Inside the C-Suite

COO, OR NO COO – WHAT'S RIGHT FOR YOU

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Mission Possible: Finding the Optimal Operations Model, a study published jointly by Pershing and Moss Adams, found firms with a Chief Operating Officer (COO) significantly outperformed those that do not. Yet, only slightly more than 20% of companies nationally have a full time COO on staff. As the firm size and complexity grows, the likelihood of there being a COO in the C-Suite rises as well. Yet, at even the largest firms (5,000+ employees), the likelihood of there being a full-time COO in the business is less than 50/50.

Providing needed leadership to business operations is critical to success. While dividing COO responsibilities among various members of their executive team—EVP, SVP, VP, and Directors—is certainly an option, is it the right one for your organization? Consider the following:

- What does a COO do?
- Where will a COO add value?
- What qualities will the best COOs possess?
- CEO fears – Are they real?
- How do you "set the table" for success?

What does a COO do?

Managing a business with a three-dimensional structure, cross-functional disciplines, and layers of management between the CEO and frontline staff is complex. If there is a need to drive operational excellence throughout the complete value chain, direct business process re-design, lead continuous improvement efforts, or drive organization-wide initiatives you need an "operationally adept" leader, possessing a multi-functional skill set, who is empowered with cross-functional authority. You need a COO.

While COO roles vary from situation to situation, the primary tasks a COO assumes include:

- **Business architect** – A COO is the architect of the operational strategies that bring strategic visions to life. They define operational changes that will deliver competitive and strategic advantages.
- **Operational leadership** – COOs bring the skills needed to drive operational excellence throughout the complete value chain, direct business process re-design, lead continuous improvement efforts, and advance other organization-wide initiatives.
- **Contributing to CEO effectiveness** – The COO drives tactical and operational performance and improvement throughout the business freeing CEOs to focus on strategic priorities. He/she is a trusted partner who complements the CEO's experience, style, and knowledge base.

- **Sharing what they know with others** - COOs bring business and operational acumen that provides a source of knowledge and experience for the executive team to draw on. Members of the leadership team benefit from an individual committed to their training, growth, and personal and professional development.

Where will a COO add value?

While delegating tasks to functional leaders removes them from a CEO's plate, this alone will not guarantee success. Adding a COO to the team can add value:

- **When needed change is not taking place –** When change initiatives lack needed leadership they can stall or break down. When this occurs, dealing with operational shortcomings can drain CEO bandwidth. A COO can be the catalyst needed to drive action and keep important initiatives moving forward.
- **Avoiding / neutralizing functional turf wars –** Personal interests within functional "silos" can sometimes come in conflict with organizational needs. Projects stall or under-deliver on their expected outcomes. Resistance to change and barriers arise which functional leaders are unable to overcome. Positioned outside functional walls, a COO can keep focus on the "big picture—" organizational wins, and attainment of goals.
- **Infusing greater day-to-day operational leadership –** Attention to governance, strategy, and other leadership responsibilities can restrict a CEOs ability to drive day-to-day business execution. A COO resource can infuse needed tactical energy into the organization, ensure there are no critical breakdowns occurring between the publishing of the "strategic plan" and its operational execution, and share the leadership load to add valuable CEO bandwidth to get the CEO back to what he/she does best.
- **Increased executive bench strength** – COOs bring to an executive team experience, business acumen, and strategic perspective that is all too frequently lacking. In addition, they can provide training, guidance, and support to other executives that will yield significant returns to the organization.
- **Sharper strategic focus** - Having a COO as a trusted partner to share the load of running the company frees the CEO to focus on activities that secure long-term value – strategy, external relationships, and "making rain."
- **Improved operational performance** - Adding a COO will increase operational focus and tactical energy throughout the organization resulting in increased organizational efficiency, higher quality products, improved customer satisfaction and retentions, and a happier and more productive workforce.
- **Increased CEO impact** - Having a COO can positively affect a CEO in a number of ways. Off-loading day-to-day tasks increases a CEO's available bandwidth for strategic challenges and rainmaking. On a personal level, a CEO with a collaborator who really understands what it takes to run a business reduces stress, frees up time to recharge batteries, and gets CEOs home to family and friends at a more reasonable hour.

What qualities will the best COOs possess?

The COO role is broad reaching and requires an individual possessing a unique set of skills and individual qualities.

- **Complementary skills** – The COO must possess a skill package and experiences complementary to the CEO's. For example, a COO who can bridge the gap between high-level thinking and nuts and bolts tactical execution can be teamed well with a CEO visionary or conceptual thinker who is frequently frustrated with subordinates that just don't seem to "get it."
- **Interpersonal fit** – The COO and CEO must work in concert. This requires they have respect, trust and, ideally, a liking for each other. They should share a vision of the company's future and agree on how to lead going forward. In addition, the COO needs to be a good fit with the organization, its culture, and with the existing leadership team.
- **Proven leadership –** The COO must be self-assured and while possessing a collaborative nature. They are self-starters, broad thinkers, and good managers. They must be able to simplify complexity and prioritize tasks. COOs are strategic thinkers with the ability to see where the organization must go, get things done, and care for people while doing so.
- **High energy** – COOs must be high-energy individuals who can juggle broad ranging issues, support and motivate strong minded and autonomous subordinates, while remaining prepared to grab any and every initiative the CEO is willing to shed.
- **Fast learners** – They must have, or be able to quickly acquire knowledge (industry, technical, business), evaluate alternatives, and make timely and impactful decisions.
- **Confidence** – COOs must believe in themselves and in their abilities. Conflicts will be inevitable and efforts to drive change resisted. When others doubt, they must spread optimism and be willing to stay the course.
- **Ability to quickly earn and demand trust** - COO success is dependent on the ability to build trust and establish a productive working relationship with both the CEO and direct reports.

CEO fears – Are they real?

Reaching a decision to invest in a COO resource may require that a CEO recognize and deal with the realities of a number of conscious or unconscious fears. These include:

- **Something bad may happen if I give up control** - *Reality: While a CEO will need to relinquish some control, there is no reason to assume this will be bad for the organization. To the contrary, effectively positioning a COO to share the load will provide a CEO time and added capacity to more effectively do their job and care for the needs of the business.*
- **If I step back from the business I might lose its pulse -** *Reality: When the CEO and COO establish a working partnership, a CEO's effectiveness and grasp of business issues should increase, rather than suffer.*
- **A COO is expensive -** *Reality: Firms with a Chief Operating Officer (COO) significantly outperformed those that do not. As with any investment, a well-considered analysis demonstrating value gained and risks averted must support the decision.*
- **The COO may not be a good fit with my organization -** *Reality: Taking time and effort to complete appropriate upfront diligence will go a long way to assess fit and mitigate risk. A COO may also provide services initially on a contract or interim arrangement prior to committing to an employment relationship.*
- **Adding a new player could negatively disrupt the team. -** *Reality: Properly preparing the organization will minimize the risk of pushback, resistance, or hurt feelings. Present the justifications and benefits when introducing the new player so everyone understands the need. Communicate changes to roles and responsibilities in advance, so individuals understand how the decision affects them personally.*

How do you “set the table” for success?

Adding a COO is a big investment. To maximize effectiveness and returns you want the COO to ramp quickly and hit the road running. Take these steps to “set the table” for COO success:

- **Ensure cultural fit** – Complete diligence needed to ensure a cultural match exists:
  - Rigorously explore similarities and differences between the COO and the culture of the current organization. Are they the same? Do similarities support why this will be a good fit?
  - Is there a true need and commitment to change? Are expectations realistic about the amount of time and effort needed to right the situation?
  - The COO must clearly understand the future opportunity for growth. Succession expectations must be in line with the opportunity or the potential for conflicts and frustrations with a COO are increased.
- **Establish a solid working relationship** - There will be overlap in CEO and COO responsibilities and good chemistry is a key element to success. Each must be aware of what the other is saying, doing, and representing. They will spend long hours working together and each must have a confidence that they can disagree without damage to their relationship.
- **Define roles and responsibilities** – Ensure upfront that CEO and COO skill sets are not redundant and that interests complement rather than overlap.
- **Set boundaries** - The CEO, COO, board, and others in the company need to be clear on the boundaries between the CEO and COO duties and responsibilities. Once established, all must have the discipline to stick to the boundaries.
- **Prevent “end runs”** – CEOs must anticipate and stop “end runs” by members of the executive team. Direct reports must understand: a) the value the COO is adding to the organization; b) the new lines of authority, and c) what will happen should anyone fail to provide their support to the change.
- **Define “success” in terms of deliverables and timeline** – There must be clear expectations for the COO with measurable outcomes and timelines for completion. It is imperative that these reflect the time it will take to get up to speed and familiar with the organization.
- **Develop a “90-Day Roll-out Plan” –** The CEO and COO should test-drive their working relationship in advance. Agreement on the following elements are critical to success:
  - Position COO for success – New lines of authority should be clear, including who will be responsible for various decisions. Delegating high-level strategic issues to the COO will demonstrate CEO confidence and provide credibility with the team.
  - Nail the "back door" shut – Identify members of the team that will report directly to the COO going forward. While relationships that are now changing may have been in place for years, the CEO must be fully committed and willing to defer responsibility for these people to the COO going forward. Brief the COO about individuals who may feel most wounded and why, providing information needed to manage them effectively. Deal with individuals who attempt to resist the change quickly.
  - Show unity – The CEO and COO need to create opportunities to build trust and demonstrate unity. Others in the organization need to see them acting as a team.
- **Leave egos at the door** – A new COO must have an open mind and no preconceived agendas. Take time to listen. Get to know the organization before criticizing or introducing change.

Come with a willingness to learn from peers and subordinates. Honor past accomplishments of direct reports.

- **Collect data** – COOs should meet with others on their turf where they will be more comfortable and open. Seek opportunities to demonstrate knowledge of the accomplishments of the team to date. Let others do the talking. Do not try to impress, rather create opportunities for others to share what they know.
- **Rally the troops** – Ask subordinates what they see as working, and what is not. Identify opportunities for reports to champion solutions to specific business issues as quickly as possible. Look for opportunities recognize the team's progress to the organization.

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