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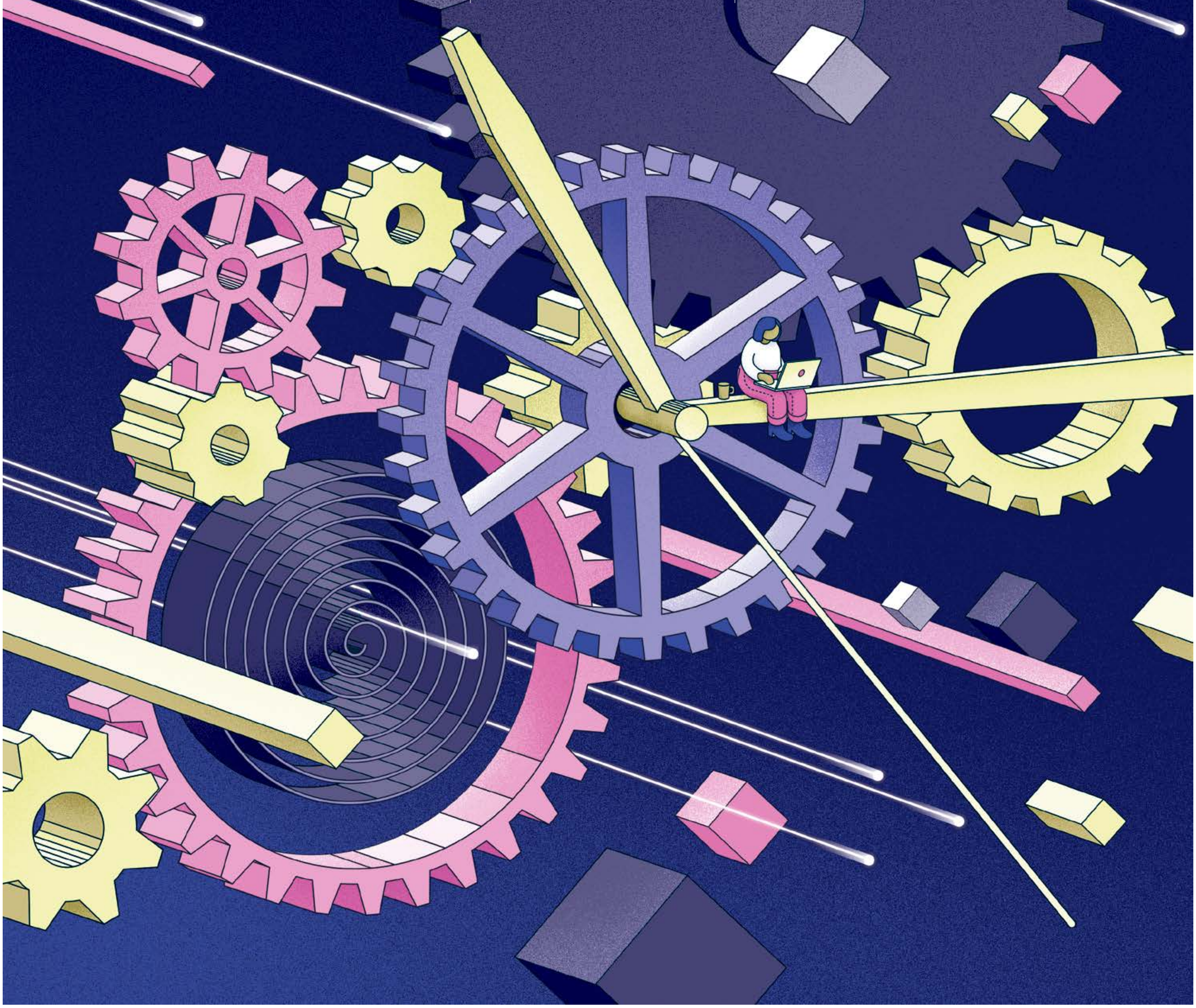
THE FUTURE COO



THE FUTURE COO

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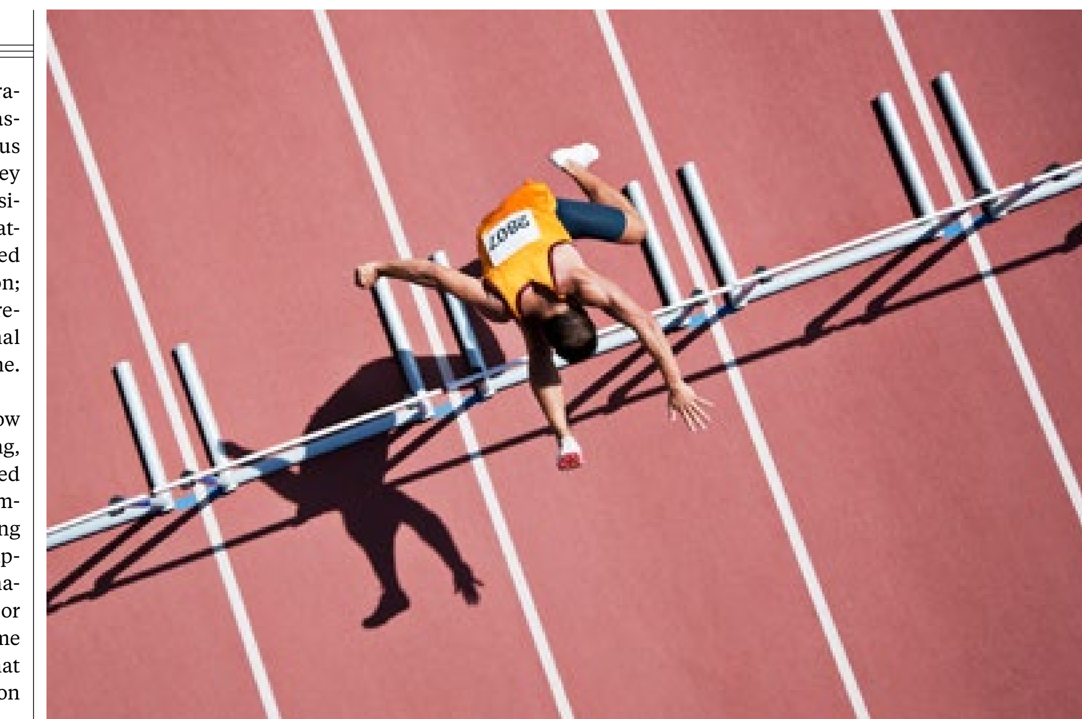
STRATEGY

One foot on the accelerator, the other on the brake

Driving forward a successful business increasingly involves being both agile and resilient – and it's the COO who needs to marry those two seemingly disparate goals

Nick Easen



Those who head up operations at many firms increasingly need an ambidextrous approach. On the one hand, they must deliver growth through business agility, which involves innovating at pace. On the other, they need to deliver a resilient organisation; one that is stable, secure and predictable, where new operational threats and risks must be overcome. Marrying the two isn't easy.

The litany of challenges that now test chief operating officers is long, whether it is digital and data-led transformation, the Covid pandemic, Russia's war in Ukraine, soaring energy and commodity prices, supply-chain constraints, the sustainability agenda, evolving cyber risks or indeed new regulation. At the same time, COOs must work to ensure that firms stay ahead of the competition and generate new business.

This year's World Economic Forum's Global Risks Report is a good illustration of why businesses need a belt-and-braces approach: 42% of the 12,000 global business leaders surveyed said the outlook for the next three years would be "consistently volatile with multiple surprises" while 38% expected "fractured trajectories separating relative winners and losers".

Yet many firms struggle to combine operational resilience with business agility, whether that's to do with siloed business units and the data they hold, legacy systems, traditional ways of doing things or the sheer complexity of organisations. But the past few years have shown that many firms are more resilient and agile than they may have thought – able to adapt and thrive, as well as absorb shocks.

"There are many lessons to be learned from the pandemic, in circumstances where we were forced to be agile," says Kate Stonestreet, global chief operating officer of law firm Baker McKenzie.

The challenge, she says, is to retain this flexibility moving forward and embed it in a company's culture. "This will position businesses well for the coming years, the potential downturn or any future crises we may face," she explains.

Stonestreet believes agile working enables firms to be resilient, allowing "real-time responsiveness" that creates strength in operations. It also facilitates efficient decision-making if it's underpinned by good governance that is aligned with strategy," she says.

"Agility, while not always easy to achieve, allows for a speed of response that is certainly necessary in the current climate."

There is an increasing realisation that, with the right people, processes and platforms in place, resilience and agility can go hand in hand; that these qualities aren't at loggerheads with each other but are instead complimentary. Both are fundamental to delivering business performance while minimising risk. And it is the COO, rather than any other top-level executive, who should be the one to deliver.

> **Pick the key initiatives that are fundamental to supporting and protecting the business**

"The COO – the executive leader shadowing the CEO – found themselves at the centre of all business activities throughout the pandemic, and this position of enhanced influence, visibility – and, in many cases, mandate – has been carried forward into many a post-pandemic operation," says Maurice Evlyn-Bufton, chief executive officer of COO financial services advisory firm Armstrong Wolfe.

"The chief operating officer also sits at the centre of each company and therefore is well positioned to oversee the adoption of resilience and agile policies, and their governance," he says. "It is their influence on the CEO that is key to success."

Evlyn-Bufton likens the agility and resilience balancing act to Formula One racing. While the objective is to go as fast as possible – to be as responsive and agile as you can to changing circumstances – you still need to use the brakes sometimes to ensure you finish the race.

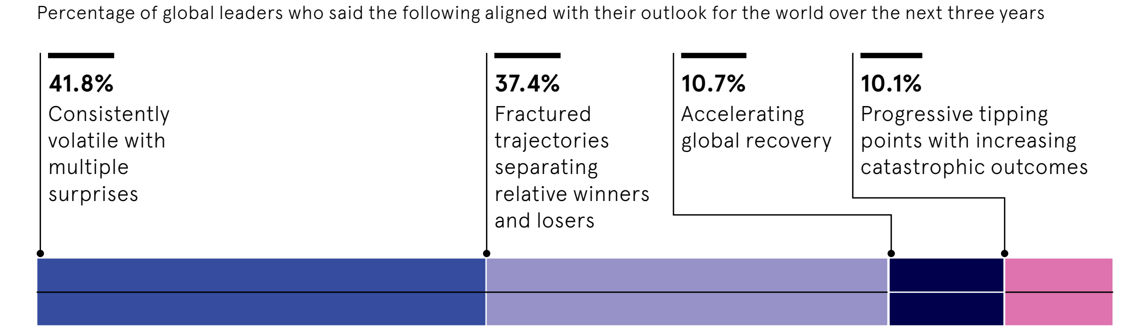
"Racing engineers work with this duality all the time," he says. "It is a particular frame of mind that is needed to marry the two, as opposed to balancing them."

Having a clear operational strategy and an organisational design in place matters. When looking to make a firm more resilient, a good start is to map all business processes, work out whether you have the right talent, systems and technology to deliver on this, then prioritise change accordingly.

"True resilience comes from knowing when and how to rewire the processes, and that requires people in the organisation who understand the big picture," says

WHAT SHOULD COOS BE PREPARING FOR?

Percentage of global leaders who said the following aligned with their outlook for the world over the next three years



World Economic Forum, 2022

Dr Sandra Bell, group head of organisational resilience at Novuna, a financial services firm.

Her advice is always to focus on the people and culture; the rest will follow. “Organisations are complex socio-economic systems and will behave in unpredictable ways. To be resilient, you need people who can sense when things are going wrong, know when to stand fast, yet are willing and able to alter what they’re doing to bring things back on course.”

Having a high-performing team around the COO that collaborates effectively is crucial. The chief of operations must also have a firm eye on customers, be agile themselves – willing to embrace change, challenges and complexity – with a strong commitment to deliver on short- and long-term goals, and to be accountable for them, too.

Some businesses have advocated the introduction of new roles, such as operational resilience champions, to support such initiatives. While these roles can help to prioritise the delivery of operational resilience, though, they can also end up delineating it from business agility, which can be problematic for firms trying to bring the two together.

Relying on top talent to bridge the gap between operational resilience and business agility is one thing but it isn’t a fail-safe in the long term. Staff “churn” can leave firms vulnerable. This is where COOs need to put in place robust and repeatable processes, with strong controls that are informed by data and its associated tools (see box).

Systematic approaches are vital, which is why some businesses have adopted “design thinking”, which enables problem solving centred on customer needs. Others have followed the Six Sigma approach and other such tools that can support process improvements. The aim is to provide better structure to operating models, although wholesale adoption of such approaches can be daunting and time-consuming.

“It may not be feasible to do everything, so pick the key initiatives that are fundamental to supporting and protecting the business, and think about whether you have the right organisational design in place to get you there,” says Jacqueline King, chief operating officer for DLA Piper, a global law firm.

Any business can set a course to manage risk, contingency plan and put robust security in place, she says. “The art is to identify areas of opportunity in the market and to be one step ahead, while ensuring a flexible model is in place that allows the business to innovate and adapt to change.”

New legislation, compliance and evolving government policies are sparking investment in better frameworks, whether it’s fresh rules on operational resilience introduced by regulators, such as the Financial Conduct Authority in the UK, or the European Commission’s Digital Operational Resilience Act.

In some cases, a lack of action is no longer an option. Regulated businesses now must show that they can continue to provide services in the face of adverse and disruptive operational events. They will also have to demonstrate that they can anticipate, prevent, recover from and adapt to such events and learn from them – no small feat.

But while it’s true that businesses have finite resources – and COOs have to continually work out where to allocate time, resources and people – King believes resilience and agility can complement one another “if the organisational model is designed in the right way”.

One of the reasons why resilience and agility are hard to deliver at the corporate level is that business units can be at odds with each other. It is not simply a matter of the IT, cybersecurity and operations teams being focused on secure, stable services, while the marketing and sales teams want to break the mould and be agile as they press on with innovative products, but it serves as an example.

> “True resilience comes from knowing when to rewire the processes, and that requires people who understand the big picture

If you have a chief information security officer, a business development lead and an operational resilience officer, it’s important that their goals are aligned.

“Rather than sink into a ‘who’s right and who’s wrong?’ battle at a business unit level, when the reality is that everyone is right from their individual perspectives, the smart COO creates a vision for the whole organisation,” says Bell. “They create consensus by helping the different parts of the business to understand how the resilience of their part contributes towards it.”

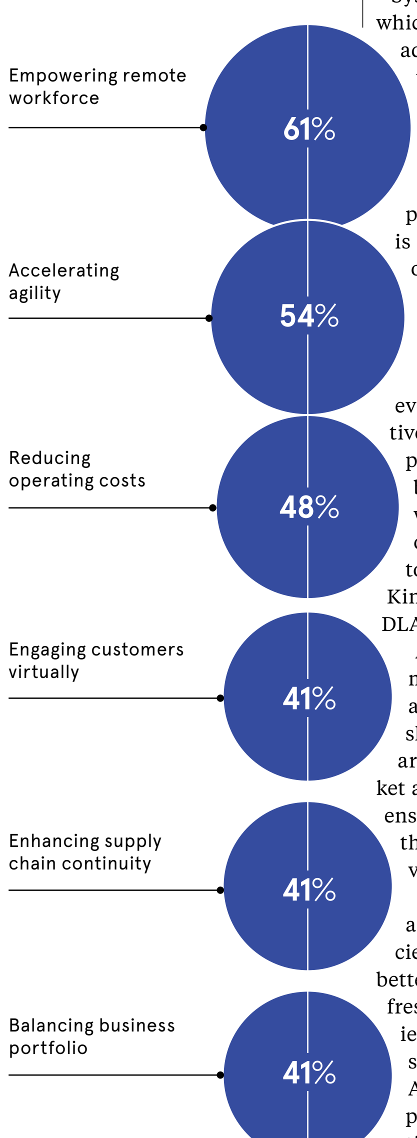
The same is true of business agility. Companies will need to get both aspects right if they’re to be successful in the years ahead. The security and threat landscape is constantly evolving. And, firms don’t stay at the top of their sector for long unless they are innovating at pace. Having a “living” business plan in place; one that evolves day to day, helps.

“The trick is not to stifle the business with, say, watertight security procedures but allow for business flexibility with the right controls in place,” says King.

It’s that “flex” that every business is looking to master. The COO who gets it right on all counts will be worth their weight in gold. ●

WHAT THE CEO SEES AS MOST IMPORTANT

Percentage of global CEOs who say implementation of the following has been important to the organisation’s strategy since the beginning of 2020



IBM and Oxford Economics, 2021

How data delivers

Data is key on every level to calibrate operational resilience and knowing when to invest in business agility. It is the glue that binds different business units, professions and functions that are trying to marry up the two.

Dashboards, for example, are valuable management tools to measure performance, manage risk and inform decision-making. “If it’s not measured, it cannot be managed” is the mantra. A “single pane of glass”, data-empowered view of the business is therefore vital.

Real-time information is also imperative if a business is to be resilient and agile: no one wants to be looking in the rear-view mirror. It is all about forward-looking capabilities that allow constant readjustment, experimentation and optimisation. Data monitoring enables businesses to get an early indication that something is going wrong with operations so that it can be corrected before it escalates.

More businesses are moving towards digital, data-led approaches to keep up with the competition, with some adding layers of data analytics, and incorporating machine learning and AI.

But as businesses transform, new vulnerabilities, security concerns and threats to operational resilience must be taken into consideration – such those thrown up when there is a wholesale shift of corporate data to the cloud, for example.

It is important to employ data-literate staff, so that they can make the most of the information your business generates. A new generation of data-savvy executives is rising through the ranks. As one chief data officer recently quipped, “These days, your talent is more likely to speak Python (a programming language) than French.”

“Transparency isn’t a bad thing,” says Jacqueline King, chief operating officer of global law firm DLA Piper. “The flipside of this data is harnessing it to drive the business, for customer relationship management, for example.

“COOs shouldn’t shy away from sharing operational information as it helps senior management with key decision-making.”

INSIGHT

‘As the talent shortage crisis poses a real threat to growth, the COO must step in’

The role of the COO has changed significantly in recent years. From the CEO relationship to designing the future business model, COOs have their work cut out, says **John Jeffcock**, CEO of Winmark

Q How can COOs navigate their relationship with the CEO?

A The COO and CEO relationship is critical. Working together they need to sustain unwavering alignment, achieve deep trust and be in sync on the major opportunities, challenges and risks.

Covid tested these relationships. Regular casual catch-ups, often good dampeners for areas of tension, were lost and different parts of the organisation needed slowing down, while others needed accelerating at short notice. Priorities and strategic initiatives changed, necessity made organisations more agile and both the CEO and COO roles changed. In this environment it was easier for gaps to grow, particularly as the demand on both roles skyrocketed. To address this, daily virtual calls and chat channels were introduced. CEOs and COOs also had to divide their roles more clearly as their ability to work collaboratively was weakened.

Operations were consumed with day-to-day business, addressing unpredictable staffing issues, solving problems and ensuring reliable supply chains. The recent firing of the easyJet COO shows these tensions are still with us and that CEOs are increasingly impatient to put their strategic initiatives back on the agenda.

CEOs have learnt that big strategic moves are possible and time frames can be dramatically shrunk when the team is focused. The impact of Covid for COOs is not over, they need to refocus on the CEO relationship and make sure that cracks are not allowed to grow.

Q What are the COO’s responsibilities to develop the new people proposition?

A The great resignation has shown that organisations of all shapes and sizes have struggled to respond to the changing demands of employees. As global operations continue to be disrupted, so has the operational workforce.

This concept of the remote workforce has highlighted the need to change the old approach to the employee-employer relationship. COOs, as the largest ‘employer’ of an organisation, must now consider how they can motivate, safeguard and engage employees across multiple locations — a challenge made greater when ‘pop by’ visits, used to take the pulse of team members, are no longer a frequent and viable option.

Typically, the COO has operated under the remit of revenue growth and cost savings, prioritising production and supply chain. With the talent shortage crisis posing a real threat to growth, the COO must step in.

Q What is the role of the COO in building the business model?

A COOs are privately admitting to each other that they are not certain what their future business models will look like and how they will work economically. As group reporting is centralising with the CFO and data architecture with the CIO, what does that leave for the COO to do? The answer is, a lot. The era of sweeping single software solutions ended before Covid, so the organisational design and delivery of the business model is firmly the COO’s responsibility.

Organisations typically run 300 processes, of which around 100 are business-critical. This complexity needs simplifying, but addressing it all at once can be overwhelming. COOs are now dividing processes into groups and building them as standalone applications that can interface with new and changing parts of the business. Understanding these business unit interfaces and having the ability to plug and unplug sections is key. It enables an already pressurised operations team to improve smaller chunks by focusing on areas like the supply chain and customer interfaces. It also enables them to be agile and address the sections most in need of innovation, can add most value to the customers and add the most competitive advantage to the organisation. ●

John Jeffcock
Chief executive, Winmark

Commercial feature

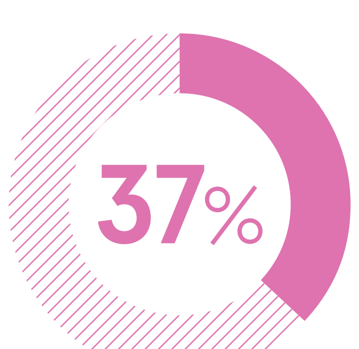
Enterprise agility is transforming the role of the COO

As companies emerge from the disruption of the pandemic, some are adopting agile working practices to great effect

Supply shocks, talent shortages, digital revolution, a pandemic and political bombshells such as Brexit make for a volatile world. In the face of such instability, today's businesses are looking to reinvent themselves as agile, nimble organisations that can respond fast to the latest unexpected jolt to the system.

But many long-established companies struggle to create the agility they need to confront the challenges of modern times. While they are undergoing digital transformations and have introduced new technology to cope with change, many have failed to spread new-found agile ways of working widely across their organisation.

The role of the COO is shifting in response to this need for enterprise agility. "This has become the apogee of the COO's responsibility," says Adrian Clamp, head of digital transformation at KPMG in the UK. "The COO is perfectly placed to create the new structures of an agile enterprise operating model. COOs are the best people to help a business to unlock the benefits of agile at scale. They often see more clearly than others the need to connect functional silos, increase the pace of change and introduce new ways of working. They are typically the sponsors of enterprise agility" he adds.



The revenue growth for agile businesses compared to those who do not adopt agility

MIT, 2006

Redesigning organisations to become responsive to change requires technology, processes and people to work together in new ways. A route to achieving this agility is adopting the approach of a smaller business, says Clamp. "You're trying to mirror how a startup works, but you're doing it within a big company. A startup doesn't have all the functional silos of a larger business, or all the hierarchy and cultural obstacles in place. You just have people innovating rapidly together. Established businesses need to mirror that model, but at scale," he says.

From Facebook and Google to Uber, Netflix, Amazon and Airbnb, the hyperscale Silicon Valley startups of the past two decades have used agile methods to create rapid global success. Now long-established giants are looking to adopt their methods. Banks and insurers are pushing ahead with agile methods as an explosion of innovation in fintech has created a range of new mobile-first fintech apps. Automobile makers are using agile to shift to electric cars. The race for net-zero carbon is being conducted through agile methods. Public sector organisations are also using agile methods to deliver more for less.

For those who get agile right, the rewards are substantial. Organisations that adopt enterprise-wide agile working are better equipped to navigate external and internal change at market speed. They produce value faster and achieve better growth on average. Their revenue growth is 37% higher than those that do not adopt agility according to MIT, while Forrester says their growth is 3.2 times higher than industry average growth.

Clamp sees the move to enterprise agility as an historic shift in management away from the Fordist, Taylorist model of standardised mass production of small tasks, the organising principle of business for over a century. An agile enterprise treats colleagues, not as individual cogs in a machine, but as the well-spring of change and innovation.

> **This is the apogee of the COO's responsibility. The COO is perfectly placed to create these new structures, these new ways of operating. They are able to see the need for agility and to do something about it**

They work in small, cross-functional teams drawn from across departments to share knowledge and expertise in the drive to make continuous improvements which respond to the needs of the customers and their colleagues. However, this has dramatic implications for the way the business is organised and for the mind-set of everyone from board directors to staff.

"Agility is needed in anything that drives change for the organisation," says Mel Newton, a partner in the people consulting practice at KPMG in the UK. Agile methods can be used to implement new technology or to change work processes, to move staff to different roles or target new customer groups, to enter a new market or respond to a change in regulation or a global pandemic.

The methodology of agility originated in the early 2000s as a way of improving software development. Rather than creating, testing and introducing new software then launching it fully formed on a certain day, software developers went agile. They created cross-functional teams alongside product testers and user interface experts to build the software, go live and then perfect it while it is being used. This means crafting a minimum viable product, then tinkering with it on the go as problems come to light, "fixing the plane while flying it."

Enterprise agility takes this approach business wide. In the present environment of post-pandemic inflation, supply shortages and the talent drain, agility is coming into its own. Companies are focusing on the changing behaviour and needs of both customers and employees.

However, businesses pay too little attention to the cultural and people aspects of agility, says Newton: "An agile enterprise requires a completely new organisational culture and fresh ways of working." A fresh approach is required from the chief executive, CFO, CMO, CHRO and COO. Their main task is to invert the traditional power structure, step back and hand control over to their employees.

She adds: "The people on the coalface, those who are actually running these processes and doing the work and interacting with customers are the ones who know best about how to deliver the operations and are in touch with what customers need."

For C-suite leaders, empowering agile teams can be tough as it means giving up power bases they may have built up over many years. Senior executives need to become "servant leaders" who facilitate the rest of the team and empower them to lead change.

At the same time, the organisation needs to become much more flexible and fluid and adopt a matrix structure.

An example could be head office and support staff from human resources, finance, risk management and procurement working together to support the rest of the organisation. These staff spend some time in their own departments then work in cross-functional teams helping with the creation of new programmes, changing processes, or assisting in new product development.

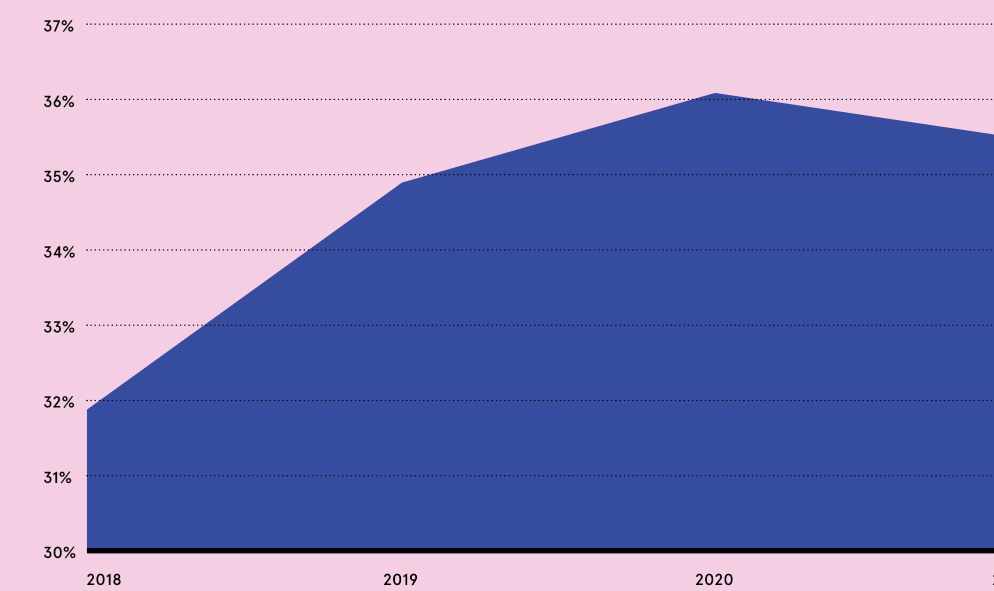
"And that's quite a change of shape for most organisations," says Newton. "It means heads of department lending their people to the rest of the business. And it means thinking about the processes of the entire business, not just their own individual roles."

Typically, says Newton, organisations create a transformation plan to respond to a market risk – such as a new rival – and that transformation process might last more than a year. But by the time the plan is finally put into place, the original business case might be out of date – through market disruption, inflationary shocks or any of the myriad causes of change. "Agile is about looking to get benefits during the journey of that transformation through continuous improvements that can be introduced every step of the way," Newton says.

Commercial feature

THE PERCENTAGE OF COMPANIES THAT HAVE COO ROLES HAS INCREASED SINCE ITS 2018 NADIR

Crist Kolder, 2021



According to Martin Molloy, a partner at KPMG in the UK's technology advisory, a crucial factor for many organisations is a change that began about a decade ago. Before this, technology used in the workplace was far superior to the technology staff had at home. But that has reversed with the prevalence of fast broadband, smartphones, tablets and 5G. This is creating profound changes to working patterns as businesses transform their processes accordingly and implement work from home practices and allow staff to use their own devices. At the same time, technology is moving faster and the cycle times for innovation are shortening.

These trends heap pressure on businesses to be ready to adapt to the new realities that are impacting the experiences of both the customer and the employee, says Molloy. "These factors make it easier for new entrants into your market to be disruptive," he says. "They can lure away your staff and your customers too, tempting them with the latest advances in technology." This is how many of the Silicon Valley scale-ups of the past 20 years have re-invented markets and outmanoeuvred legacy businesses.

Established players are responding with their own agile development programmes.

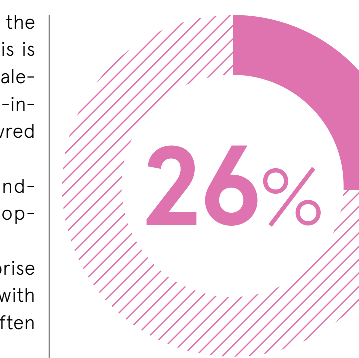
However, while improving enterprise agility is vital to keeping pace with market disruption, the process often falls flat, says Molloy.

"The reason agile is often only partially successful is because it's easy to do software development and build new tech features and capabilities but if the users and the customers don't help to design them and know how to use them quickly, you don't get the value from them. We need to not only help the technology function become more flexible and in tune with the business environment, but also to educate everyone in the business about what agile means and how the new features work," says Molloy.

Another area that requires a complete rethink when shifting to agile working is the issue of budgeting and value creation. Traditionally, budgets are given to development teams annually, and the team must have a clear plan of exactly what they are going to deliver in 12 months' time before they get the finance. But agile teams can't plan forward in this way. They make continuous improvements, fail fast and work through trial and error, driven by how effective the changes are in driving growth or reducing costs

According to Allaster Finke, a director in the technology team at KPMG in the UK, businesses should move away from annual budgets towards more flexible monthly cycles. "When budgets are moving month to month, businesses can reallocate their funding in a way that helps them better respond to whatever pressure or demand the market has on them. It's much harder for an organisation that sets the budget annually to be able to change direction and make that rapid reaction," he says.

"If a team is being agile and fleet of foot, they might not know what they are going to finally deliver or when. So how do you work out budgeting for them and how do you incentivise your people?" adds Molloy. "People tend to be measured by annual cycles and on objectives that are financial and non-financial. But this may be incompatible with an ever-changing environment where the goalposts are constantly moving around."



of CEOs acceded to the role from a COO position

Crist Kolder, 2021

> **Businesses often tell us they are too siloed, too hierarchical, and too bureaucratic to respond to a rapidly changing world. They know they need to be more customer-centric, leaner, agile and better connected**

Clamp adds: "Businesses often tell us they are too siloed, too hierarchical, and too bureaucratic to respond to a rapidly changing world. They know they need to be more customer-centric, leaner, agile and better connected." Becoming a connected enterprise isn't so much about turning around a super tanker as redesigning the old vessel in the form of dozens of fast-moving, highly-manoeoeverable speed boats. As the world becomes ever more unpredictable, enterprise agility is essential in helping businesses to maximise value in the digital age.

To find out more, please visit home.kpmg/uk/connected

OPERATIONS

The COO: an ill-defined but crucial role

One of the most challenging positions in the boardroom, yet the role of chief operating officer is without a clear job description and progression route

FreshSplash via Getty Images

Alison Coleman

The chief operating officer has been described as the backbone of an organisation; the glue that connects the commercial strategy of the business with delivery and execution. Yet unlike other members of the C-suite, there isn't a single description of what the role entails, nor is there a clearly defined route to becoming COO.

Some COOs handle everything – from HR and finance to marketing – while others focus on overseeing research and development, product strategy and supply-chain logistics. This appears to make the opportunity open to all contenders.

But with the business world currently facing unprecedented challenges, is there one function in particular from which COOs are now more likely to emerge?

The role of COO has evolved from a mostly operational focus to one closer to that of a deputy CEO. Now, the COO has a mandate to handle traditional operational responsibilities while leading a company's most important strategic initiatives.

Organisational psychologist Dr Lynda Folan, author of *Leader Resilience: The New Frontier of Leadership*, thinks that, while this may look like a logical evolution, for many businesses it isn't necessarily an effective structural decision.

"The lack of definition of what this broader role requires – and the distinct lack of forethought on the succession for these roles – is a business risk. And it is even more so in the volatile business setting of today, where failure is not an option," she explains.

Many of today's COOs have come from the revenue-driving commercial side of the organisation – the front end of the business – because that's what drives the profits for many companies. But there are usually a lot of strings to a COO's bow.

"They might have come up the commercial route but have also spent time in sales operations, customer success or professional services delivery," says Mike Drew, head of the technology practice at executive search firm Odgers Berndtson. "Historically, COOs have come from a services and customer success angle but we're just as likely to see a COO come up via the front-end sales route as the back-end delivery route.

> "A high emotional quotient, the ability to manage change quickly and strong communication – are critical

"Either way, they need to be able to meet in the middle and act as the conduit between the back end and the commercial front end," he says. Regardless of the business function they come from, a potential COO needs to have perspectives on strategy, customer success, operational mechanics and service delivery, as well as commercial acumen. The most suitable COO candidates are likely to be those with well-rounded backgrounds rather than narrow or specialist disciplines.

"A marketing, HR or IT professional is unlikely to become a COO," says Rachel Davis, co-managing director of talent insights firm Armstrong Craven. "A finance director who has led multiple functions – for example, procurement and IT, which often come under the umbrella of finance – or a sales leader with intimate knowledge of customers, markets, pricing, and therefore margins, would make a better candidate."

One of the ways in which the ideal COO candidate requirements have changed in the past two or three years of economic disruption relates to their leadership attributes. "A high emotional quotient and the ability to manage change quickly – with strong communication to bring the whole business along – are critical and these aspects have definitely come to the fore over the past two to three years," says Davis. "Command-and-control styles are no longer delivering."

A successful COO understands the importance of the strategic partnership between their role and that of the chief executive. Natalia Shuliak joined data analytics platform DoubleCloud as COO earlier this year. She says: "You can't be excellent at development, product and the commercial side of the business. At best, you can be great at two of those things."

The stronger the partnership of the COO and CEO, the greater the chances of them "building something solid", she says, which is why the COO's role is "never defined".

"For example, I'm strong in go to market and building a predictable machine, which is what I've done in different roles, including marketing, business development, sales, and operations," she explains. "As COO, I partner best with those who are great in development and product."

Others insist that the financial, economic and operational challenges facing businesses today have created more opportunities to progress to COO from across all areas of an organisation.

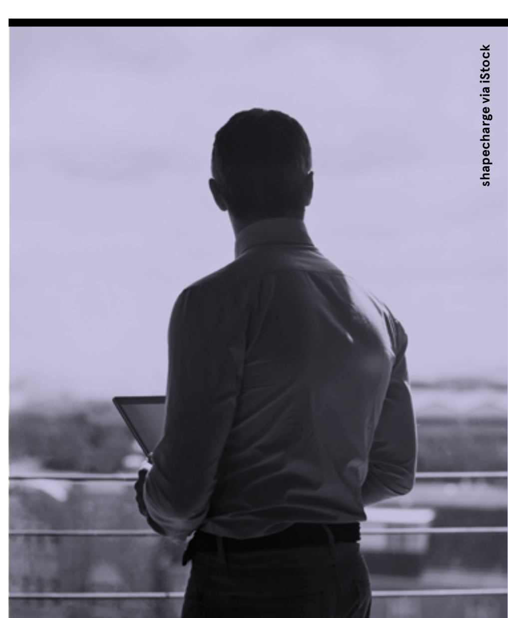
Katie Lee, former UK chief growth officer at global media agency Wavemaker, recently became the company's COO. She sees the role as one that can adapt to the specific growth needs of the business and, as a result, is open to candidates from any part of the business and from a variety of roles.

> "A marketing, HR or IT professional is unlikely to become a COO

Nevertheless, Folan insists that the recruitment of the COO should not be a default appointment from within the functional area of an organisation's operations. With the breadth of the requirements of the evolving COO role, she thinks it unlikely that an executive with a traditional trajectory through operations would be an ideal candidate.

Leading at executive level, with such a range of functions necessary, "requires staff development with a strategic focus", she says, adding that companies will run into difficulties if this aspect is ignored.

"The appointment will be problematic unless the organisation systematically prepares those identified as having potential for the COO role." And without a significant level of investment in that person's development before their appointment, she says, "they will likely face challenges in delivering the breadth of responsibility".



shapecharge via iStock

From COO to CEO

In most companies, the chief operating officer is second in command. If the chief executive is absent, it's usually the COO who steps up, making them an obvious candidate for the top job. It is also a well-trodden path. Asos recently promoted its COO, José Antonio Ramos Calamonte, to chief executive, while earlier this year, former Salesforce COO Bret Taylor moved into a co-chief executive role.

While the past few years have seen other function leaders make the transition to CEO – with the chief finance officer and chief human resources officer being popular candidates for the top job – the strategy-focused nature of the COO role makes it a natural pathway to becoming chief executive. But what really counts for any contender is the ability to flex multiple muscles outside their specialism.

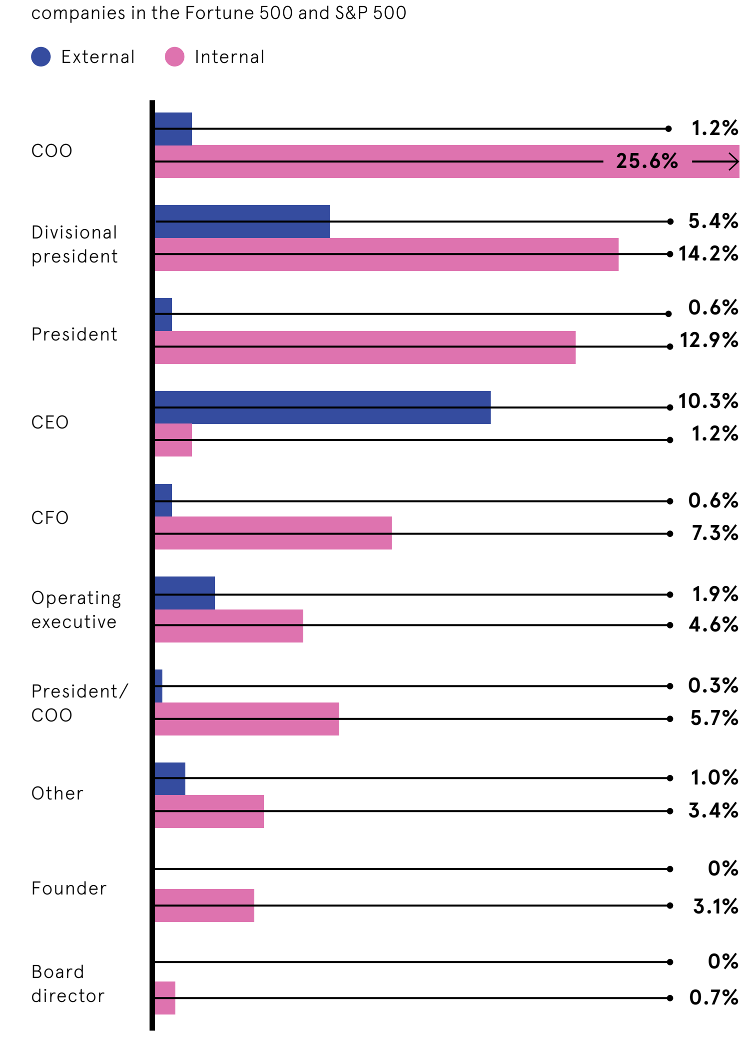
"The CFO usually has a strong relationship with the CEO but, if they're too focused on just the numbers or cost control of the business, they are unlikely to make a good CEO themselves," says Drew. "Because the COO has such broad exposure, they're less likely to fall into the trap of only being focused on one area."

Carl Uminski was co-founder and COO of digital product agency Somo until the start of this year, when he became its chief executive. "The CEO sets the strategy, manages investors and is accountable for the direction of the business. But it's the COO who gets it there," he says.

A chief operating officer naturally makes a good CEO because they know how the company operates, and its strengths and weaknesses, he says. "However, the role immediately is less operational, less firefighting, less 'doing' and more strategic, which doesn't suit all personalities."

PATH TO THE CEO

Immediate previous position of sitting CEOs from companies in the Fortune 500 and S&P 500



STRATEGY

Don't downplay the downturn

Economists believe there's a 50-50 chance of a recession in the next 18 months. Past financial crises showed us that acting fast and preparation are key, but what steps can chief operating officers take today to protect their businesses tomorrow?

Jonathan Evans

The world economy is close to entering a recession, perhaps as soon as this year. And to avoid taking too much of a financial hit, businesses – specifically COOs – will need to prepare.

Last month, Citigroup forecasted a near 50% probability of a recession occurring within the next 18 months. In reaching this assessment, the investment bank pointed to the continuing rise in inflation and of interest rates as the main drivers of the economic downturn.

The economic outlook in the UK is more complex than in other developed nations. While it, too, has been battling the toxic mix of external economic headwinds – including the war in Ukraine – the UK is also grappling with the dual challenge of higher import costs and a weaker pound because of Brexit.

The Bank of England governor, Andrew Bailey, sounded the warning last month that the UK is heading towards a far steeper downturn than other major economies. Meanwhile, the National Institute of Economic and Social Research predicted, in May, that Britain will enter a technical recession by the second half of this year.

"The likelihood of seeing a recession in major economies like the US, the Euro area, and the UK by the end of 2022 or in 2023 has increased significantly," says Tommaso Aquilante, associate director of economic research at Dun & Bradstreet.

"Inflation has spread across the different sectors of the UK economy more than elsewhere – and high energy prices, rising interest rates and fast-moving exchange rates will continue to impact firms' bottom lines for the rest of the year and beyond," he adds.

Even if the definition of a recession is not met in the next 18 months, the UK still faces a lengthy period of economic downturn. Rising inflation is expected to grind growth to a halt next year, with only Russia's economy predicted to perform worse than the UK among the G20.

For COOs, though, estimating the timing and length of a recession isn't a current priority. Given the economic environment, a recession appears inevitable. And for the chief operating officer, the focus now is on getting ahead of the curve so that they can avoid having to make hasty business decisions in the middle of a financial crisis.

While the role of the COO lacks a single agreed-upon description, COOs are typically responsible for all areas of business operations, which can include marketing and sales, production, and research and development. And an effective COO knows how the company functions on a strategic, operational and tactical level to deliver its products.

Danni Rush is COO at Virgin Experience Days, Virgin Experience Gifts and Virgin Incentives, and agrees with this view. She notes that the oversight of operations – and, in turn, the business's internal and external pressure points – places COOs in the best position to prepare their companies for a recession.

"A robust COO will have their ear to the ground to ensure the economic landscape is factored into their decisions, and envisage the impact on their customers and teams."

She adds that, during a recession, COOs must closely monitor customer behaviour and bake flexibility into the business operations – so that they can quickly adapt to the changeable economic landscape.

> Inflation has spread across the different sectors of the UK economy more than elsewhere

"A recession may impact your customers before it impacts your business. Be prepared to double down on what's working, pivot your business, or find innovative ways to grow or create a difference for your customers and teams."

Recessions never impact consumers or sectors equally. And some businesses are already starting to broaden their client base to prepare for the expected economic downturn later this year.

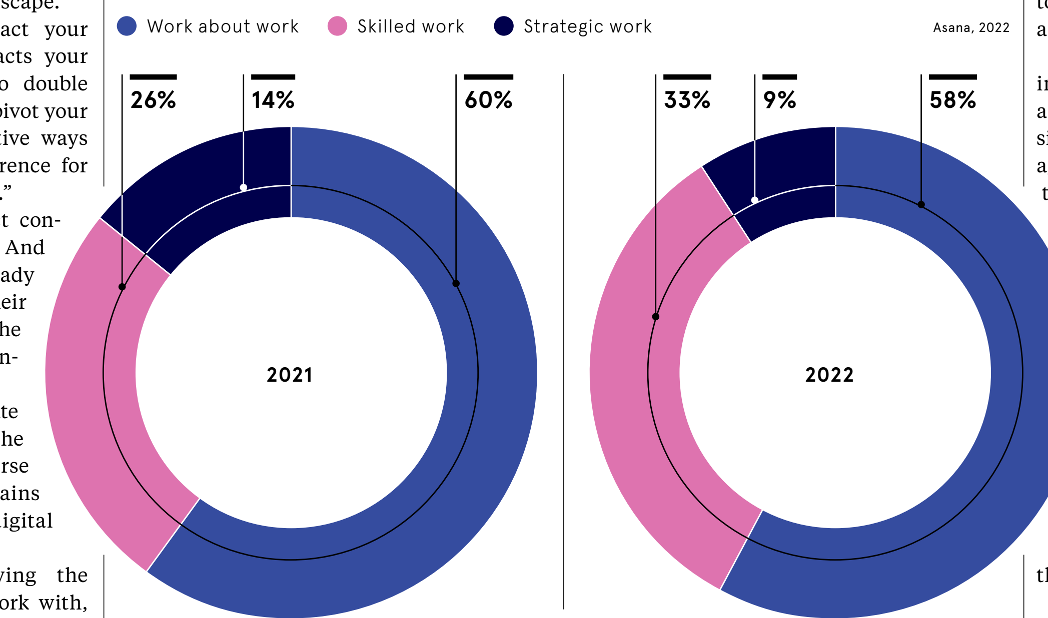
"We are looking to mitigate business risks through the development of a diverse client portfolio," explains Christiane Jauch, COO at digital consultancy OMMAX.

"This means diversifying the range of industries we work with, broadening our scope of activities and work packages, and being open to greater variety in contract types and work lengths."

A 2019 study by Bain on how businesses reacted to the recession of 2007 to 2009 highlights the importance of diversifying your client base. After analysing nearly 3,900 companies, Bain found that the businesses that stagnated in the aftermath of that recession did not have a contingency plan in place when the financial crash happened. As a result, they switched to a survival mode when the downturn hit, forcing them to make deep cuts to their staff and business outputs.

COOS WILL NEED TO REDRESS THE BALANCE OF WORK TO WEATHER DISRUPTION

Percentage of global knowledge workers' time spent on the following types of work



Asana, 2022

In contrast, the businesses which grew during the recession adopted a strategic mindset that included diversifying their client base. In addition, these businesses embraced emerging digital technologies, in the months leading up to the recession, which made them more resilient to the economic shock.

Joshua Zerkel is head of global engagement marketing at Asana. He believes COOs will need to adopt a similar strategic mindset if their business is to weather the incoming recession. "This is not the time to throw spaghetti at the wall. You can't do everything. This is the time to think strategically and focus your efforts on activities you're certain will move the needle.

"COOs have a direct role in this. To create more productivity during a recession, they need to encourage the managers they work with to revisit their workload. If there's anything they are doing that isn't directly connected to the actual goals of the company, the COO needs to step in and tell them to stop. This is the time to focus solely on things that actually matter," he says.

But communicating this strategic mindset to your wider team is easier said than done. Recessions – and times of economic instability – are anxious periods for most people, regardless of their pay grade. And as inflation rises and warnings about the perilous state of the UK's economy continue, it's likely that without clear communication, employees will panic and question whether their job is secure.

Zerkel believes that this questioning will lead employees to focus on mundane tasks that add little real value to the business in an attempt to prove their worth and show how busy they are to their employer.

"When we feel anxious we tend to focus more on busy work just to feel we're doing something, rather than the more strategic and purposeful work. We find ourselves essentially doing the digital equivalent of shuffling papers around our desks."

Research from Asana found that the average worker spends about 60% of their time on mundane duties, including responding to emails and searching for documents, rather than focusing on meaningful activities that fit into the overarching strategy set by the COO and chief executive.

Zerkel expects this figure to rise if there is a recession. But tackling the rise of pointless work and refocusing all employees on activities that deliver strategic value will require COOs to talk openly about the possibilities of a recession and what the business is doing to prepare, which they can be reticent about.

> This is not the time to throw spaghetti at the wall. Focus your efforts on activities you're certain will move the needle

"COOs should be honest and say, 'yes we are in a time of uncertainty and there are things beyond our control but here is what we are going to do to address it'," says Zerkel.

"People want clarity, and COOs should explain the strategy they and other C-suite leaders have set, and how everyone, from the CEO to the intern, has a part to play."

Rush agrees, adding that the success of a COO's strategy for combating a recession hinges on how it is communicated to the wider team: "Business leaders need to be open with their employees and external partners. Make time to see people face to face and encourage Q&A sessions among your key groups."

She adds that having a solid communication strategy in place is also crucial "so there are no surprises and you're fully transparent, and work together to come out stronger".

Clearer communication is only one part of the overarching strategy that COOs must adopt in order to manage their business through an incoming recession.

Incorporating digital technologies into business operations should also be prioritised. During a recession, most companies implement aggressive cost-reduction measures to counteract the economic disruption. These measures typically involve across-the-board pay cuts and some employee layoffs. But they might also extend to a reduction in technology investment.

Such reductions, however, overlook the fact that the businesses which advanced – rather than receded – during the recession upped their investment in technology, both in the lead-up to and throughout the whole of the financial crisis.

The benefits of upping technology investment during a recession are twofold. Incorporating digital technologies – such as automation and data-driven decision-making – can help COOs to reduce costs within their business, which subsequently enables them to gain an edge over their competitors by reducing the price of their products.

Next – and most importantly – the adoption of digital and advanced analytics makes businesses more flexible by improving the amount of data and insights they have access to. They can help COOs understand how the recession is impacting their business and where to change their operational performance.

Jauch is improving the digital capabilities of her business, OMMAX, in anticipation of a recession in the near future.

"We've always been a growth-focused company but we're now also focusing more on costs and efficiency of processes with cost development." There should, she says, be "continuous investment in digitisation" with a focus on driving efficiency and automation of processes in areas such as reporting, data transparency, finance, capacity planning, staffing, technology and culture management.

Boosting digital capabilities – much the same as improving communication within a business and diversifying clients – are steps best taken before the start of a recession. Based on the research, it's clear that the COOs who are proactive in preparing their business for a recession fare considerably better than those who adopt a reactive approach.

50%

probability of a global recession, according to Citigroup

Reuters, 2022

0.2%

drop in gross domestic product forecast for Q3 and

National Institute of Economic and Social Research, 2022

0.4%

the forecast drop in Q4, marking two consecutive quarters of contraction, a commonly used definition of recession

National Institute of Economic and Social Research, 2022

Chief concerns

Chief executives and chief operating officers have one of the closest and most critical relationships in the business world. While most jobs are defined by the structure of the organisation or by the work an individual does, the scope of a COO's role is often decided by the wants and needs of the CEO.

In this sense, the existence of the COO role is a nod to the complexities and the sheer number of commitments that are placed on CEOs today. Although most CEOs still set their company's overarching strategy and tactical direction, the truth is that few have the time to bring these strategies to life.

Organisational and project management skills are essential, as COOs look to transform the CEO's vision into a reality. Frequently, this involves the COO acting as a change champion within a business by taking on the responsibility for delivering results on a day-to-day and quarterly basis.

Danni Rush is COO at Virgin Experience Days, Virgin Incentives and Virgin Experience Gifts. She says the COO must be fully aligned with the CEO's visions.

"In our business, we create the vision as a team and ensure we are all on board. Being able to communicate clearly and help people buy in and be excited by the business vision should be the number one goal."

The single element most critical to the success of a CEO-COO pairing is the quality of communication between the two individuals. Without a clear line of communication, COOs may struggle to develop and implement the chief executive's strategy.

The need for effective communication between CEO and COO takes on extra significance during a recession – when both C-suite leaders face additional pressures to manage within and outside their business.

During periods of slower growth, such as a recession, investors may look for reassurances that the senior management team has a strategy to weather the economic storm. Similarly, COOs may face challenges to the operational output and culture of the business as employees begin to worry about their job security.

Christiane Jauch is chief operating officer at digital consultancy OMMAX. She believes that CEOs and COOs can successfully counteract these twin challenges by meeting and communicating regularly. "A recession means more daily interactions, with the CEO working in a closer partnership. There's also a greater level of short-term planning and an emphasis on flexible business operations."

The relationship between a CEO and COO will inevitably be tested during a recession. But by increasing levels of communication and agreeing on an effective strategy, they can work to prepare their business to overcome the challenges that arise as a result of the economic disruption.

COO IN 2022: PROBLEMS AND SOLUTIONS

The chief operations officer's role has never been broader. From transitioning to remote and hybrid working to managing supply chain disruptions, their remit is wide and the challenges many. So, what can COOs do to tackle some of the things keeping them up at night?

THE TOP CHALLENGES FACING COOS

Percentage of global chief operating officers who said the following were their top challenges in 2022

PwC, 2022

- A Worker shortages 44%
- B Digital transformation initiatives 43%
- C Covid-19 variants requiring remote or restricted working 36%
- D Continued global supply chain disruptions 29%
- E Making our supply chain more sustainable 28%
- F Rethinking our real estate footprint 22%
- G Inventory management 18%
- H Integrating new acquisitions 17%
- I Increasing investment in the compliance function 17%
- J Global trade and regulations 17%
- K Reducing our carbon footprint 17%

E ADDRESSING THE SUPPLY CHAIN TO PREPARE FOR DISRUPTION

Percentage of COOs who say they plan to manage uncertainty in the business environment by doing the following things in 2022

27% Nearshoring operations

25% Reshoring operations

18% Offshoring operations

PwC, 2022

A INVESTING IN TECH CAN HELP WITH EMPLOYEE RETENTION

54% of global operations leaders cite easy-to-use technology as a key factor in how they recruit and retain employees

91% have implemented, in some capacity, emerging technologies that allow employees in physical operations to do some or all of their work remotely

95% that have already implemented AI and automation report increased employee retention

Samsara, 2022

D INVESTING IN DIGITAL TECH CAN HELP COMPANIES WEATHER DISRUPTION

95% of global operations leaders agree that digitising operations improves their ability to weather disruptions

60% of organisations have increased their monitoring of powered assets in response to rising fuel costs

F FOOTPRINT CHANGES IN FOCUS

Percentage of COOs who say they plan to make changes in the following areas in 2022

PwC, 2022

Relocating facilities	Acquisitions	New facilities	Expanding into new markets
22%	28%	28%	48%

C INVESTING IN DIGITAL TECH CAN SMOOTH THE REMOTE WORKING JOURNEY

Percentage of global operations leaders who say the following were the biggest changes they made to facilitate working from home

Fortinet, 2021

Increased budget for investment in technology to support remote work	45%
Adapted existing technology to support remote work	27%
Adjusted network policies to support third-party access	20%
Changed procedures to support third-party access	4%
No change needed, we were prepared for remote work	4%

K THE OPERATIONAL COST OF NOT REDUCING CARBON FOOTPRINT

Percentage of global CxOs who say the following are the top five climate-related issues already impacting companies

Deloitte, 2022

Operational impact of climate-related disasters	48%
Regulatory/political uncertainty	47%
Pressure from civil society	42%
Need to modify industrial processes	40%
Cost of climate change mitigation	40%

Commercial feature

Inspiring the next generation of COOs

How AXA UK & Ireland's COO function is transforming the company into a more efficient and effective business

Three years after Shali Vasudeva joined AXA UK & Ireland as chief operating officer (COO) in 2019 – the first time the role was introduced at a UK and Ireland level – she knew she'd reached a turning point in terms of creating a genuine pathway for aspiring COOs to follow in her footsteps.

"When I joined, I asked about succession planning, and I think I had one person who was remotely interested in doing my role in the future. I can safely say that this year, I've spoken to about 15 people who would love to do my role if the opportunity arose," Vasudeva says.

> The insurance sector aims to help real people with real issues, so we need talent to come in and be able to think about what innovation they could bring and help us think less like an insurer and more like a retailer in terms of how we engage with customers

Debunking the insurance sector's reputation as a complex, legacy sector is also something Vasudeva is passionate about to ensure continuous injection of fresh blood into its ranks.

"The insurance sector aims to help real people with real issues, so we need talent to come in and be able to think about what innovation they could bring and help us think less like an insurer and more like a retailer in terms of how we engage with customers. It requires people to build solutions that are innovative and creative," says Vasudeva.

"It seems an underrated industry to work in at the moment, but I genuinely think the sector is going through an exciting set of innovations around technology, analytics and data."

The COO at the centre of AXA UK & Ireland's transformation

Changing the dialogue around what tech and data mean in the insurance industry to excite a new generation of talent is something Vasudeva sees as a firm part of the COO role. In fact, the transformation she has led, with tech and data at the centre, is transforming AXA UK & Ireland into a business that has gone from "doing things four ways, four times," to, "doing things once, efficiently and effectively."

This is what Vasudeva notes has been and will continue to be the most significant impact of her role so far; one that has brought greater collaboration and improved controls across AXA UK & Ireland's federated structure of separate business units, each of which has its own leadership and financial framework.

It's not been an easy feat for a role that spans IT, resilience and security, data, change, strategic partnerships, property and procurement, and third-party risk. Vasudeva and her team have been instrumental at eliminating duplication and finding more scalable ways of doing things across the business, particularly when it comes to overhauling its tech systems, from collaborative working tools to those that streamline customer claims and overall customer service.

AXA UK & Ireland's COO Shali Vasudeva pictured left

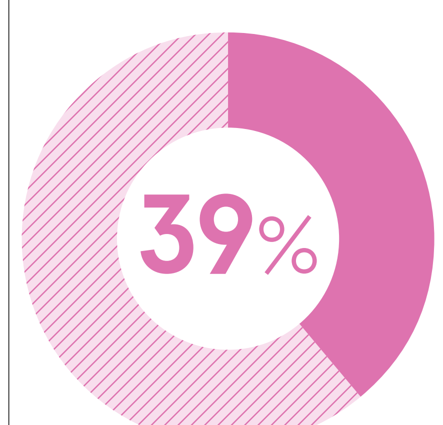
For example, machine learning is being deployed across customer property claims and so far has demonstrated a 25% reduction in claims being re-routed due to the tool's improved accuracy. This technology is also capturing relevant data from customer calls, assessing how much it would cost to fix a vehicle versus write it off, making the right decision as soon as the claim is notified.

The secret is simplicity

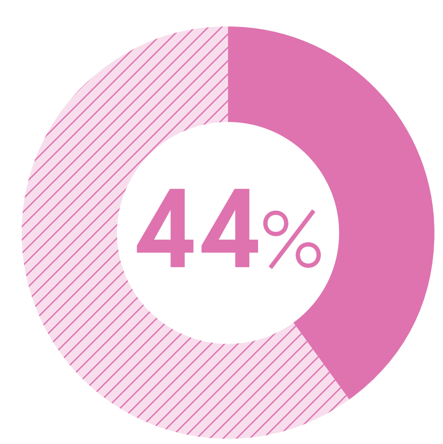
"Our teams need to be equipped to be able to do things in an agile way, using modular 'plug and play' architecture that allows you to continue to develop services; moving away from legacy to make them more future proof and durable," says Vasudeva.

She adds: "The simpler we can make it, the more we're able to be agile. We know complex technology drives complex processes, which can translate back to the customer in a negative way. Something that we're adamant about is that these have to be business programmes, rather than technology programmes, where the customer is at the heart of how we design the transformation."

A new area of the COO remit is managing and strengthening strategic partnerships, extending the streamlining process to this area by building a new team focused specifically on big partners like Salesforce, Microsoft, and outsourced partners, which Vasudeva describes as extensions to AXA itself.



The percentage of women in executive roles across AXA UK & Ireland



The percentage of women on AXA UK & Ireland's management committee

AXA UK & Ireland, 2022

> Our teams need to be equipped to be able to do things in an agile way, using modular 'plug and play' architecture that allows you to continue to develop services; moving away from legacy to make them more future proof and durable

"We used to have multiple partner relationships and multiple versions of software being used across the business. As we're becoming more dependent on some of them, bringing a number of the outsourcing arrangements together from a technology perspective has become really important," says Vasudeva.

The next 18 months will see AXA UK & Ireland direct a "significant budget" towards continuing this transformation, ensuring all new technology works together within a "common architecture" that sits within a cloud framework.

"We're probably about two thirds of the way, in terms of commissioning the new and decommissioning some of the old. Cloud technology is the only way to go in terms of your infrastructure setup, because of the flexibility, agility and security it gives you," she says.

Cultivating resilience in the face of pressure

Delivering such a radical transformation for the business doesn't come without its pressures, Vasudeva acknowledges, which is why, from a professional development and wellbeing perspective, she's made it a big priority to cultivate resilience, collaboration, and a culture of continuous learning, especially as the COO function has also been at the forefront of crisis management.

"You've got to stay calm, because you always end up torn between having a great plan and transformation agenda, with all the component parts you need, then having to redirect your attention, to be able to respond to something that you hadn't expected. That requires a hell of a lot of resilience," Vasudeva says.

She adds: "And when you look across an organisation where change is new, that also requires a different level of resilience. Everybody hits that brick wall in the middle of a big change programme – some people respond to it better than you expect, and others can find it more challenging – so understanding those dynamics means you need to stay resilient, have strong leadership, communicate with each other and stay focused on the bigger picture and ultimate objectives."

Vasudeva says AXA UK & Ireland carries out more training now. The company's business partnering model helps it to collaborate more closely across different business units. This, she says, means "we better understand what the business wants to do, and work together to develop how we do it."

This level of collaboration has meant a greater focus on stakeholder management and an increased need to update and continuously upskill within the COO function as customer needs and expectations evolve. Vasudeva points to the establishment of the organisation's data academy and the new technology academy to support employees and help them develop the skills needed to power the business forward.

"What was right 12 months ago is going to keep changing. We're only as good as our team, so it's important we give them the support and the access to tools to be able to do their role, and allow them to grow as the world evolves," Vasudeva says.

For more information please visit axa.co.uk/about

Commercial feature

The role of the COO in the future of work

When it became clear that hybrid working would become a firm part of AXA UK & Ireland's employee blueprint, and that returning to the office full-time would be relegated to the past, COO Shali Vasudeva was sure to co-sponsor, with HR, the business' 'Smart Working' strategy, as part of its ambition to become one of the world's most inspiring companies to work for.

"Historically, some leaders have felt the need to see their teams in the office. I've always been a massive fan of hybrid working and I'm just so pleased at how we've overcome one of the biggest obstacles around this. I've seen productivity improve in certain areas because they've got that flexibility, so I think we're in a good place to showcase this," Vasudeva says.

Allowing for localised team agreements around remote work, reinventing both the office and the tech tools required to support collaborative hybrid working and examining what flexible hours look like in reality are all key components of how Vasudeva and her team are spearheading how AXA UK & Ireland is bringing the future of work into the present.

There has been a focus on categorising different jobs and the level of flexibility possible, while localised charters give managers the freedom to discuss with their teams and develop a hybrid working plan that works for all colleagues in that function. Offices have been adapted with rows of desks cleared to create more collaborative spaces, with the intention of "travelling with purpose."

This is a work in progress, Vasudeva acknowledges, as people have expressed a desire for more physical interaction with each other, without necessarily a more frequent presence in the office.

"We need to continue to work on the team connections, as people have said they need to feel physically connected. We want to make sure this is balanced and that our arrangements don't become too rigid. We'll continue to test and learn to make sure it works for the individual, the team, the wider business and, of course, our customers," Vasudeva adds.

Part of that is making the best of what happens after you migrate over 10,000 people to collaborative tech tools to keep hybrid teams working productively and seamlessly. This includes working through what different teams' and individuals' expectations are for being online throughout the day, in an increasingly flexible, self-led way where appropriate.

"There are lots of things we have introduced, like having a three-page rule on producing papers, so people aren't having to do lots of work on things that don't get read. And little things like not always 'replying all' to emails, or expecting an immediate response when working flexible hours if it isn't necessary," says Vasudeva.

She adds: "Through those changes we're saying, 'What can we do to provide more flexibility, while reducing the workload, so it's more manageable and meaningful?' Because it's a combination of all those things that make smart working successful."

The COO as a D&I champion

The impact of hybrid working on AXA UK & Ireland is not just a happier and more balanced workforce, but one that is becoming more diverse thanks to the ability to attract people from a broader talent pool, observes COO Shali Vasudeva.

This goes hand in hand with AXA UK & Ireland's diversity and inclusion efforts (D&I), which has seen it named as one of the Times' 'Top 50 Employers for Women' for the second year running.

Female representation on the business's management committee is 44% and the percentage of women in executive roles across AXA UK & Ireland is 39%, up 7% since 2020. To keep D&I high on the agenda, the management committee has quarterly D&I updates and regular coaching, including one to one sessions from thought leaders and members of the firm's employee networks.

It has signed the Women in Finance Charter as part of its commitment to continue reducing the gender seniority gap. Initiatives include policies around menopause and domestic violence, as well as creating a selection framework that includes diverse shortlists and interview panels. A new learning and development programme, Emerge, is also launching specifically to support its female senior talent pool.

The fact that Vasudeva's role sits across AXA UK & Ireland's business units makes the COO role an ideal D&I champion, she believes, giving the example of how she has raised expectations of the company's recruitment partners.

"It's vital that we have diversity in candidate selection and we work closely with our recruitment partners to achieve this and get the best person for the role," Vasudeva says.

Vasudeva described how collecting data on candidates and new hires and their employee base to understand their makeup in terms of diversity is key to how AXA approaches D&I. This data collation has shaped policies, identified the need for new employee networks and aims to build a culture of belonging.

"We've been asking, 'What's our actionable activity that we want to pursue from a D&I perspective?' So we need to start with baseline data and work out targets that align with all our business functions, as well as our personal objectives," she says.

C-SUITE

Making team CEO-COO a winning combination

The tech giant recently changed its COO – what can we learn from the change?

Chris Stokel-Walker

When Sheryl Sandberg resigned as COO of Meta – the parent company of Facebook, WhatsApp and others – in June, the public statements didn't always match what was reported as the on-the-ground reality.

She was praised by Mark Zuckerberg, Facebook's founder and CEO, as an "amazing person, leader, partner and friend". But press reports suggested that the relationship had ruptured. (Meta did not respond to a request to comment for this story.)

Sandberg's stint lasted a great deal longer than the five years she signed on for: she was the yin to Zuckerberg's yang for 14 years. Her replacement is 44-year-old Javier Olivan, and he is entirely different to his predecessor. In both COOs' ways of working it is easy to see how the CEO-COO relationship can play out.

"The COO is a relatively modern phenomenon that has grown a lot more in the last 20 years," says Stefan Stern, visiting professor at Bayes Business School (formerly Cass) at City, University of London. "It's a recognition that one superhero boss can't do everything." CEOs who install a COO are those who have come to the understanding that they are not vainglorious and need help running their business. For companies like Meta – formerly Facebook – splitting responsibilities for a multibillion-dollar business makes sense. Stern even believes it's a vital role for medium-sized businesses, although responsibilities will be different. "The hierarchy is pretty flat between them," he explains. "If people are talking to the COO, they think they're getting through to the CEO as well because they work so closely together."

"There are a lot of interesting lenses on the dynamic of these relationships," says Cory Munchbach, COO of BlueConic, a customer data platform with bases in the US and Europe. Munchbach became COO at the company after graduating up the ranks. "I was employee number 17," she says. For her, the reason her relationship with CEO and company co-founder Bart Heilbron works is the level of trust between the two.

Munchbach hasn't escaped the realisation that she, like Sandberg and Claire Hughes Johnson, who until April 2021 was COO at tech giant Stripe, are all women answering to male CEOs. "You can look at this in a couple of different ways," she says. "On the one hand, you have an opportunity to be in the room where it happens. But we're still not seeing enough women get into the top seat."

"They need to have a good working relationship but if it's too close, there can be difficulties with that," cautions Sir Cary Cooper, professor of organisational psychology at Alliance Manchester Business School. "If the COO is in the pockets of the CEO, then you don't get as effective management."

A good COO should be able to give unencumbered feedback, rather than slavishly sycophantic words, Cooper believes, pointing to a political rather than business-based example of a dysfunctional relationship.

"When we saw Boris Johnson and Dominic Raab going on the airwaves all the time, he was a COO in some sense," he says. "Someone needed to let this man know his behaviour was not appropriate." For Munchbach, the ability to speak truth to power is crucial. "At the end of the day, we can have a very strong disagreement, but knowing we're approaching it from a company-first perspective," she says.

Division of labour is also important in the CEO-COO relationship. The strongest COOs are independent and able to put their own mark on a company, while not contradicting the CEO's output.

They're often seen as a chief of staff, or given a specific responsibility. In Sandberg's case, she was tasked with keeping the governments and politicians that were regularly monitoring Meta, onside. "They need to give feedback on how the operations are actually going," says Cooper. "If one role is more strategic, and the other is more operational, there have to be clear lines of communication between the two, and unencumbered feedback."

While every CEO-COO relationship is different, Cooper believes the strongest ones place their CEO at the crux of external engagement, while the COO is more focused on internal operations. "As a CEO, you're dealing with all the stakeholders, but you have to know what's going on and trust your operations person that they will deliver, and are delivering, to enable you to do strategic stuff with the board, or be an external relations person," he says.

COOs also need a high emotional IQ to be able to handle tricky internal operations – and to rein in the CEO on occasion, or to tell them no. "You need to be valued and trusted on your own level of competence, to the extent the CEO is prepared to take feedback from you," says Cooper. Yet COOs also have to check their ego at the door.

While it's inevitable that anyone holding a job starting with a "C" will want to be in the C-suite, and eventually lead it one day, they need to recognise who is in charge. Sandberg's high media profile, and her willingness to speak on subjects that Zuckerberg tried to shy away from, might have been a source of tension between the two.

"Good leadership teams are often double acts," says Stern. Noticing how other duos decide to part company might help other executives to avoid the same pitfalls.

In terms of models to follow, Munchbach recommends a three-pronged approach. CEOs need to think carefully about exactly why they are bringing in a COO, and therefore be aware of their shortcomings. They need to trust that person. And they need to understand that it is a partnership. "When the rubber hits the road, it is the two of you in the room figuring out 'what are we going to do about a recession?'," she says. "The hard choices are made between us."

01
Meta CEO Mark Zuckerberg with former COO Sheryl Sandberg

02
Zuckerberg with the man stepping into Sandberg's shoes, Javier Olivan

ON AVERAGE, A COO IN A FORTUNE 500 OR AN S&P 500 TECHNOLOGY COMPANY HAS HAD...

10.5 years

of experience before becoming COO, less than any other sector except healthcare

Crist|Kolder Associates, 2021

> "They need to have a good working relationship – but if it's too close, there might be difficulties

RECRUITMENT

What will the COO of the future look like?

Major changes are on the horizon for the COO's role. Is it a case of evolve to survive or face extinction?

Christine Horton

The COO's role has largely been to ensure that operational processes run smoothly and efficiently, to establish the strategy for productivity and performance and to work with the C-suite to set the corporate vision and culture. Then the Covid pandemic changed everything.

Organisations are navigating a new hybrid workforce, ongoing supply chain disruption, geopolitical uncertainty and shifting customer demands. In many cases it is the COO, rather than another member of the C-suite, who is spearheading operational changes in the post-pandemic world. And they are well placed to do this. Crisis management is the COO's area of expertise, notes Abigail Vaughan, COO for HR and payroll specialist Zellis. Resilience is now a priority for building organisations back stronger.

"Changes to the workplace and the pace of business post-pandemic, together with rising customer expectations, require stamina, resilience and contagious positivity," says Vaughan. "It feels like we're awakening from hibernation. And as the COO you need to help wake people up as fast as possible to avoid being left behind."

But while COOs are taking the lead in rebuilding their enterprises, how does that translate to the new hybrid working landscape? Does the COO need to learn new skills for this evolving environment?

James Bradley is COO at facilities management provider the Churchill Group. By its nature, Churchill has staff who work onsite and in locations that vary from offices to trains, so Bradley is well versed in the challenges of dealing with a disparate workforce. He says internal communications are important when navigating the management of a distributed workforce.

"Meaningful and effective communications are key to cultural cohesion across the business and ensuring that we're all working to the same goals," he says.

Vaughan has also found she has to sync up more with other teams in the company. "Long gone are the days when every department could pursue its own objectives and it would come together at some point.

"To maximise the impact of change, all areas of the company need to work together on the same things. Otherwise, siloes and frustrations arise and not only do your own employees become disengaged – because it feels difficult to get things done – but your customers become aware of it."

More than ever, COOs must be adaptable. Simon Nolan is senior partner at executive search firm Page Executive and believes this means understanding and adopting new technologies and the supply chains that relate to their industry.

"The pace of change is unrelenting. The mark of a successful COO is one who can move with the times and implement new skills needed for their business," he says.

Nolan says operations in the digital world have become more complicated as customers expect to be served and attended to in different ways, usually with a multichannel approach to the business. "COOs need to manage the expectations of technology and infrastructure against the commercial demands of the business. Finding that balance can be challenging because the role is evolving," he says.

But could the COO evolve to the point of becoming extinct? Liz Parnell, COO at Rackspace Technology, believes so. "COOs traditionally focus on KPIs and metrics, delivery and revenue but much of that is already automated," she points out. "Now it's about people and understanding the needs of employees as we navigate new hybrid-working styles. To a great extent we are now 'chief empathy officers'. People have always been a business's most valuable asset, but the ability to listen to and understand the needs of employees has never been more important."

Parnell says that COOs will need to use their intuition and emotional intelligence for the business: to add value in breaking down internal silos; integrate new business and understand their workforce. As long as they continue to listen to staff feedback during the changes, trust will remain intact.

"The key skills required now are transparency, honesty and empathy, and clarity in communication and flexibility – a decision made today may no longer be the right one in two months' time. So, awareness and humility to adapt are vital for this working era," she explains.

Parnell suggests that, while every organisation is working towards a better-defined post-pandemic reality, "the truth is that no one has this figured out". This, she says, is clear from the diversity of approaches, "from Elon Musk expecting staff in the office full time, to other companies experimenting with a four-day working week.

"The return to the office will likely be slow and will rely on encouragement. The challenge will lie with middle management who will be implementing behavioural changes and it will be a great test of their leadership skills.

"My advice to them is to lead by example, to be able to honestly and authentically feed back the benefits of the in-person, onsite experience."

Opinions, though, are divided as to what the future COO will look like – or whether they will exist at all.

Parnell is adamant that the role – at least as we recognise it – is on its way out. "I don't see the role of COO existing in five to 10 years because of the current evolution of the workplace," she says. "We'll see the role morph into empathy officers who take the lead to advocate on behalf of their employees, with being head of business integration to break down silos for the betterment of an organisation's future."

Vaughan says she doesn't believe that every company needs a COO or that the role is needed all of the time. The role, she says, "usually grows out of a specific need to 'fix something' and as organisations evolve and mature, the need for the role should be kept under review."

But she adds that, when it is needed "what will remain true is that it will be a broad, multifaceted role, with responsibilities specific to the context you're working in and require the role holder to be highly collaborative and able to adapt."

Nolan maintains that the role of COO will retain its position as a crucial part of any senior leadership team, regardless of a business's size, industry or commercial interests.

He says: "It is in the best interest of any company looking to be ahead of the curve to have a COO. The COO is the person who has to deliver on behalf of the customer and drive success." ●

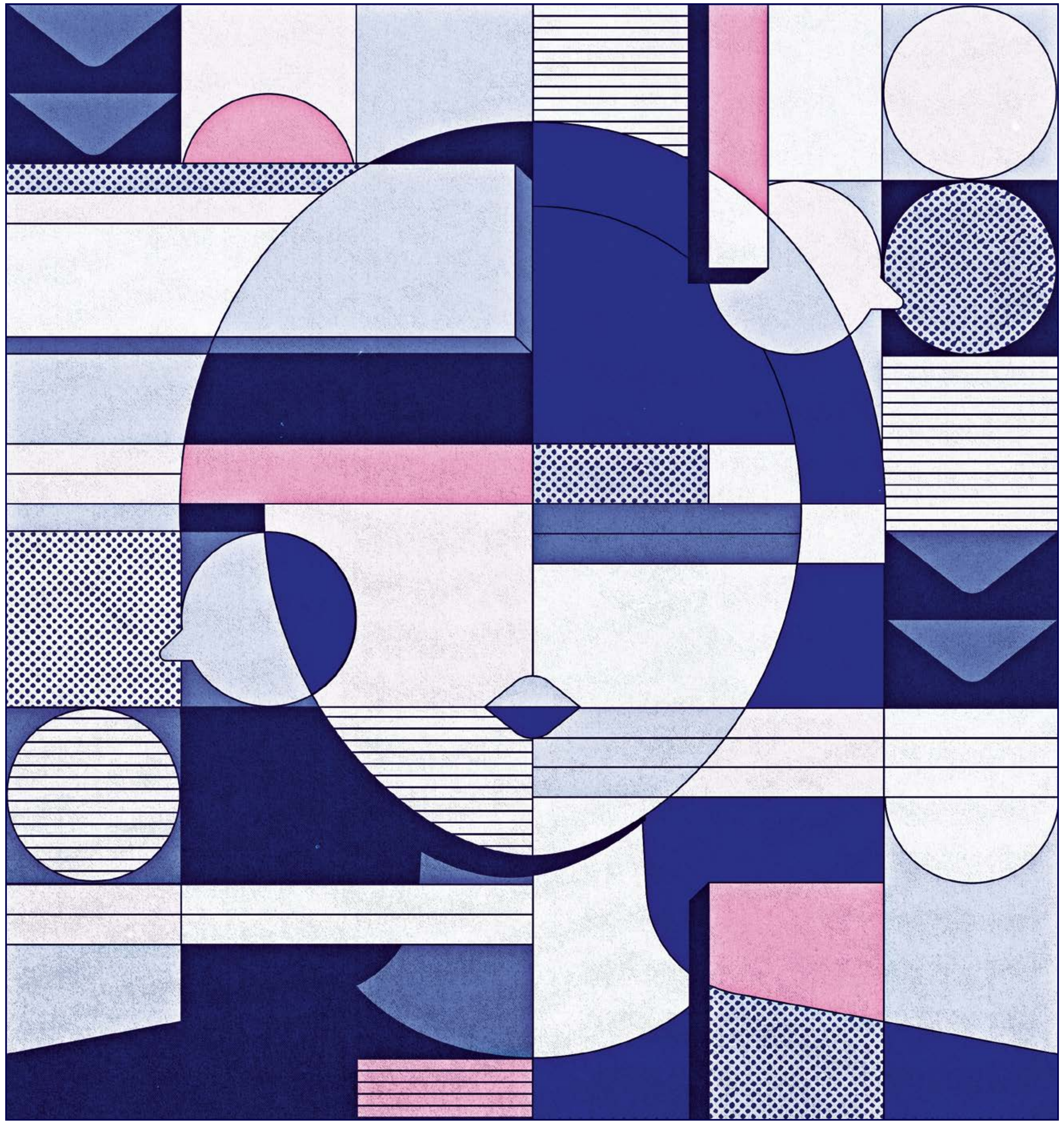
36%

of companies in the Fortune 500 and S&P 500 have a sitting COO, compared with

42%

in 2010

Crist|Kolder Associates, 2021



> The mark of a successful COO is one who can move with the times and implement new skills for their business

> It will be a broad, multifaceted role, with responsibilities specific to the context you're working in

nortonrsx via iStock

5 tips to recruit a COO

With the role changing extensively, what should hirers look for in a COO? Dr Becca Franssen, partner at international executive search firm Perrett Laver, pinpoints the new key elements.

1 Spend time on the job description
One of the most important elements of a C-suite executive search is a clear job description that will attract the right talent for the role. Identify exactly what roles and responsibilities your COO will undertake, and how they will be expected to provide value to the organisation. Make sure it captures immediate and long-term duties to help your company thrive and grow.

This is particularly important for organisations undertaking change programmes. It can be tempting to keep a job description intentionally vague, in the hope of 'knowing the right candidate when you see them' but a clear job description helps candidates evaluate their expertise against the brief and submit tailored documentation to help you make the right decision.

2 Identify the right qualities for the role
The COO's role is flexible. They oversee the daily running of an organisation but also need to be able to step into the shoes of the CEO. While there isn't a defined set of skills needed for every COO, particular qualities immediately set the right candidate apart from the competition.

Adaptability is paramount. In a fast-changing business landscape, the ability to think and act quickly under pressure has never been more important. Resilience is also essential, as is the need for problem-solving skills that can turn potential roadblocks into opportunities.

3 Think outside the box
Discard assumptions of what makes a typical COO and look beyond your immediate networks and recruiting pools. Continue to challenge your preconceptions when you're interviewing, reviewing CVs and writing job descriptions. While a potential candidate might not have gone to the most prestigious university or received the best degree, they could have other characteristics that uniquely suit the role.

A consequence of thinking outside the box is that it naturally leads to greater progress in D&I recruitment practices, addressing bias around gender, faith, race, age, ethnicity and sexuality. Executive search firms play an important role in helping organisations uncover leaders who represent a range of backgrounds, languages, education and life experiences. By identifying potential candidates who don't seem the most obvious fit, you might challenge even your own assumptions about what the next COO will look like.

Hiring a COO is also an opportunity to challenge organisational inertia: to think differently and creatively about processes and systems and to ask important questions about why things are done a certain way. Being open to different types of candidates can help the business grow and evolve.

4 Seek transformational leaders
The Covid-19 pandemic has accelerated the need for digitally literate minds across senior management. There is a need not only for business growth but also for business transformation. The search for a chief transformation officer (CTO) has multiplied across executive searches, with many companies seeking to hire an outstanding candidate to spearhead innovation. But a CTO isn't always needed if there is a COO who will lead transformation and innovation from the outset. Candidates who show a data-driven, analytical and creative mindset are ideal for companies recruiting their next COO.

5 Consider compatibility
Involve a variety of stakeholders during the selection process to see how the potential COO would add to the team. While the successful candidate will need to fit in, be cautious of finding someone who is too similar, as that can lead to group think and, ultimately, stagnation.

Consider the role's breadth. A good COO needs to be analytical and engage with people across every level of the business. Understanding the dynamics of an organisation can be just as important as understanding cash flow or strategy planning.

Commercial feature

The new breed of COO

The business landscape has transformed, leaving organisations seeking COOs who combine traditional operational leadership skills with agility, diplomacy and strategic thinking. Saïd Business School faculty explores the new breed of COO

The pace of change and scale of complexity facing businesses has accelerated dramatically over the past decade. From geopolitical and technological disruption to supply chain volatility and the rapid rise of the ESG agenda – not to mention a global pandemic – it is organisations with true agility which have thrived while those slow to react have suffered from complacency.

Though the buck will always stop with the CEO, behind every successful figurehead is their trusted operational lieutenant, keeping the cogs turning. More often than not that person is the COO, and they play an essential role in executing on the strategy of their boss.

But just as the skills required in a successful CEO have changed in light of a disruptive, fast-moving business environment becoming the norm, so have that of the COO. Naturally, companies have traditionally sought COOs with core operational skills. Yet while these skills are still key, the COO also now has to be tech-savvy and able to understand people, strategy and finance, which is the language of business and drives decisions and performance.

> The most important competency is decision-making, which we expect of all good leaders. Strong decision-making is about both what you decide and how you execute that

"A good COO is likely to have a grounding or some experience in all of these," says Joel Shapiro, professor of financial economics at Saïd Business School, University of Oxford. "As a language, finance allows COOs to communicate with teams within the firm, set priorities, get feedback and understand the economic landscape. As a decision-making tool, it helps quantify costs and benefits, understand where funding is coming from and make the best choices for stakeholders."

Dealing with complexity

The most successful organisations were already demonstrating an ability to adapt to other volatile circumstances, but the extreme nature of the Covid-19 crisis exposed COOs whose skill sets had not evolved. In dealing with supply chain disruption, employee displacement and demand shocks among other things, COOs were overwhelmed by complexity. The urgent need to act quickly and effectively hastened the requirement for a new, holistic breed of COO.

The COO has always been an unusual role in that, while clearly a de facto number two to the CEO in most instances, it also has a distinctive area of responsibility. As the operational head, COOs have always been performance-oriented and able to set, and meet, both short-term and long-term operational goals, with a clear focus on results. That hasn't changed.

What has changed, however, is the need for COOs to deal with the increasingly blurred boundaries between where a company ends and where its suppliers, partners and contractors begin. It means working with lots of different parties with different relationships to each other and dealing with the complexity and fluidity of the boundaries between them.

The most important relationship, however, is the one between the COO and the CEO. Building one that is productive in terms of style and substance is vital to the success of a COO. Each CEO-COO dyad will differ depending on the competences and motivations of each person. Crucially, simply separating operations and strategy into distinct domains – with the COO handling operations and the CEO handling strategy – is no longer likely to bear fruit. They now regularly overlap, meaning the COO has to be strategically aware and savvy.

"COOs need to be able to influence, getting things done by engaging others," says Tim Morris, emeritus professor of management studies at Saïd Business School, University of Oxford "They deal with a lot of other powerful executives, including those running substantial divisions or large functions and reporting to the CEO, so things will get done by persuasion, agreement and negotiation rather than blunt command and control. They need to build good connections inside and outside the organisation with strong direction and an ability to communicate that.

"But the most important competency is decision-making, which we expect of all good leaders. Strong decision-making is about both what you decide and how you execute that. This is why strategising is central to being a successful COO. You might think strategy is not a core skill for COOs but it's actually vital. Decisions have to be strategically and operationally sound."

Ready, steady, go

When Alpine F1 won the Hungarian Grand Prix last year, gracing the podium for the first time since 2013, the media rightly directed the plaudits to Esteban Ocon's exceptional driving. But the efforts that went into this fine accomplishment stretched much further than the race circuit.

The Formula One team's victory in Hungary was the culmination of an impressive transformation at the executive level, marked by changes to the management team, new structures and a strategy to strengthen the leadership capabilities of its senior managers.

In 2021, the team sent 24 staff to Oxford Saïd's Executive Leadership Programme and two to its Strategic Innovation Programme, with the intent to harness the group afterwards to work on specific projects across the business to enhance its leadership capability. Among the many benefits was an immediate impact on evaluating how the team's values are put into practice.

"We wanted our middle and senior managers to have more skills at a strategic level, such as how to lead complexity and change. These are all areas we are living and breathing every day," says Alastair Pemberton, head of talent at the Alpine F1 Team. "Nearly every person who came out of the Oxford programme asked the same question: what's our vision?

"As a result, we've been working with the group to look at how our vision translates into how we work with and treat our people. We've now got a group of people who are challenging our technical directors and senior managers. It's been extraordinarily healthy for the business."

Commercial feature

Empowering leaders

It's clear that to succeed today and in the future, COOs need a holistic and strategic set of capabilities that empower them to drive their organisation through complexity and disruption. The Oxford Strategic Management Executive Programme leverages content from three leading online Oxford programmes to provide core leadership, strategy and finance skills that drive a competitive advantage in companies. It helps create COOs that know how to manage teams, make informed financial decisions and achieve organisation-wide strategic objectives.

Those who complete the programme walk away with the ability to successfully navigate change and uncertainty using an integrated approach to management. Exclusive insights gained from the research and experience of leading faculty from the University of Oxford and over 60 guest experts power participants of the programme with the leadership knowledge to think critically about the current business landscape and drive effective decision-making.

"We are a young, vibrant, and entrepreneurial business school deeply embedded in the world's most prestigious university," says Richard Whittington, professor of strategic management, Saïd Business School, University of Oxford. "We deliver cutting-edge education and ground-breaking research that transform individuals and organisations. Our online programmes help companies meet the challenges of a fast-changing world by empowering leaders to challenge conventional wisdom as well as grow and prosper."

Joel, Tim and Richard are directors of the flagship Oxford Executive Finance, Oxford Executive Leadership and Oxford Executive Strategy online programmes which form the Oxford Strategic Management Executive Programme – Join the next cohort in August 2022 or February 2023

For more information please visit studyat.sbs.ox.ac.uk/new-breed-of-coo

University of Oxford
Saïd Business School

Q&A

Rise of the fintech COO

Pinar Ozcan, professor of entrepreneurship and innovation and director of several digital finance online programmes at Saïd Business School, University of Oxford, discusses the evolution of fintech and the role of COOs in their success

Q How has fintech evolved to challenge the dominance of incumbent financial institutions?

A Fintech has really begun to transform competition across different financial services, whether that's international money transfer, investments, pensions, budgeting, trading or personal finance management. But the challenge to the dominance of incumbents is still at the level of single services, where the customers are starting to prefer some fintech products compared to traditional ones. As a result, we don't see a large-scale dethroning of banks. Digital banks are providing competition, no doubt, but they follow a platform business model, which typically means providing a current account, a savings account at most, and then using many fintech partners to onboard them and offer other services. Through the platform model customers interact with different companies rather than getting everything from the digital bank itself.

Q To what extent are disruptors and incumbents now working together?

A They are learning to work together. Incumbents had a defensive position at the beginning, but that's changing. However the cultures of disruptor and incumbent firms are also quite different. The disruptors are digital born; they're small and agile and don't have much experience with compliance. Incumbents tend to be bloated and very compliance focused. So the cultures are quite different. Crucially, our research has found that incumbents struggle to open up their data to disruptors in partnerships designed to facilitate data-driven innovation, because it's so dispersed. It's not harmonised. Digital transformation projects are very much ongoing, but they're not advancing very fast. So what we see is that the partnerships are actually partially being hindered by the lack of readiness of the incumbent bank in terms of IT.

> The most successful COOs think of their fintech world as an ecosystem

Q What has been the role of the COO in the rise of fintech startups?

A There are a few things that fintechs need to learn very fast and one of them is compliance. At the same time, they need to be ready to work with banks, utilise their data effectively and ensure they are successfully training their AI models. Many fintechs are using AI to provide products and services better, faster and cheaper. All of this makes fintech COOs extremely important. The most successful COOs think of their fintech world as an ecosystem, and they understand the role of incumbents in that ecosystem, as the custodians of data and assets. Increasingly, they also understand the role of big tech in that ecosystem and what, for example, cloud services can provide as a differentiation point. Those that strike the right partnerships and don't try to do everything in house are likely to be the most successful.

Q How do your programmes help leaders prepare for the future of financial services?

A Firstly we conduct world-class research. The Oxford Future of Finance and Technology Initiative, for instance, directly addresses the changing role of the incumbents, the competition provided by fintech and big tech, and rising roles of digital platforms and technologies such as AI and blockchain within finance. We disseminate these research findings in public and through white papers and academic papers, as well as announcements and webinars. The second part, which is just as important, is that a lot of this research and knowhow goes into our digital pro- grammes, such as the Oxford Fintech or the Oxford AI in Finance Programmes. We also have a very popular programme on digital disruption and platforms where we look beyond financial services by examining disruption from AI, blockchain and digital platforms across industries.

Pinar is director of Oxford Fintech Programme, Oxford AI in Fintech and Open Banking Programme and Oxford Digital Disruption and Platforms Programme, as well as teaching on the Oxford Cyber Security for Business Leaders Programme. She also serves as the Director of the Oxford Future of Finance and Technology (Fintech) Initiative

Oscar Wong via Getty Images

SUSTAINABILITY

Who's looking after ESG in your organisation?

With a company-wide brief and broad shoulders, the modern COO looks the perfect fit to pick up the slack on ESG. But are they right for the job? And would they even want it?

Jim McClelland

The job of a successful COO is a constant balancing act, juggling the demands of day-to-day operational efficiency goals within the strategic arc of longer-term commercial objectives. The remit is as extensive as the responsibility is significant – with authority comes accountability.

Faced with growing financial and legal obligations in respect of environmental, social and governance investment (ESG) criteria, plus associated regulatory requirements, companies might naturally turn to their multitalented COO for help. But going forward, is the COO the right person for the job?

At first glance, the fact that ESG impacts nearly every department makes allocation hard. If not exactly new, ESG remains a relatively immature function in many organisations. As a result, the ownership picture is still evolving in terms of company structure and job titles.

As the mists begin to clear, though, one member of the C-suite is often left in the frame, says Dr Andrew Coburn, founder and CEO of climate-analytics company Risilience.

"ESG strategy permeates the organisation and almost always requires some level of business transformation. What we are increasingly seeing, however, is responsibility falling to the COO. Their connection to the supply chain – where a large amount of ESG focus falls – as well as their company-wide influence, can make them an obvious choice."

An ability to drive organisational transformation is pretty much a prerequisite for the role of COO and this, combined with the broad brief, makes them seem a perfect fit.

But the motivation behind their seemingly natural selection is not always as purely meritocratic as it might appear, argues Claude Brown, partner at law firm Reed Smith.

"If they've simply had ESG dumped on them because no other board member put their hand up, they're clearly not the right person. But if the COO has been tasked as part of a well-considered ESG strategy and implementation plan, then they're absolutely right for the job. All the same, any COO entrusted with ESG responsibility will need some form of training."

Even if the COOs themselves might possess the attributes and oversight necessary to constrain the scope-creep of ESG, the sheer size of the management task can still prove a challenge to resources, particularly as the criteria continue to mushroom and morph.

This can be especially true for younger or smaller organisations that not only have less in-house capability, but also tighter budgets for buying in expertise and skills. There is no quick fix, explains Michael Grant, COO at Metrikus, a smart-building efficiency platform.

"Collecting everything for ESG reporting is time-consuming, so larger companies outsource to consultancies or have an internal sustainability department. Some policy might be mandatory, but much of it is more of a 'nice-to-have' time-zapper – and most firms just don't have the capacity for this."

Putting in place a steering group such as a sustainability committee, is one way that smaller organisations can make the most of the personnel available to them and share the time cost of navigating a sea of ESG options stretching out far beyond compliance.

But as the market matures more of the 'optional' extras will fall within statutory guidelines. Legislation is both here, and happening.

With effect from April, the UK became the first G20 country to enshrine in law requirements for its largest companies and financial institutions to report climate-related risks and opportunities. The mandatory disclosures follow recommendations from the Task Force on Climate-Related Financial Disclosures.

> **"If they've simply had ESG dumped on them because no other board member put their hand up, they're clearly not the right person**

In the built environment sector, the net of statutory disclosure is already tightening around climate, carbon and energy, with the ripple effect felt at every level. Globally, nationally, regionally and locally, regulatory drivers are increasingly dictating company obligations.

In the UK, the government introduced the Streamlined Energy and Carbon reporting (SECR) requirements in 2019. Over in New York, Local Law 97 (LL97) will mandate annual Greenhouse Gas Emission reporting by 2025.

Everywhere, the pressure is on. And the person under pressure is, typically, the COO.

But challenge also brings opportunity. For the COO, the size of the ESG problem is also potentially matched by the size of the prize, both personal and professional.

Published late last year, an annual report on ESG in executive pay revealed almost 60% of FTSE 100 companies now factor ESG into their C-suite incentive plans. This figure rose significantly year on year, with less than half so inclined in 2020 (45%). An upward trend is no surprise, given that the one-year growth rate of ESG fund launches in the US (80%) more than doubled that of non-ESG equivalents (34%).

There is money to be made (and lost) in ESG, not just reputation. Both investors and companies know that a strong ESG proposition creates value. As the remit of COOs effectively covers the entire value chain, their need for 360-degree visibility and intelligence is paramount. So says Dan Scholey, chief operating officer at data and payments fintech company Moneyhub.

"ESG must be measured to be understood. Future COOs will have to focus closely on assessing their company ESG performance, using data collected from within the business, but also from clients or customers. When we open up data, we open up possibilities," he says.

Built upon shared data, this drive for openness and transparency will not only support operational best practice but also anticipate the onset of professional rules and standards. The impending introduction by the Financial Conduct Authority of a Consumer Duty in April 2023 is a case in point.

As explicitly stated, its aim is to shift the mindset of firms, not just safeguard the rights of customers – there is a deliberate push-and-pull dynamic in play here.

From building to banking, and proptech to fintech, the writing is definitely on the wall. That said, fears of greenwash are making ESG headlines, of the wrong kind. These might prove to be no more than teething troubles in a growing-up phase for ESG. Or, they might herald a full-blown market backlash. Either way, it is clear that ESG is fast becoming a game of risk and reward.

New analysis even goes so far as to suggest that ESG faces a 'make or break' moment as the industry comes of age. Its credibility is clearly in question, as shocking first-quarter survey results reveal that fewer than one in five people (19%) believes that business is fully committed to ESG.

Shareholders and stakeholders are beginning to bite back, legally, warns Brown. "There's already a wave of ESG-related litigation sweeping the business world. And in Europe, we're even seeing challenges brought on human rights grounds. Significant reputational and financial damage could lie in store for those who fail to meet their ESG promises. If a COO has been given oversight, they must ensure that actions match words."

Ultimately, the burning question any COO should perhaps be asking themselves on ESG is not whether they are right for the job but whether the job is right for them. ●

58%

of the FTSE 100 now include an ESG measure as part of their executive incentive arrangements

86%

of investors believe that ESG measures help ensure managers focus on non-financial factors that drive long-term shareholder value

16%

is the average weighting of ESG measures in the bonus

10%-30%

of executive incentives should be weighted to ESG, according to the majority of investors

PwC, 2021

45%

of COOs say that championing ESG issues is very important for company growth

PwC, 2022