Aiming for the top
A guide for aspiring COOs and their organizations
Aiming for the top: a guide for aspiring COOs and their organizations provides insight on the skills and experiences needed to become a chief operating officer (COO), and examines how companies can develop and prepare such candidates. It outlines the core capabilities required for a role that varies widely, and the qualities that mark out today’s strong operations manager as a COO of the future. This report explains how companies can develop a robust pipeline of well-rounded talent for the succession to an existing COO position, or find a strong candidate for a new COO role. It also offers a detailed succession plan for companies and candidates seeking to fill an existing COO position.

This report is based on several key sources of information. First, it builds on the conclusions of EY’s 2012 The DNA of the COO report, which included a survey of over 300 COOs. Second, it encompasses detailed analysis of the career paths of almost 100 leading COOs, split across five key sectors: consumer products, financial services, life sciences, oil and gas, and power and utilities. Finally, it draws on in-depth interviews with a range of COOs, their peers in the C-suite and leading academic experts, who explore what matters most when climbing to the top.

Our thanks are due to the following people for their time and insight (listed alphabetically by organization):

- **Kofi Amegashie**, Managing Executive – Africa, Adcock Ingram Healthcare
- **André Joubert**, CE Ferrous Division, African Rainbow Minerals
- **Walter Lynch**, President and COO of Regulated Operations, American Water
- **Véronique Weill**, Group COO, AXA
- **Matt Idle**, Customer Operations Director, British Gas
- **Luca Alippi**, General Manager, E.ON Energia
- **Stephen Walters**, COO, Fernridge Consulting
- **Stefano Venier**, General Manager Development and Markets, Hera
- **Luis Solis**, Operations Management Professor and Associate Dean, IE Business School
- **Kamal Tandon**, COO, Nalli Silk
- **Buddhadeb Das Gupta**, COO, Nous Infosystems
- **James Fernandez**, EVP and COO, Tiffany & Co.
- **Andrew Watts**, Global Head of Customer Administration, Thomson Reuters
- **Mlamuli Buthelezi**, COO, Transnet Freight Rail

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The appeal of a tough beat: making the case for the COO’s job

Global responsibilities, 24/7 availability, an often undefined remit, the organization’s go-to “fix it” person. Why would a promising operations manager want to be a COO? In this section, we unpick the core elements of why the chief operating officer position is so appealing to the organization’s best and brightest, and map the diverse routes that can lead to the top.

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The “X” factors: how to stand out from the crowd

The often intangible qualities that can help strong operations experts position themselves as genuine candidates for the role of a COO.

- **Courage**
- **Interdepartmental knowledge**
- **Leadership skills**
- **Flexibility**
- **Sociability**
- **International experience**
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Core skills: the seven capabilities that matter most for tomorrow’s COO

The fundamental capabilities that every aspiring COO should be able to demonstrate in their portfolio of skills and experiences – plus insight on how to develop them.

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The HR perspective: how successful companies develop strong future COOs

Making a success of a new COO appointment isn’t down to the individual alone. What are the issues and frameworks that organizations and their human resources (HR) functions need to consider as they seek to establish a new COO position, or create a strong succession-planning framework for existing roles? How can they groom internal talents to make them ready for the role? Plus, what needs to be done to prepare for the crucial first 100 days of the new COO from a company perspective?

2 Percentage of respondents who have chosen 9 or 10 on a scale from 1 = not needed at all to 10 = absolutely needed, source The DNA of the COO: time to claim the spotlight, EY, 2012.

Routes to the top: how to develop industry-specific skills

The insert presents the core skills aspiring COOs need across five key sectors: consumer products, financial services, life sciences, oil and gas, and power and utilities. Additionally, it showcases careers of exemplary leading COOs.
The appeal of a tough beat
Making the case for the COO’s job

There’s no single route to the role of chief operating officer (COO). Rather, it is a position that attracts the most talented and diverse individuals from all corners of the business, all of who share a passion for making an organization work better. Indeed, a look at the varying career paths of COOs within the world’s leading companies highlights that the routes to the top are as diverse as the demands of the role itself.

Take a few examples from the retail and consumer products sector. At Japan Tobacco International, COO Thomas A. McCoy has built his career on the back of leadership positions across different functions within the company, from marketing right through to sales and distribution in various regions of the world. In contrast, at Colgate-Palmolive, COO for Global Innovation and Growth, Fabian Garcia, developed his career, spanning a diverse set of global consumer products businesses and regions, from Proctor & Gamble in Venezuela through to Chanel in Asia, before switching to the US.

These examples also highlight the issues faced by organizations as they try to develop good candidates to fit the role: is it better to develop future COOs in-house, or to bring in new ideas and expertise from the outside? What is exciting – and challenging – about the role of the COO is that there is no single perfect fit of candidate: with the right mix of drive, ambition and skills, managers from any part of the business could set their sights on becoming tomorrow’s COO. From the organizational perspective, besides the personal attributes required, the ideal candidate is often determined by the company’s strategic needs and business model. This in turn defines the core competencies and capabilities that should stand out most in the candidates who are being considered for the role.

5 Unless otherwise specified, all statistics quoted in this report are sourced from The DNA of the COO, EY, 2012. To learn more visit ey.com/dna-coo.
6 For more on these roles, see our related publications, The DNA of the CIO, EY, 2012 and The DNA of the CFO, EY, 2010. Learn more at ey.com/cio and ey.com/cfo.
Why aspire to be COO?

At first glance, few executive positions seem so daunting. While priorities vary widely, the scope of the role is often open-ended. COOs can expect to help deliver a strategic rethink of the business at one level, while dealing with the minutiae of operational processes and production targets at another. And while C-level peers like the CFO or CIO typically enjoy more defined remits, COOs are torn in all directions. Take Véronique Weill, the Group COO of international insurance firm AXA. She describes her role as spanning “efficiency, to client issues, to quality of service, to productivity, to distribution, to choosing the right platforms, to seeing what should be made global or local.”

Indeed, COOs are often the organization’s go-to person for problems of nearly every description. “Every day in the life of a COO is a challenge,” agrees Stephen Walters, the COO of Fernridge Consulting, a research firm in South Africa. But for the natural problem solvers that aspire to this role, this is what makes the position appealing. Six in 10 COOs say the diversity of the role is fundamentally what makes it worthwhile for them, while 7 in 10 enjoy the opportunity to influence the company’s wider corporate strategy.5 “It is really the challenge and complexity of it that I enjoy. One of the drivers for me was the ability to have an impact on the overall business,” says Walters. “A COO can be likened to a conductor of an orchestra, ensuring that everyone from the violinist to the pianist is in tune and playing together,” adds Mlamuli Buthelezi, COO of Transnet Freight Rail, a South African freight logistics company. “If the violin goes out of tune, can you bring it back into the overall piece being played? It is the end product you’re aiming for.”

Another aspect that appeals to many COOs is the constant change that the position entails. James Fernandez, the US-based EVP and COO of Tiffany & Co., a luxury jewelry brand, used to be CFO. But he has delegated this job, while adding responsibility for IT, manufacturing, distribution, supply chain, corporate social responsibility and product quality to his own job description. This is part of what has kept him constantly challenged and stimulated, while also supporting the growth of the business. “It’s been a steady evolution. We didn’t need a COO 20 years ago, but we need one today, freeing up the CEO to focus on sales and growth,” he says. This ability to keep moving into new areas is what many COOs thrive on. “The COO role keeps growing, so my position is constantly evolving and building out,” explains Matt Idle, Customer Operations Director at UK utility firm British Gas. His role is an example of how changing business needs, in turn, affect operations. Originally from a retail background his operations role has evolved from simple back office processing to encompass most aspects of the customer transaction cycle.

There is also personal ambition. Four in 10 current COOs regard their position as a stepping-stone to the top job of CEO, compared with just over 1 in 10 CFOs or CIOs.6 This is not wishful thinking: the majority (53%) of their C-suite peers thinks that their current COO is likely to take the top job within the next five years.

How to get there

To get hired as a COO, prospective candidates must possess an impressive portfolio of skills and experience. Depending on the sector in question, this often requires relevant technical expertise. This could be to understand the specifics of power production in the utilities sector, or the precise details of drug manufacturing in pharmaceuticals. But there is also the need for strong strategic and leadership capabilities.

So which core skills matter most? What career development choices will help to bolster a prospective candidate’s CV? And what can today’s operations managers do to stand out from their rivals?

This report seeks to help answer these questions. It maps out the vital hard and soft skills needed for the role, with insight and examples of how these might be developed. For additional context, the insert in the back of this report provides more information on several key skills and experiences that are required in a range of different industries. In addition, it showcases exemplary COO career paths.

Of course, preparing for such a position doesn’t fall solely on the shoulders of the future applicant alone. Companies also need to develop their talent pipeline. The final chapter considers the growing importance of planning for a new COO position, and of ensuring strong candidates who can eventually succeed existing COOs.

“A COO can be likened to a conductor of an orchestra, ensuring that everyone from the violinist to the pianist is in tune and playing together.”

Mlamuli Buthelezi, COO, Transnet Freight Rail
Core skills
The seven capabilities that matter most for tomorrow’s COO

Nevertheless, EY’s research into the COO role shows several broad areas in which nearly all COOs play an active role. These areas span the categories of execution, enablement and development – and are set out in the COO wheel below. Nearly all COOs will, at some point, have to take the lead on these issues: from the basics of ensuring robust operations, to creating a new operational framework, through to the change management aspects of implementation.

More than most other executive positions, the precise scope of the COO’s role varies widely from one company and industry to another. It is often specifically defined in tandem with a range of other factors: the specific pressures faced within the business, the key industry trends, the relationship with the CEO and the company’s overall organizational structure. The result is a high degree of variance from one firm to the next.

While the full list of possible skills is extensive, we find seven specific capabilities that are common to nearly all COOs. They form the core elements that any future COO candidate will need to demonstrate, either as concrete evidence on their CV, or as specific references that showcase their competency. Each of these capabilities is profiled here, along with insight from current COOs on how to develop them.

Skills needed to succeed as a COO

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<tr>
<td>Ensuring suitable operations management</td>
<td>52%</td>
<td>Ensuring the COO’s role</td>
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<tr>
<td>Optimizing operational processes</td>
<td>52%</td>
<td>Keeping the belts running</td>
</tr>
<tr>
<td>Shaping the future of the business</td>
<td>51%</td>
<td>Improving your turf</td>
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<tr>
<td>Driving key change and transformation initiatives</td>
<td>50%</td>
<td>Lining up the troops</td>
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<tr>
<td>Managing the strategic assets of the company</td>
<td>49%</td>
<td>Making the vision real</td>
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<tr>
<td>Designing a framework to implement strategy into operations</td>
<td>48%</td>
<td>Enabling innovation</td>
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<tr>
<td>Keeping the belts running</td>
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Transformation: mastery of change management

One of the biggest aspects of the COO’s role is overseeing and steering an ongoing change process, whether in response to cost-reduction concerns, technology trends, globalization, the financial crisis, or other internal and external forces. The aim is to focus continually on developing the best strategic plans in response to shifting conditions, and then to define and implement a change management process that instills this within the organization.

“One of the key skills is being able to be a change agent and to break the silos,” says AXA’s Group COO Véronique Weill. “It’s the ability to lead people, to interact with the business, and to push it into a different territory or direction, or make them do things that perhaps they would not like to.”

While other functional leaders might typically handle the more niche change programs within finance or IT, the COO often gets called upon to lead more fundamental transformation initiatives across the wider business. Stefano Venier, the General Manager Development and Markets at Hera, a water and energy resources firm in Italy, gives the example of two major strategic change initiatives that the company had to go through in its recent history.

“The first was the liberalization of the market that our firm operates within. We needed to make our people understand that they had to rethink their approach to our customers, to actually treat them as clients. This was a dramatic transformation and took us about four or five years to implement fully,” he adds. More recently, the business has been reformed in response to the economic crisis, coming up with a more cost-efficient operating approach that transcends all functions across the business, all of which is led by the COO.

Effective change management and business transformation skills can be learnt on a number of specialist courses, but there is no substitute for hands-on experience. Candidates need to find opportunities to lead several change or transformation projects to develop the necessary tools and capabilities – ideally ones that scale up in terms of size and complexity. Doing this early on in a career will give them a portfolio of successful initiatives to showcase – and the chance to learn from the inevitable mistakes that they will make. “A lot of leaders have a hard time with change management. I think this is because the fundamentals are really around communication, face-to-face meetings and explaining the why, and listening,” notes Matt Idle, the Customer Operations Director for British Gas. But without strong examples of successful change and transformation programs, a candidate is unlikely to be in the running for the job.

Key questions for you to consider are:

- What kind of post-merger integration strategies do you know, and which will be most effective?
- How adept are you at reassuring in-house stakeholders about the change, while still transforming the company’s approach to innovation?
- How will you balance the conflicting views that will emerge on the best approach to innovation?
- What is your approach to maintaining morale and retaining key talent?
2 Strategy: engaging in board-level discussions

The most obvious difference between an operations manager and a COO is the need to engage at a strategic level. It’s one thing to update a team or colleague on the specific progress of a given initiative; it’s entirely another to outline, assess and challenge broad strategic options at board level. Ultimately, COOs should be able to take the vision of the CEO, and translate it into a workable reality. “The COO must understand and influence what the board and the CEO want to achieve, as well as how they can then transform or convert those expectations into actions for different functions in the organization to drive,” says Buddhadeb Das Gupta, the COO of Nous Infosystems, a rapidly expanding Indian IT firm. “This is the cornerstone for success in the role.”

There is also the related challenge of ensuring that the board takes sufficient notice of problems behind the scenes. “Operations continue to be a missing link in business strategy,” argues Luis Solis, a professor focusing on operations management at IE Business School in Madrid, Spain — the FT’s top-ranked business school in Europe in 2012.7 “I don’t think there’s enough understanding about how operational issues contribute to wider corporate objectives.”

What can candidates do to prepare for this transition? Most importantly, they need to understand how to formulate strategy by setting objectives, and mapping out resources, initiatives and milestones against them.

Such skills can be honed within the strategic planning function, or by spending time within a strategy consultancy. “I found this experience very useful, because it helped to give me a holistic view of different businesses,” notes Luca Alippi, General Manager of Italian utility company E.ON Energia, who spent nearly a decade at an advisory firm during the 1990s, with exposure to companies and projects across Europe.

Balancing technical prowess with strong financial analysis skills, and the ability to communicate in these areas at a senior level, is also of prime importance. “There’s nobody in my top team who hasn’t internalized our industry trends. But to understand what these trends mean for our business and for our bottom line is another story – as is explaining how they impact on our profitable growth today and tomorrow,” says Kofi Amegashie, who holds a COO-equivalent role at Adcock Ingram Healthcare, a South African pharmaceuticals firm. Many of the COOs interviewed for this study acknowledge the importance of sound financial analysis: “I think the skills you learn in financial planning and analysis give you a very good perspective, and help you understand how the company operates and integrates,” says Tiffany & Co.’s COO James Fernandez.

Are you ready?

A COO scenario on rethinking strategy

You are the newly appointed COO of a global automotive parts supply company. After running manufacturing plant operations at a country level for the past five years, you’ve now just been called into your first board-level meeting. The focus is clear: the company is making a strategic shift in what it produces. The CEO wants to change from being solely a supplier of high-end gearboxes. By creating an additional value-oriented brand, they want to ward off low-cost rivals who threaten to encroach into the company’s market share. You’re going to be in the spotlight to figure out how to deliver this strategy.

Key questions for you to consider are:

- What other strategic risks and opportunities could emerge from the transition?
- How would the new strategy fit with the company’s existing resources and capabilities, and where would the gaps lie?
- What would a roadmap for transforming the business look like?
- What level of investment would be required to support it?
Compliance: setting and enforcing robust operational controls

The need for strong internal controls has never been greater for many businesses from financial services, through to life sciences, oil and gas, power and utilities and others. Several global banks, for example, have had to admit to a failure of internal controls. These failures led to issues ranging from money laundering to rogue trading not being picked up, and resulted in significant losses and reputational damage. In the life sciences industry, robust controls over areas such as clinical trials are a strict regulatory requirement. Across several sectors, regulatory scrutiny of organizational controls is intensifying, putting even more pressure on companies to ensure that theirs are appropriately established and enforced.

Responsibility for setting up and enforcing such controls often lies with the COO. This is not merely about mitigating risks or avoiding compliance failures. Strong operational controls can also enhance the business, ensuring that processes run smoothly and in accordance with the overall operational model.

Managing operational controls draws on several areas of experience and learning. The prospective COO must understand the frameworks that are important to a particular sector and be familiar with related regulatory requirements. Meeting with the right sector experts and external advisors is a useful way of identifying specific techniques. And working for a specialist risk consulting firm is good experience for those who operate in sectors where such controls are especially important. It is also important to have gained first-hand experience of the organization’s processes and IT systems, along with the key individuals related to them.

Are you ready?

A COO scenario on responding to a failure of controls

You are a COO of an international bank and you’ve just received an urgent 4am call from the risk team. A trader at the bank has found a way to override his deal-size limits in a niche credit derivatives market, exposing the company to losses that could potentially run into the hundreds of millions. The risk has only just been identified. Within a matter of hours, you’re going to be asked to explain how and why the company’s operational controls have failed, what can be done to fix them as urgently as possible, and whether you can guarantee that this risk will never emerge again.

Key questions for you to consider are:

- How well do you know the area of the business that has been exposed, and what systems and processes do they have in place?
- To what degree do they comply with current regulatory guidelines?
- What are the alternative oversight frameworks that could be more effective for your sector?
4 Structure: designing and implementing the organization’s operational model

Any company’s operational model can be broken down into people, processes and technologies. But the magic that makes one model succeed over another lies in how it is configured and aligned to the overall strategy, and how its performance is measured. The reason many companies appoint a COO in the first place is to help provide the right balance between the CEO’s overall vision and the practical operating solution that underpins this.

Working out the best approaches requires knowledge of modeling techniques. This enables the prospective COO to map out different options, assess what impact they make, and back them up with hard facts. It also requires a willingness to shake up the status quo.

These skills can be developed theoretically, perhaps at a relevant business school. For example, José Luis San Pedro Guerenabarrena, Group COO of energy firm Iberdrola, complemented his background as an industrial engineer with a master’s degree in strategic planning. But theoretical knowledge must be backed up with practical experience that teaches the pros and cons of different approaches and how well they deliver the company’s strategic goals. One possible shortcut is to spend time at a startup, where there can be greater opportunities to experiment with different approaches.

Are you ready?

A COO scenario on revising the operational model

You are a COO of a utility firm that has a long track record of delivering reliable, low-cost energy from its network of coal-fired power plants. You’re an expert in the distribution side of the business. A new government regulation has just been approved. It requires that, within a decade, 25% of your energy needs must be sourced from renewable energy. The government has also announced plans to roll out a national smart grid. The board now wants an urgent review of what this means for the firm’s operational processes, staffing and technology investment plans.

Key questions for you to consider are:

- What is your process for handling this?
- What kind of modeling methods will you rely on?
- How are your competitors dealing with the issue?
- How can you best determine an optimal operational model?

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You’re the COO of a major oil and gas operator, which has been investing heavily in Australia’s burgeoning liquid natural gas (LNG) market. You are tapping the country’s vast reserves of coal seam gas for export to key Asian markets. With a year still to go, the build-out phase is already over budget. You’re realizing that the likely margins on LNG are going to be exceedingly tight, not least as growing supply chains push prices down.

Key questions for you to consider are:

• What is your structured approach for finding new efficiencies within the business?
• What are the factors that most affect overall costs?
• Which big data-related tools can help pinpoint the efficiencies in the gas network that will ensure smoother operations?

Performance: proficiency in identifying and extracting efficiencies

Finding efficiency gains wherever possible is key to surviving in an increasingly competitive, volatile and uncertain environment. Typically, this is now part of the COO’s remit, not least given the role’s exposure and input across so many different facets of the business and wider supply chain. At AXA, for example, Group COO Véronique Weill describes a specific goal of reducing expenses by €1.7b. “It’s a focus on efficiency, but it’s also about being client-centric. Having a transversal view of the different functions enables me to drive the efficiency process,” she points out. Many other COOs report something similar. “We’re actively driving an efficiency program in our business, it’s absolutely huge in what we do,” says Transnet Freight Rails COO Mlamuli Buthelezi.

There are several aspects to learning this kind of skill set. First, the prospective COO needs a thorough understanding of the company’s processes. This is a basic prerequisite for being able to spot improvement opportunities. Another necessity is to have a clear grasp of how other functions operate, especially how various back-office operations support the commercial front of the business. This understanding also helps provide the bigger picture of how they all fit together. Also, as Fernridge Consulting’s COO Stephen Walters says: “Moving from one department to another can earn you the credibility, trust and, especially, the knowledge to improve things as you go.” As with other areas of skills development, time at a specialist advisory firm can bring additional value, in particular early in the career.

In some industries, COOs are also using new tools, such as predictive analytics, to help them cope with the growing complexity of their business – and to pinpoint new areas for efficiency gains. IE Business School professor and Associate Dean Luis Solis argues that, as a result, a growing number of future COOs will start to add related expertise to their CVs. As they learn to manage complexity, “we will see a new generation with stronger mathematical and algorithmic skills.”
Insight: deep industry and market knowledge

Compared with many of their functional peers, COOs are usually required to have a granular understanding of their sector’s operational approach. At Tiffany & Co., for example, COO James Fernandez must fully grasp the particularities of the global diamond supply chain and the dynamics that affect price, quality, availability and other key factors. In contrast, an oil and gas COO cannot function without a fundamental understanding of the engineering and operational demands of running a drilling and exploration site, or the complexities of extracting oil from a deep-sea well. In these and other sectors, it is genuinely challenging for a new COO to step in without a real depth of knowledge about the ins and outs of a specific industry, and the associated operational norms.

Beyond this core insight into the inner workings of their business, COOs also need a solid understanding of its commercial dynamics and how they are evolving. “To realize the peculiarities of it, you need to deeply understand the key issues of the industry and the piece of the value chain you’re operating in. We operate in a liberalized market, for example, but it is still highly regulated in many aspects: opportunities and challenges result therefore from both the market and the regulations,” says E.ON Energia’s General Manager Luca Alippi. “You really have to know your customers and your market. It doesn’t mean you need to be at the ultimate level of detail in each of their workflows or business models, but you must have a strong appreciation of how the markets operate,” adds Andrew Watts, the Global Head of Customer Administration at financial services media firm Thomson Reuters. “You need to be able to articulate the core value drivers or pain points well enough, but also simply enough, so your different stakeholder groups can easily understand them.”

This grasp of both the operational detail and business realities has to be backed up with a solid comprehension of the macro trends taking place within the given industry. For example, sustainability is a broad theme that is increasingly reshaping many sectors. It is driving utility companies to move toward new sources of energy, and pushing manufacturers to adopt new kinds of two-way value chains that not only supply goods to consumers, but also reuse them at the end of their lifecycle. In all of this, COOs are at the forefront of determining what these changes will mean for the business, and what kind of adaptation will ultimately be needed.

In preparing for this, there is clearly little substitute for spending extensive periods of time in an industry, getting to understand its dynamics. But it also requires a strong networking capability. Building up an internal and external network of individuals who can help provide insights on key changes is a valuable asset. In many sectors, developing contacts and interacting with regulators – not least to feed back on draft regulations – will also be important. A direct benefit can be gained by spending time in legal or compliance functions.

Are you ready?

A COO scenario on influencing strategy through market insight

You are a COO of a global food and beverage company and your CEO is preparing his new strategic plan aimed at turning around the business. He has just revealed a major push into a new low-cost line of drinks that help to reduce weight, tapping into perceived consumer demand for healthier goods. However, you’re certain that market trends actually point in a different direction and you’re aware of limited supply of a key ingredient, which will affect proposed production levels.

Key questions for you to consider are:

- How well can you translate the industry’s dynamics into a strong hypothesis for how overall consumer trends are changing?
- What are your clear facts to back this up?
- What is your strategy for broaching sensitive issues in high-level meetings, while demonstrating enthusiasm for this new strategy?
- Which approach do you follow for determining who supports your views behind the scenes?

Are you ready?
Global: finding a multicultural management approach

To operate at the highest levels of business, COOs need to bring a clear appreciation of how to manage in a globalized marketplace. Whether selling into multiple markets, setting up worldwide supply chains and operations, or employing a highly mobile international workforce, a global approach is a must. So it is important to understand the dynamics of other cultures — from how consumers and employees behave, to the nuances of local regulation. Kamal Tandon, COO of Indian consumer products firm Nalli Silk, spent part of his career in the US, before relocating to India in 2005. This experience helped him to pinpoint a range of underlying differences in the countries’ working approaches. “Each culture has its own issues. In some countries, such as India, family comes first, while work is second. So you have to really watch and see when is best to push for certain deliverables, and when to hold off.”

Aspiring COOs must be attuned to such sensibilities, not least as the focus of operations continues to evolve. “Operations managers need to move from their transactional skills to what many of my colleagues and many people in the industry are calling collaborative skills. These include knowing how to deal with cultural diversity,” says Professor Solis.

Time spent in other cultures will be a major asset. One option could be to manage a shared service center that has been located in a rapid-growth market. Another could be taking the opportunity to set up operations in a foreign country, or to help launch a product in a new market. The experience will be exciting, but candidates should also assess the cultural variations between markets. Beyond this, attending an executive training course for international managers can bolster the experience.

Local best practices may work elsewhere. “It’s a positive asset to have this international experience. But it’s not just reporting the fact that you’ve been in Bangkok or Brazil, it’s being able to bring back the best practices of being international,” says one interviewed COO. This might involve getting more familiar with local supply chain setups, for example, to see how alternative approaches to cost, capacity and location play out, or, more simply, learning different management styles.

Are you ready?

A COO scenario of handling a cross-cultural project

You are a COO of a major sportswear company and you’ve received your latest assignment. You are required to improve a poorly implemented IT and HR shared-service center, with the aim of driving down transactional costs while still delivering a good service to the rest of the business. The center is being located in a low-cost market, but there is a year-long transition program to move over existing standalone service centers from India and Indonesia to a new site in Malaysia. You’ve never worked in Asia before and are aware that things will be different on the ground. But the CEO has made it clear that results are required swiftly.

Key questions for you to consider are:

• What techniques do you know that can help bridge cultural differences during this process?
• How can you ensure positive knowledge sharing across cultures and time zones?
• How attuned is your appreciation of when “yes” might actually mean “no”?
The “X” factors
How to stand out from the crowd

Any operations leader should be able to demonstrate the seven core capabilities outlined in the previous chapter. However, these things alone are not sufficient to provide a ticket to the C-suite. What emerged within the in-depth interviews conducted for this report was a further set of six less tangible characteristics. We believe these to be the “X” factors that help today’s operations experts stand out from their peers as genuine COO candidates for tomorrow.

Interdepartmental knowledge: bringing both depth and breadth

Aspiring COOs need a combination of experience that is both deep and wide. They must do all that is possible to build a career that involves close exposure to different parts of the business. Once they reach the top, COOs will have direct oversight of a broad swath of functions. Their ability to cope will depend on the degree of insight they have into each. Cross-departmental experience “gives the ability to comprehend how business is done,” explains Nous Infosystems’ COO Buddadeb Das Gupta.

This cross-functional background is a common feature of the career paths followed by today’s leading COOs. Daniel O’Day, COO of Roche’s pharmaceuticals division, started out in commercial roles, before moving through human resources, product marketing and corporate planning, along with stints leading specific product lines.9 Many COOs expect their successor to have this kind of background. “I would be looking for the breadth of experience,” says Matt Idle, Customer Operations Director of British Gas. He flags up the benefit of gaining an overview by spending time within the commercial, financial and operational side of the business. IE Business School Professor Luis Solis sees a growing trend toward operations leaders playing a larger role in areas such as quality management and customer service as they seek to boost competitiveness. “But these elements are not often seen by people in operations. Sometimes, they’re only aware of the technical part of what they’re producing,” he adds.

To gain this kind of exposure, aspiring candidates have various routes to consider. Much depends on the type of rotation that companies have in place, either for new graduate workers, or on their executive management training programs. “In the oil and gas sector, for example, many operators have programs that allow management trainees to switch across both functions and geographies,” notes Kofi Amegashie, Managing Executive – Africa, Adcock Ingram Healthcare. “If there aren’t specific schemes in place, then actively seek out opportunities to switch,” advises AXA’s Group COO Véronique Weill. “Move from one job to another, change bosses, and change discipline. So move from operations to technology, to marketing. Move countries and change, be extremely mobile in functions and geography,” she continues.

International experience: identifying and exploiting best practices from around the world

One of the explicit skills noted in the previous chapter was the ability to manage across borders and cultures, which can be bolstered by handling projects abroad and gaining exposure to other cultures. But genuine long-term experience in a number of international markets can help to mark out a future COO. “It’s not just about having stamps in the passport, you need to take that knowledge back home with you,” notes one COO.

The aim is not merely to bring a global mindset to the table, but to actively seek out and take advantage of leading practices from every corner of the world. This could be uncovering new frugal innovations from a rapid-growth market, or finding a wholly new operational model that is not yet deployed globally.

To get there, candidates need hard experience in various regions, believes Nalli Silk COO, Kamal Tandon. “I think geographic mobility and having done some operational jobs in smaller countries is very important. This gives you a lot of credibility later on.” Many others cite similar backgrounds in their own careers. For example, Adcock Ingram Healthcare’s Kofi Amegashie spent 12 years in Asia as part of an early management program at Chevron, before spending time in South Africa and Nigeria. “You do it because it adds the richness both technically and culturally to your ability to deal with situations,” he says.

André Joubert, African Rainbow Minerals, says the opportunity to travel extensively across the world to witness best practices at first hand was a key part of his background. He and other COOs now actively encourage younger operational staff to take the opportunities to gain international experience and exposure. As many COOs interviewed for this report highlight, those companies seeking to be leading multinationals will need truly global chief operating officers.

Leadership skills: being an effective influencer and motivator

The ability to demonstrate strong leadership skills is perhaps more important than any other. For companies on the hunt for a COO, the biggest challenge is not only to identify people with the necessary technical competencies, but to spot their ability to inspire and motivate. As the key individual faced with the task of realizing the CEO’s strategic vision, a COO must be able to manage and enthuse people at the highest level. Nearly 9 in 10 (87%) COOs cite strong leadership qualities as the most crucial attribute needed to do their job well. This characteristic is tough to define, but encompasses a broad set of attributes: the ability to motivate and empower, to collaborate, to build trust with others, to give solid guidance, and to listen, are just some examples.

This also leads into so-called transformational leadership, where both leaders and followers help each other to achieve a higher level of morale and motivation. Getting this right can transform the fortunes of a business, by resetting the perceptions, values and expectations of employees and driving them to a significantly higher level of performance. At American Water, President and COO of Regulated Operations Walter Lynch aims to foster such a spirit by creating a team-oriented environment that encourages innovation: “I have a rule with our people that you’re supposed to take the blame, and give the credit. So if something goes wrong, they are encouraged to take the blame and go back and figure out how to fix it so that it doesn’t happen again,” he says. “I think it fundamentally creates an atmosphere where people can take some risks, they can fail, and we can use those as key learnings, to better our performance.”

Creating a strong group that can fulfill the COO’s goals is another key element. “It’s very important to create an effective team around you and to work with it. You can’t keep control of everything on your own, so you need to work with the team, and be able to delegate,” states E.ON Energia’s General Manager Luca Alippi.

While a few rare individuals appear to be natural leaders, everyone can develop this competency. “Some learning is shaped by circumstances, but everyone can learn through observation and coaching,” argues Mlamuli Buthelezi, COO of Transnet Freight Rail. This is a challenge not only for individuals, but also for organizations, as they seek to deepen their management reserve team (see page 16 for more details). At a practical level, hands-on experience of leading teams is needed – especially ones that span different sites, time zones and cultures. Specialist training courses teach the theory of underlying principles of management and leadership.

“If there aren’t specific schemes in place, then actively seek out opportunities to switch. Move from one job to another, change bosses, change discipline, or geography.”

Véronique Weill, Group COO, AXA
Flexibility: succeeding in an ever-changing reality

Flexibility is another intangible but important competency. Given the many directions that operations leaders are pulled in, an overly rigid mindset or approach can easily become a hindrance. In short, COOs need to thrive in an environment characterized largely by ongoing change, to which they will need constantly to adapt. When the company’s Plan A doesn’t work out as hoped, the COO needs to be the person who already has a Plan B in mind. “You need to be a curious person, which means never stopping at the first answer, but trying to understand what could be next and how it could be done better. The final stage of this is the ability to think out of the box, and to find solutions that others haven’t identified,” believes Stefano Venier, Hera General Manager for Development and Markets.

The COO needs a willingness to move into a wholly new area of the business, and to thrive on the challenge of figuring out what makes it work. At British Gas, Customer Operations Director Matt Idle explains that he would look for individuals who learn fast. “I want someone with a track record of moving into a complex area, without necessarily having any previous knowledge of it, and figuring it out quickly. That sort of learning agility is a crucial skill these days – certainly for COOs.”

Another requirement is a high degree of tolerance for unpredictable, ambiguous and unexpected situations – the operational surprises that can leave anyone not flexible enough for the role found wanting. Adcock Ingram’s Managing Executive for Africa, Kofi Amegashie, recalls flying with the firm’s head of M&A to an important meeting in Nigeria, only to discover that the contact they were there to see was actually out of town. This would be unacceptable in many countries, but is less unusual there. “You can either have a sense of humor failure and decide you’ll never do business with them again, or you simply adjust your plans and work around it. You need the flexibility to adapt to the situation and to make the best of it,” he says.
Aiming for the top
A guide for aspiring COOs and their organizations

Courage: stepping up to the challenge
A less tangible quality is a simple one: courage. Many of the COOs interviewed for this report pointed to courage as a factor in their rise to the top. Often, courage meant being willing to stick their hand up for a tough challenge. Others have gained respect from seniors through their willingness to admit to mistakes or failures when colleagues have not. “Get out of your comfort zone. Be thrown into marketing, into other operations, and find out if you sink or swim,” advises André Joubert, CE for African Rainbow Minerals Ferrous Division.

At Ford, for example, courage was one of the factors cited in the promotion of Mark Fields to COO: he was simply the first executive to admit to a problem in his division to the firm’s new CEO at the time.10 Taking this risk earmarked him as someone willing to stand up to a challenge.

“This is what I tell our high potential employees: be willing to stretch yourself. Take on some of the biggest challenges you can find, because you’ll grow as a person, and you’ll grow as a leader,” points out Walter Lynch, President and COO of Regulated Operations of American Water. “If you’ve been in the same operations job for a while you’re getting a little stale. You need to challenge yourself, to step out and take on new responsibilities, maybe in a different geography or role.” In his career path, he volunteered for new challenges such as running the firm’s biggest state operation, which was underperforming, and then discovered he enjoyed the job of turning it around. Performing well there convinced the company to entrust him with larger responsibilities, adding to his remit a division that accounted for about 65% of the overall business, and setting him on a direct trajectory toward COO.

Sociability: mastering the networks and politics
There is inevitably a social and political dimension to any senior executive appointment. Preparing for this demands that candidates build networks with peers across the business and beyond. It will be good to know who to call when a problem needs solving down the line. It also requires the ability to master the internal politics of a business: from understanding the relative shifts in an organization’s power balance, to knowing how to manage the personalities and priorities of others when pushing through a proposal or change.

Building a wide range of strong personal relationships across the organization will help to influence others. “When you think about the scope of a COO’s responsibilities, they really need to reach out and convince everybody, so it necessitates a person who can negotiate that. You may not have authority in a specific area, so this is often relationship-driven,” explains Tiffany & Co.’s COO James Fernandez. “As a COO, you need to win hearts and minds, you need everybody behind you,” adds Fernridge Consulting COO Stephen Walters.

This goes beyond the need for a solid contact book and lots of high-level networking. Top COOs are usually tough, but they are also approachable. They understand that strong social and interpersonal skills are a vital part of what they bring to the table, and keep the door open to others at all levels of the organization.

Of course, mastering the politics of any workplace isn’t something learnt easily. Nevertheless, the sharpening of various skills can help. At one level, there are many books that provide tips and insights on techniques for socializing and influencing others. At a different level, it requires forging relationships that can produce important personal feedback. For example, one COO recalls gaining a better appreciation of his personal weaknesses through an assessment process earlier in his career. As he explains: “One of the areas identified for further development was emotional awareness of others. It didn’t bother me much initially, but then you become more sensitive to this as you move up the ranks, and especially when you realize you can’t run this ship without a team.” His approach was to move toward a style of more inclusive management, especially as success relied more and more on his ability to motivate others. Executive courses on management methods can also be helpful in refining such skills.


“You need to be a curious person, which means never stopping at the first answer, but trying to understand what could be next and how it could be done better.”
Stefano Venier, General Manager for Development and Markets, Hera
Several factors will put increased pressure on those firms that still lack a dedicated COO position to create a standalone leader with responsibility for operations. One clear factor is the ongoing uncertainty in the global economy. This has driven firms to focus relentlessly on greater efficiencies and cost management. Another is the daunting regulatory environment, with those firms operating in multiple and overlapping jurisdictions especially subject to greater scrutiny. A third factor is rising business complexity. Such complexity compels companies to change at an ever-increasing pace. These factors underscore a growing need for a clear operations leader, who can help oversee and drive the corporate response to today’s challenges.

Developing the organization’s depth of talent is especially pertinent today, given the importance of managing talent and skills shortages. It is one of the top five risks identified in EY’s 2013 Business Pulse report. However, despite growing awareness of succession planning as a vital corporate governance concern, the issue remains a weak spot for many organizations. For example, according to the National Association of Corporate Directors (NACD), just 23% of private companies in the US have a formal succession plan in place, with a further 52% having an informal plan. This is despite 90% of executives in the same study acknowledging that such programs enhance the board’s effectiveness.

Effective succession planning is a growing challenge for businesses for a range of reasons. First, in many countries, demographic change is fundamentally squeezing the pipeline of talent. A growing proportion of experienced executives are nearing retirement age, and the supply of younger talent coming through is dwindling. For companies who are looking to fill the COO position, whether it already exists or not, this is even more serious.

Many current COOs started their careers in engineering, but the declining number of graduates in so-called STEM subjects (science, technology, engineering and mathematics) is reducing the talent pool. For example, across the EU, while demand for STEM skills continues to grow, the supply of relevant graduates is falling. In addition, corporate loyalty continues to decline both among young workers, who job-hop more frequently, and at C-level, where the average tenure has declined over the past decade.

Building a strong, sustainable pipeline of future operations leaders ought to be good practice for any leading firm. This is clearly important for companies with existing COO roles. They need to ensure that strong successors are being developed and a robust pipeline of qualified and experienced individuals is in place.

However, it also matters just as much for those companies that still split the operational responsibilities across several executives, or simply include it within the direct remit of the CEO.

The HR perspective
How successful companies develop strong future COOs

For more information, see Business pulse: Exploring dual perspectives on the top 10 risks and opportunities in 2013 and beyond, EY, 2013, available at ey.com/businesspulse.

For additional information on the importance of succession planning, see the NACD website (http://www.nacdonline.org/AboutUs/PressRelease.cfm?ItemNumber=4699), accessed 31 July 2013.


“There are also internal issues. For example, human resources (HR) functions can focus too much on tactical issues rather than strategic challenges. But in many markets, integrated talent and succession planning is becoming a more important topic,” says Nelson Taapken, partner and talent management specialist at EY Germany. “This is part of the modern HR function: the identification of future talent, assessing and mapping out their potential, and revising this consistently over time,” he adds. Technology is helping to make this process more systematic, with enterprise resource planning systems now incorporating talent management.

Nevertheless, the COO position provides a particular challenge. “It can be sourced from a wider range of candidates than other executive roles, so it’s harder to map out a precise career path,” explains Taapken. So it is important for the current COO – if the company has one – to be engaged more closely in the process. “The best thing I can do for my organization is to ensure I’ve got multiple potential candidates who can step up into my role,” says Thomson Reuters’ Andrew Watts. “We focus on talent management quite heavily. We make sure we’re developing people at multiple levels who can eventually come up into leadership roles.”

Regardless of whether or not companies already have an existing COO position, serious consideration has to be given to how they define the scope, competencies and focus of the future COO. They must also work hard to develop a robust talent pipeline that serves to bolster the strength of the operations function and ensure that solid candidates are being developed for future placements.

**Setting out a planning framework for the COO role**

To ensure a successful approach, companies need to develop, and implement, a framework for understanding how best to fill, or replace, the position of COO. This process has several stages, and requires a range of key decisions. Getting it right can help a company to reach various goals: the creation of an internal talent market; greater transparency over succession; stronger understanding of current and future high-performers; strategy and competency-based development programs; and a better ability to retain the best talent.

**Mapping out the gaps**

Typically, the first stage involves reviewing the organization’s current talent. The review should assess the depth of the current talent pool, along with a sense of how this is changing over time – not least as key individuals retire or quit. Specifically, the company needs to review whether potential leaders are located in product or geographic areas that are linked to where the firm’s future growth is likely to come from, or to reflect the wider changes in corporate strategy. Care also needs to be given to confirming that existing competencies are regularly assessed, captured and updated across functions and individuals, to ensure a clear, up-to-date picture of the business.

**Ensuring alignment with the corporate strategy**

For a COO in particular, the next stage is especially important, given how widely the role can vary across organizations. The skills, scope and focus of the COO position must be well aligned with the broader corporate strategy. For example, if an energy utility is in the midst of a transition from primarily coal-based energy generation toward a gas-fired or renewables-based future, the expertise required of a future COO will change. “Companies should be very clear about where they want to go, and find someone who can deal with the ambiguities between where they are today, and where to be in the future,” notes Buddhadeb Das Gupta, Nous Infosystems’ COO. But all too often, internal development plans are not aligned with corporate development plans.
Defining the competencies and character profile

With this strategic alignment in place, the next step is to define what kind of candidate will be best suited to the position. What are the specific skills, experiences and capabilities that will most closely match the tasks ahead? For COOs, this is especially important, given that they must also be recruited in the context of their position as the CEO’s go-to person who has the task of turning the corporate vision into an operational reality. There are a range of core considerations, from ensuring a good basis for trust and cooperation between the two individuals, through to validating whether the candidate is a strong enough leader to rally the organization behind a major strategic shift.

Weighing up internal versus external recruitment

More than any other senior executive role, the pipeline for a COO relies on the nurturing of talent within the business. For roles such as the CFO or CIO, it is easier to transfer the skill set from one company or sector to another because of their clearly defined positions. But given that the COO’s remit is often defined in relation to the company’s specific situation, the dynamics with the CEO and the required interaction with a variety of departments, this is tougher to pull off. COOs recognize this. Just 2% of those surveyed say that they aspire to be COO of another company. Rather than highlighting any lack of ambition, this reflects the difficulties of joining another company.

This is not to suggest that firms never hire COOs externally. There are various situations in which this might be appropriate. “One of which is simply when an appointment must be made quickly,” says Nelson Taapken, partner within the Performance Improvement, People and Organization practice at EY Germany. “If an existing COO departs unexpectedly and there isn’t any feasible successor, hiring outside the firm can quickly shore up the gap,” he says. Another reason may be to help drive a change in the culture of the business, which is more feasible with an external candidate. “It’s always a matter of balance and priorities. Sometimes your priority is to innovate, and maybe you should get somebody from outside to manage the expectations of the internal team,” adds E.ON Energia’s General Manager Luca Alippi. “You need to evaluate each situation.”

But in most cases, the future COO would usually come from within the business. Most obviously, this ensures that the firm knows the candidate well and it facilitates greater trust in their abilities. The approach also delivers better continuity in the culture, and, typically, has the benefit of being cheaper than an external appointment. Still, it requires strong buy-in from both the CEO and current COO for such an appointment to work. And this demands full commitment. All too often, companies set out seemingly clear succession plans, but then undermine them by hiring a friend of the CEO. This is a surefire way to prompt an exodus of key internal talent.

Viewpoint

Defining the competencies and character profile of the future COO

Buddhadeb Das Gupta
COO, Nous Infosystems

“Any attempt to define the role of the COO at your particular organization has to begin with mapping out the specific challenges it faces today. So you need to ask what your strategic objectives are for the next three years. Is the business aiming to fix fundamental problems with internal operations, or is it more focused on external issues, such as growing sales?

In other words, the key is to focus on identifying the main deterrent or barriers to your organization’s continued profitable growth. Once you’ve done that, you can then look at which business functions the COO role will need to cut across in order to solve those problems. For example, you might decide that one key challenge for your organization is to build a new technology delivery team. In which case, you’re cutting across HR, IT, core delivery and quality management. You can probably add in legal as well, as you begin to frame the terms and conditions of your delivery contracts for removing this barrier.”
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Viewpoint

The value of external management courses
André Joubert
CE Ferrous Division, African Rainbow Minerals

“We often send our high-potentials on external management courses at institutions such as London Business School, INSEAD or even Harvard Business School. Some people have got this natural and innate ability to lead, but others may need a little bit of a nudge – particularly if their current skills are very technical, for example. The external course gives them some financial know-how, some awareness of organizational development, and some people management skills, which enable them to move to the next level.

We have also found that giving people this sort of chance increases loyalty to the organization, which, after all, has given them a pretty valuable opportunity. And it also boosts ambition: the individuals who take these courses begin to recognize what they’re capable of in their own careers, and this in turn enhances their desire to fulfill that potential.

The other attraction of sending certain individuals on these courses is that everyone recognizes that this represents a real opportunity to compete against their peers. So it creates a bit of competition within the organization and between members of the team, which can be very healthy.”

Developing an internal COO pipeline

So how do companies go about the task of developing a solid pipeline of future chief operating officers? And, looking to the long term, how do they enable talented, rounded individuals to rise up through the ranks at all levels of the business? These considerations should form part of the company’s wider talent development framework. But for the position of COO in particular, the breadth of the role requires close attention across a broad sweep of developmental areas. The following list highlights some of the ideas from today’s operations leaders on where to focus:

Learning and education

In line with the demands of the job, most of today’s COOs are highly educated. Over half (54%) hold a master’s degree. Disciplines range from finance and engineering through to operations and MBAs. While few consider their educational background as a fundamental factor behind their appointment, any gaps here can easily limit a candidate’s potential. And while there is little consistency in COOs’ educational background, some trends are clear within specific sectors.

Take the power and utilities sector, for example. Although existing COOs in the largest companies tend to have varied educational backgrounds, most have at least one qualification in an engineering field, and often to a high level. For example, Dr. Rolf Schmitz, COO and deputy CEO of Germany’s RWE, holds a doctorate in engineering. Other sectors show their own trends. In consumer products, many current COOs hold degrees in marketing or an MBA. “In fact, it is increasingly common for COOs to have an MBA, executive MBA, or other specialist management qualification,” says IE Business School Professor and Associate Dean Luis Solis. “Operations people typically have very strong education on the technical side, but they’re increasingly supplementing this with additional knowledge, such as an MBA. They’re doing this to help manage the softer side of operations management, such as leadership and communication, but also to develop a stronger understanding of the financial aspects of the role,” he says.

For companies seeking to develop their COO pipeline, this trend has two implications. The first is the need to broaden recruiting aims for current operations positions. The second concerns giving promising younger candidates the opportunity to attend specific management courses and bolster their development. At Transnet Freight Rail, for example, the organization arranges various executive development programs at external universities, which are combined with opportunities to lead special projects or initiatives, along with internal guidance. “Through these programs you give people exposure to good training, which in turn gives them the necessary enablers to grow into the role,” says COO Mlamuli Buthelezi.

Walter Lynch, COO of Regulated Operations at American Water, agrees on the value of focused executive training programs – such as the one he went through at Wharton’s School of Advanced Management. “My course had 60 participants from 22 countries and 15 different industries. Getting people outside the company and working with others from around the world broadens your perspective on thinking strategically.”

Geographic and functional rotation

Future operations leaders have to gain broad exposure across the business. Aspiring candidates need to be willing to volunteer for such options, but companies must also work hard to create a range of relevant choices. “It is critical to develop people and make sure they are given the opportunities to succeed,” says Andrew Watts, Global Head of Customer Administration at Thomson Reuters. “It’s about moving high performers between roles and challenging them to build skills that maybe they didn’t realize were missing – even to the point of taking them completely outside of the traditional track.”

Many leading companies, ranging from Swiss bank UBS16 through to food company Cargill,17 facilitate such opportunities through graduate training programs. Typically, these programs require new joiners to spend 18-24 months rotating through various parts of the business. This experience can also be enriched by participants completing projects in international working groups – like writing a business plan for a new product launch or an entry into another market. In such projects, peers can be assigned to challenge the individual and enhance the learning experience. Later on in people’s careers, such rotation programs are harder to organize. So this is a vital part of the early stages of the talent development process.

Promising operations experts need exposure to the upper echelons of their business and should start to get a clearer view of the COO role’s strategic elements. At American Water, for example, the company sets a couple of assignments within a strategic group that reports to the CEO. Membership of this group is rotated every 18 months. “It helps many of the future leaders we have coming up through the organization to have access to the executive leadership team, and to participate in the forming of strategy,” explains Walter Lynch, President and COO of Regulated Operations at American Waters. “It also sends a pretty clear message that you’re thinking about them for future opportunities and that we want them to be part of forming the strategy.”

Viewpoint

Developing a 360-degree performance analysis process

Walter Lynch
President and COO of Regulated Operations, American Water

“A good succession planning strategy requires constant assessment. One of my goals is to make sure that there is good coverage for my job. So we look at what would happen if we needed a very short-term fix, but we also look at a one- to three-year timescale and a three- to five-year timescale. It’s a question of who is coming up and how full the pipeline is of people who could take on my role.

We have a good analysis right now of who our high-potential people are and when they might be ready to move to the next level of responsibility. As well as results and success, the company looks at people’s leadership attributes and behavior. We use 360-degree appraisals to examine their performance and focus on superiors’ assessments of their potential. Based on all of that, we can put the right people on a career path, which is then continually assessed.

We’re always looking at what the next assignment should be, whether they’re on track or whether a high-potential candidate needs a more aggressive development plan. It’s all about equipping our employees with the skills they need and plugging any gaps so that they’re ready for the next step.

At the executive leadership team level in American Water, we meet annually to discuss these issues. But I also meet with my own team every quarter to review where we are on development and whether we need to make any changes.”

16 UBS website, http://www.ubs.com/global/en/about_ubs/careers/graduate_and_intern/switzerland/graduate_training_program.html,
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"70% of a high potential individual's time should be allocated to their usual daily work,
20% to either internal or external training, and
10% to mentoring and coaching."

Nelson Taapken, partner Performance Improvement, People and Organization, EY Germany

Alternatively, Adcock Ingram's Kofi Amegashie recommends giving promising young individuals the chance to assist a senior executive as a “bag carrier” – as his colleagues dubbed the role at the time. “You were sitting in the board meetings, with the senior executive committee, and listening to what things they required,” as he describes it. “And during this time, you’re preparing papers for the board, and you can see how they come to a decision to close a plant, or what parameters they are evaluating something on.”

Coaching and mentoring

Another important element of the COO development process is giving aspiring candidates formal reviews each year, accompanied by continuous informal feedback, along with specific coaching and mentoring. As with any C-suite position, prospective candidates will benefit from the guidance of another senior leader, to help smooth out any rough edges. EY Germany partner Nelson Taapken recommends allocating 70% of a high potential individual’s time to their usual daily work, 20% to either internal or external training, and 10% to mentoring and coaching, either in group or individual sessions.

For many COOs, this is a chance to give back and help a future generation to learn. And many clearly relish the idea. “You’re always trying to teach people, mold them to your working culture and train them up, which is something I’ve always enjoyed. And they need the right guidance like this in order to develop,” notes Nalli Silk COO Kamal Tandon.

Many executives agree that this kind of coaching and mentoring needs to be a key part of the company’s leadership and management, not least to help build knowledge of the business. American Water has a specific mentoring program that pairs high potential candidates with senior executives, including the COO. “I’m mentoring three people,” says Walter Lynch, President and COO of Regulated Operations at American Water. “I talk to them about where they’ve got to on their development plans and whether they’re meeting their objectives. They also all call me to ask questions about decision-making, or if they want to run something past me.” However, this program does not replace a candidate’s review and evaluation program, which needs to be part of a wider assessment process (see viewpoint on page 20).
Hitting the ground running: making the first 100 days a success

Preparing for a future COO isn’t solely about developing a solid internal pipeline of talent. It is also about ensuring success when a new leader is actually appointed. This is most easily achieved when the company knows of a looming vacancy, for example a planned retirement of a COO, or when a COO position is being created for the first time.

However, as Nelson Taapken, partner within the Performance Improvement, People and Organization practice at EY states, advance notice is less common at the top of the business: “So panic kicks in and you’ve got to work out how to plug the gap,” he says. Getting this right requires the cooperation of the CEO and senior management team, and the close involvement of HR.

Whatever the situation, having mapped out a defined induction process for the new executive will make a huge difference in determining whether the transition is a successful one. This is something that CEOs and HR teams all too often forget. Interviews with today’s COOs produced the key steps companies should follow, outlined below.

Day 1

Start the process before Day 1

Spend time explaining the induction process and what will be involved, so that the individual is as ready as possible. Take the chance to start introducing them socially to a few of their most important new colleagues before work begins.

Determine the key success factors with the CEO

The candidate will already have met the CEO before agreeing to take the job, but it will be crucial to follow this up in order to ensure alignment between the new COO’s goals and the broader corporate strategy. This is also vital in starting to build a trusted relationship between the CEO and the COO, given how closely they will be working together.

Get a fresh view on existing challenges

Get the new COO’s view on the company and its challenges. Request a SWOT analysis as well as an individual roadmap for improvements. The advantages of this procedure are twofold: first, receiving a fresh and independent opinion of the status quo helps the leadership to make adjustments; second, digging into the company’s inner circles will equip the COO for future work.

Ensure open access to all key functional leaders and operational staff

A major part of the job will be networking and influencing others, so help the new COO to understand who are the key stakeholders and arrange the practicalities of setting up meet-and-greet opportunities. Ensure they engage widely, both within operations and across the wider business. If possible, appoint an internal mentor who the new COO can reach out to for advice and information on the business.

“The company and the leadership need to ensure we’re all aligned around the strategy and its execution, so that there’s no operating in silos.”

James Fernandez, EVP and COO, Tiffany & Co.
"If you’re a newcomer to the company, you need to understand the real culture, the agendas, the issues being faced, as part of developing your plan of action.”

Andrew Watts, Global head for customer administration, Thomson Reuters
Operational excellence is a key factor that enables organizations to take a leading position in their market. It feeds into nearly every aspect of a firm’s competitiveness: costs, product or service quality, ability to meet demand, the degree to which the company innovates, its customer service and more. Responsibility for these tasks is often distributed across a team of executives. But many companies also see merit in appointing a single operations leader: the chief operating officer.

Given the breadth and importance of such a role, it is vital to ensure that the best possible candidate is appointed. Getting it right in the first place requires forward planning, strategic coordination and the cooperation of the senior leadership team. All too often, though, this is all overlooked in the rush to appoint a new incumbent in response to an unexpected departure or an urgent new challenge.

For those companies now getting ready to hire their first COO, or for those planning a smooth succession from one COO to another, this report outlines some of the steps that can be taken. Getting these right will not only help to deliver a successful outcome for both the organization’s operational processes and the individual in question today, but also for the company’s ability to compete in the future. At the very least, corporate leaders who are planning a COO appointment ought to verify if they’ve considered the following 10 issues in the set-up process:

**The corporate assessment for a new COO appointment**

1. Do you have a process in place for reviewing and defining the links between the corporate strategy and the competencies required of the future COO?
2. Is HR involved in the process, along with all other key stakeholders?
3. Is there an appropriate job description that gives a complete picture of the role?
4. What profile does the individual need to possess, including the academic background, experiences and competencies?
5. Have the relevant key performance indicators been defined?
6. Have you decided whether you want to hire internally or externally?
7. Is a competency-based selection process in place?
8. Is there an overall development framework for the role, including coaching, action learning and mentoring?
9. Have you created an induction plan?
10. Are you prepared for the need to communicate extensively across the business to ensure that key stakeholders are prepared and available to support the new COO?
EY COO program materials

The COO program seeks to provide insight and guidance on aspects of interest to COOs and future operations leaders. It aims to support them as they constantly adapt to a fast-changing corporate and economic environment – one in which they must possess a mastery of change to help translate strategic vision into action.

To learn more please visit ey.com/coo or send an email to coo@ey.com.

Other main reports

The DNA of the COO
The first report in the COO program explores the aspirations and expectations of COOs, along with the skills and relationships successful COOs need to master the challenges and opportunities of their role. It is based on a global survey of 306 senior operational professionals. A further 43 respondents from across the rest of the C-suite were polled to provide a perspective on how the COO is perceived by the rest of the executive management team. Learn more on ey.com/dna-coo.

COO perspectives

Short and concise booklets outlining the relevance of current EY thought leadership for COOs and describing the COO angle of the topic.
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