

Navigating change as a COO

Thriving in an evolving role



Foreword

Deloitte's global COO Program

The role of the Chief Operating Officer 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, COOs must drive business modernization to deliver true, end-to-end value.

In response to this diverse, complex and changing role of the COO, Deloitte has launched a global COO Program, part of which includes a COO Transition Lab.

Since 2011, we have supported executives through their evolving roles via our Transition Lab programs. This began with our market-leading CFO Transition Lab and has since been extended to supporting the full C Suite – and most recently, the Chief Operating Officer.

Transition Lab participants relish the opportunity to take time out to consider their role, and many of them have experienced moments of great insight – what we call in the Lab an “aha” moment – when new understanding or awareness is acquired.

Our COO Transition Lab is a one day experience built to ensure that participants are able to tackle disruption and thrive in their role and re-assess and plan their next 180 days. The Lab is led by our experienced facilitators and participants will use the day to:

- Define aspirations
- Consider how time is spent
- Assess team and talent issues
- Examine business relationships and influence
- Build a 180-day plan.

The COO Transition Lab is sponsored by Deloitte's Global Core Business Operations Portfolio, utilizing our global partnership of industry experts. Our team supports COOs to transform, modernize and run their businesses through operations transformation, industry specific solutions, systems engineering and cloud engineering services.

This brochure explores how the role of the COO is developing and presents the views of a number of COOs, together with the opinions and insights of our Deloitte specialists. The issues set out here are developed further in our COO Transition Lab.

We are grateful to the busy COOs who participated in this research.



Howard Doberman

COO Program Lead Partner

Global Operations Transformation Leader

The role of the COO

When you became COO, you knew there would be challenges: managing a heavy work load, building meaningful relationships and leading your organization. You were excited by the opportunity to show that you had what it takes. Now, you are focussed on what lasting success really looks like and how to achieve it...

Who and what is a COO?

There is no standard definition for the role of COO, and not all organizations have a COO by name. For those that do have a COO, the role has a varied, but always integral, part in their overall leadership and direction.

The COO is a senior executive, reporting to the CEO, and often has a prominent role during times of disruption, bringing their experience and expertise to manage transitional change.

The responsibilities of COOs vary substantially across industries and business context; however they are usually responsible for core business transformation and change management. In addition, their mandate may also span technology and strategic planning.

As well as their direct responsibilities, COOs must often promote change across areas of the business outside their scope, relying on relationship-building and personal influence to be effective.

Developing the ability to build senior executive relationships, implement strategic business decisions and drive large scale transformation is a tall order, and calls for extensive knowledge of the business. It is a big challenge for newly-appointed COOs of all backgrounds, but especially for those appointed externally.

In 2019, COOs appointed internally had reportedly been in the business on average for 14 years, longer than for both CEOs and CFOs, at 13 and 11 years respectively.¹

The changing role of the COO

It's clear that the role of the COO is undergoing transition.

In 2019, turnover among COOs (at 34%) was much higher than for either CEOs (12%) or CFOs (17%).

Reasons for this appear to be that the increasing number of COOs who move into CEO roles are not replacing themselves.

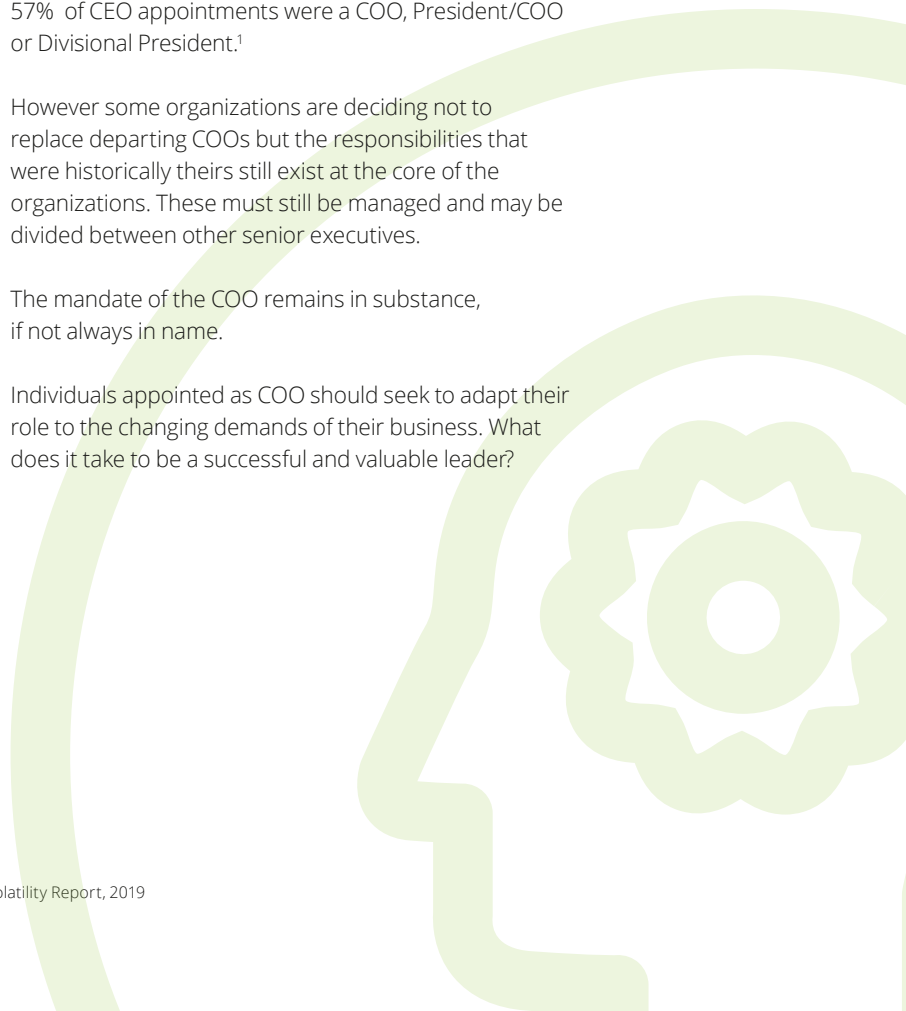
COO is the most common pathway to a CEO role: In 2019, 57% of CEO appointments were a COO, President/COO or Divisional President.¹

However some organizations are deciding not to replace departing COOs but the responsibilities that were historically theirs still exist at the core of the organizations. These must still be managed and may be divided between other senior executives.

The mandate of the COO remains in substance, if not always in name.

Individuals appointed as COO should seek to adapt their role to the changing demands of their business. What does it take to be a successful and valuable leader?

Note 1: Fortune 500 and S&P 500 Company statistics, Crist Kolder Associates - Volatility Report, 2019



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What people want from their COO is changing. COOs are now required to have more breadth and influencing skills compared to more traditional perceptions of the role

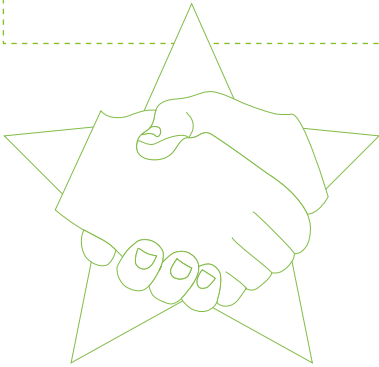
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Defining your mandate

Establishing your mandate: our Mandate Model

With so much possible variety in the role of COO, it is important to establish quickly what your mandate should be. Deloitte's bespoke Mandate Model sees the objectives of a COO as being split between their role as a member of the executive leadership team (a Leadership Mandate) and their role in managing the organization (an Organization Mandate). Each of these has three elements. Typically, the role of COO is a mix of all three elements across both mandates.

Leadership Mandate



Co-lead and Support

Focus is on partnering with the CEO and/or a co-COO in leading the business, complementing each other's skills and strengths.

Priorities may include building executive relationships, driving accountability, supporting decision-making and addressing gaps in the leadership.



Learn and Grow

Focus is on learning the role, the business and the strategic decision making process.

Priorities may include investing time in engaging with stakeholders to improve understanding of the operations, culture and decision making across the organization.



Mentor and Lead

Focus is on supporting subordinates, a new executive team or an inexperienced CEO, establishing strong leadership capabilities and structures.

Priorities may include identification and development of skills that the existing leadership lacks, building strong relationships and trust, and driving change and growth amongst leadership.

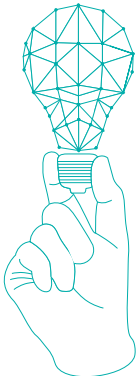
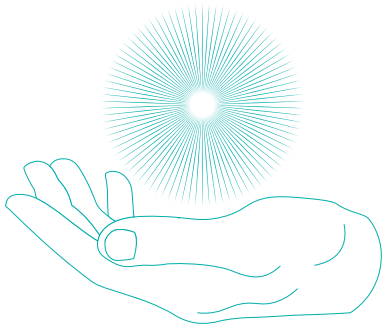
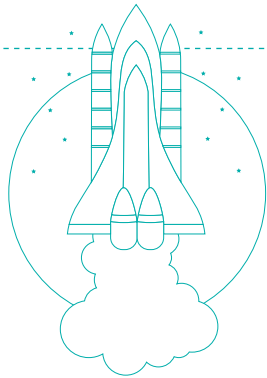


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There is a real danger of role overlap during transformation. Who is owning the issues and who is making the decisions?

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Organization Mandate



Optimize

Optimize

Focus is on optimizing business operations efficiencies, minimising costs, and re-establishing stability after major changes.

Priorities may include reducing costs, improving controls, reducing business risks, optimizing existing assets and focusing on the core business.

Transform

Transform

Focus is on optimizing operations through large scale transformation and utilization of next generation technology.

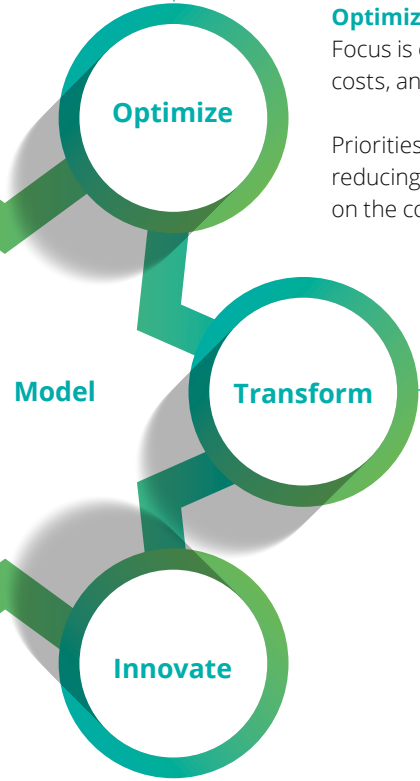
Priorities may include managing change, realizing benefits and implementing new operations, technology and capabilities to drive business value.

Innovate

Innovate

Focus is on seeking disruptive and innovative opportunities.

Priorities may include investing in new capabilities and technology, driving cultural change, seeking growth opportunities, challenging the status quo, and driving innovation across the organization.



Tracking your journey



Starting your journey

Every COO is on a continuing journey of transition in their role, towards adding more value to the organization and delivering on their specific mandates. There are a number of questions you might ask yourself:

- How do I achieve success as a COO?
- How do I become a more inspiring leader?
- How do I clarify my mandate and responsibilities?
- How do I build a high performing team to support me?
- How do I navigate this political environment?
- How do I set myself up for success, both personally and in my role as a COO?

Finding your focus

In taking up an appointment as COO, it is easy to be overwhelmed by the task ahead, or to lose sight of your goals amidst the many distractions. Recovering failing projects, tackling struggling operations and delivering on financial objectives can be critical activities; and juggling detailed operational issues with strategic thinking and transforming the business can stretch even the most time-proficient leaders.

In our transition labs, we have been helping executives answer these questions for years and we find that careful planning of three enabling resources creates a focus on the critical path to success: your **Time, Talent and Relationships**.

Effective prioritizing of time, utilization and management of a high performing team, and meaningful relationship-building are three core requirements for a successful COO.

Being the jack of all trades

As companies seek to respond to shifting market trends, COOs are increasingly required to drive transformation, enable greater agility and streamline operations across the whole business. From new product development, sales and marketing through to finance, HR and legal, COOs must have insight into all areas of an organization.

It's about both running the business as well as changing the business - often a difficult balancing act.

As such, being an expert in business operations is not enough. COOs must also be fluent in technology, digital supply chains and the adoption of cloud services, data analytics and AI to improve the core business operations.

In order to maintain a view across the organization and provide end-to-end value, successful COOs engage with stakeholders across and external to the business to fill gaps in their knowledge and identify improvement opportunities. They understand the business needs and direction, enhanced by a team of trusted individuals to support them.

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*The COO role is a weird one.
You're absolutely a jack of all trades*

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Driving change through influence

Relationship and trust building are key skills for success as a COO. Whilst the COO's direct lines of functional authority can sometimes be narrow, they often need to instigate changes across the wider business. This means influencing change beyond their area of direct responsibility.

Over 80% of the COOs hold business operations and transformation within their remit. And over 50% had technology (IT) within their remit.² This is consistent with a mandate of driving technology-enabled transformation across the business.

Interestingly, few of the COOs interviewed had responsibilities for HR and fewer still held finance or legal affairs within their remit. Rather, COOs were most often partners with the leaders in these business areas, relying on their personal relationships to influence change.

In order to drive this change through influence, COOs need to identify their key stakeholders and understand how to engage with them in an effective and meaningful way.

Mastering communication and storytelling

Communicating the organization's vision and strategy across the business should take up a large amount of the COO's time. Only through effectively conveying key messages across the business can the COO drive the engagement, support and change required to be successful.

In addition to continual internal campaigning, the COO must also consider the company's public image: it's often the COO who is held to account for a company's ethical behaviours and sustainability practices.

Embodying the futurist and technologist

The role of the COO role is undoubtedly in transition, driven by the rapid pace of technological change, shifting customer expectations and the demands of regulatory compliance.

This shift towards technology-enabled operations is blurring the lines of demarcation between the roles of the COO, CIO, CTO and CDO.

Future COOs must be technologists and futurists as well as being truly grounded in the core operations of the business.

Putting people at the centre

Beyond technology, COOs must focus on people being the core element of successful business transformation. COOs must coordinate, lead, hire and manage diverse talent, becoming the custodian of their organization's futurist culture.

COOs must be visionary and inspirational leaders, leveraging their skills as master communicators to promote change and boost morale and motivation among both their peers and teams.

Whereas in the past COOs have had a clear mandate to prioritise efficiency in operations above other considerations, the COO of the future will need to adopt a more considered approach to changing hearts and minds.

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Transformation is central now. The people and culture piece is bigger than before

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Note 2: Deloitte analysed multiple COO Transition Labs with participants from across a range of industries

Exploring your leadership style

The four faces of the COO

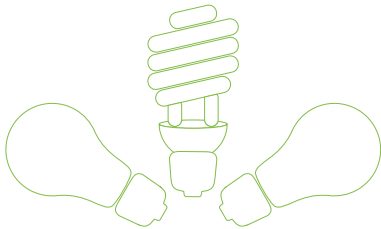
Deloitte's Four Faces model frames the top priorities for a COO around four types of stylistic behaviour - the Catalyst, the Strategist, the Operator and the Steward - to help them plan the best use of their time. This model underpins our COO Transition Lab and helps to define the executive's top priorities.

Focussing on your top priorities

COOs often need to shift their focus from tactical thinking as an Operator and Steward to more strategic thinking as a Strategist and Catalyst as they mature in the role and align with the organization's priorities and requirements.

Through our Transition Labs, we help COOs to explore the top priority activities associated with each of the four faces and define a tailored list of focus areas.

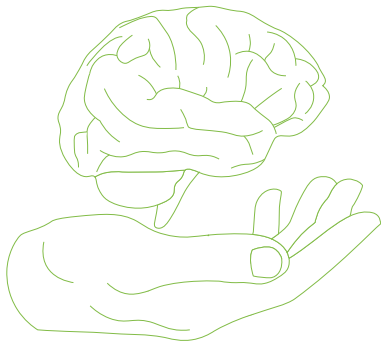
We then use these focus areas to examine the management of time, talent and relationships to build a practical plan for realising the shift from their current state in the four faces to their desired state.



Catalyst

Disruptor | Visionary | Innovator

Facilitate innovation and drive transformation across the organization, shifting the organizational culture, promoting agility and embedding new and emerging capabilities



Steward

Monitor | Guardian | Deliverer

Foster effective governance, accurate reporting and manage risks across the organization, managing the organization's ecosystem and driving successful delivery of projects and initiatives

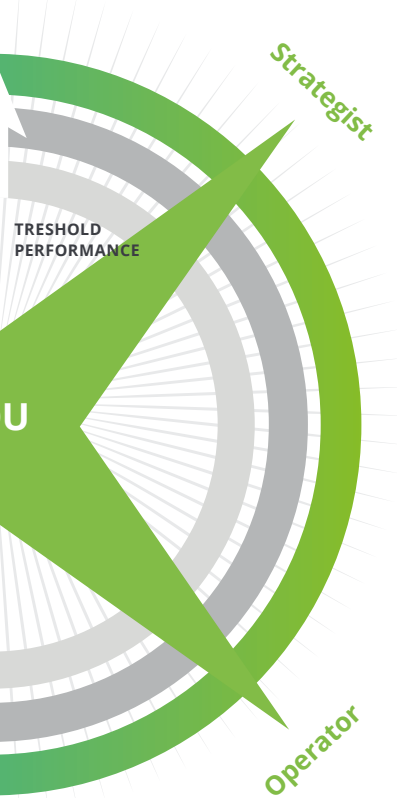


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One of the pleasures of the role is its breadth. You have to go from micro to macro. I try to spend most of my time at macro so I don't have to get down in the weeds

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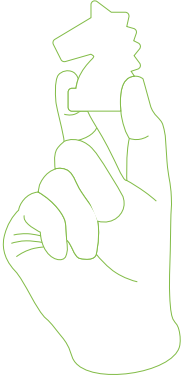
EDGE



Strategist

Direction Setter | Planner | Partner

Partner with senior leadership to design the organization's strategy and direction, promoting the digital agenda and defining an optimal, modernized business model



Operator

Manager | Enabler | Coordinator

Modernise business operations, execute the business strategy and optimize talent, bridging the gap between the business and technology, improving business intelligence and embedding continuous improvement



Managing your enabling resources

Time

While you will likely be strong at time management, it's clear that the varied tasks of the COO can still be stretching for many individuals. Successful COOs combine careful time management, prioritization and forward planning of activities.

Delivery of strategic outcomes cannot be done in isolation from the rest of the business. Newly-appointed COOs often spend the first few months in their role taking time to establish their mandate and identifying key stakeholders.

Another priority is to define and implement metrics for reporting that are aligned to the outcomes sought. Putting these in place early will give direction and accountability, and promote action across the business.

Delivering business outcomes through quick-wins and tactical investments can support trust building and establish a personal brand of action and execution. This is especially important when new to a company and relying on reputation when seeking to influence stakeholders you haven't had a chance to build relationships with.

It is always important to include your personal life in the planning of time allocation, allowing you to clearly see what times of the year may require greater focus on work or when you may need more space for personal commitments.

Talent

One of the top priorities for any COO is to establish the right team around them.

Creating a strong team can allow for greater delegation, which is necessary for providing time and space for strategic thinking. COOs we work with typically highlight a desire to reduce the amount of time they spend on operations management and to spend more time on identifying and capturing new opportunities for the business.

When building a team, it's important to seek trusted individuals who complement the COOs own knowledge and experience across business operations, the supply chain, technology and data management.

Members of a COO's team should also have connections across the business, and bring their own relationship-building skills to help broaden the COO's sphere of influence.

When assessing the team, it is important to consider who is operating effectively and who is ready to step up beyond their current role, to identify rising stars and potential successors who can confidently be given more delegated authority and responsibility.

Relationships

Identifying, building and maintaining relationships will be a critical factor in determining your success in your role.

CEO. Your primary relationship will likely be with your CEO, providing support in the execution of strategy. It is also crucial to consider the objectives of the board of directors and work with the CEO towards realising them.

CIO. We found that over 50% of the COOs we interviewed had technology directly reporting into them, and a further 25% considered them key partners. As businesses increasingly blend traditional operations with technology, the overlap of responsibilities between the COO and CIO must be closely managed as both executives seek to leverage technology to increase organizational agility and optimize business operations.

CFO. You will partner with the CFO to manage investment decision making, financial reporting and goal-setting across the business. It is imperative that your agendas and interpretation of corporate strategy are aligned.

CHRO. Driving transformation in the business calls for close collaboration with the CHRO to implement changes in personnel and attitudes.

It is also important to maintain a strong external network of business relationships, engaging with other COOs and industry partners for benchmarking, knowledge sharing and to maintain an external perspective.



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It's critical to put in a team that can manage the BAU stuff so I can focus on the challenges and transformation

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Where next?

There is neither a standard definition for the COO role nor a magic formula for success within it.

This role is challenging, diverse and can be difficult to define; however success in this role is hugely rewarding and often a natural stepping stone to a future CEO position.

Spending time to develop an understanding of your style, mandate and journey is a crucial first step to achieving success.

Our COO Transition Lab provides you with the environment and headspace to focus on all these aspects of your role, facilitated by an experienced team of experts, to help plan your path forward.



I want to be part of the exec team that takes the business to the FTSE100.
We can look back in five years and say “wow! look what we built”



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