Greater Shareholder Value through Operations	How do you strike the balance between short-term cost-out improvement tactics and long-term reconfiguration of operations for profitability and growth?
	Building Customer Obsession in Operations	How do you tilt operations away from performance that is based on functional aligned internal SLA's to be united in the goal of providing exceptional customer experience?
	Re-Imagining Operations	How do you foster the technology and data fluency required in your operational leaders and staff to fully reap the benefits of emerging technologies?
	People and Productivity in Operations	Have you adapted your talent management practices to align with evolving employee motivations and expectations?
	Risk and Operational Resilience	Has your organisation placed sufficient investment in embedding operational resilience and business continuity planning?
	Sustainable and Responsible Operations	Do you understand the ESG expectations of regulators, customers and stakeholders on your business and its operations?





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