

GOVERNANCE/COMPLIANCE

Understanding and unlocking the COO role

By TOM BURSEY

The creation of a chief operating officer role can be a great advantage for an organization, enabling it to better leverage the strengths of the CEO.

To better understand the role of the COO, consider the analysis of Nathan Bennett and Stephen A. Miles in *Riding Shotgun: The Role of the Chief Operating Officer* (Stanford University Press, 2006). According to Bennett and Miles, individuals from a wide variety of backgrounds may be successful.

“Unlike financial or human resources executives the COO skill set is not generic,” Bennett and Miles write. “There is no single agreed-upon description of what the job entails.”

Instead, the role of COO is defined by the needs of the organization and the relationship to the CEO, and how the two positions interact and complement one another, particularly at the individual level.

According to a briefing last August from the Conference Board of Canada, COO responsibilities can be divided into three categories:

- A truly operational focus, with oversight of multiple geographies and lines of business;
- An operational focus and oversight of some or all corporate functions (e.g. human resources information technologies, business development, sometimes finance); and
- An administrative focus and oversight of all administrative functions include finance, also called chief administrative officer.

Six areas in which COOs play a most active role are outlined in a 2014 EY report, *The DNA of the COO*, ranging from execution to enablement to development:

- Execution: Ensuring suitable operations management and optimizing operational processes.
- Enablement: Designing a framework to implement strategy into operations and managing the strategic assets of the organization.
- Development: Driving key change and transformation initiatives and shaping the future of the organization.

Bennett and Miles list seven basic reasons for hiring a COO which are not mutually exclusive, each of them corresponding with the roles a COO can play vis-à-vis their CEO:

- Executor: To lead the execution of strategies. The COO has his “head down” focused on the operational details.
- Change Agent: To lead a specific strategic imperative, such



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as a major organizational change.

- Mentor: To mentor a young or inexperienced CEO.
- Other half: To complement the CEO’s experience, style, knowledge base or bias.
- Partner: To create and cultivate a co-leadership arrangement. Sometimes the CEO is simply the kind of person who works best with a partner.
- Heir apparent: To groom or test a company’s CEO-elect. The job allows an heir apparent to

With such a variation in potential roles and responsibilities, it is entirely possible that a COO may function in more than one capacity mentioned above, such as the executor and change agent, writes Bennett and Miles.

The key to a successful CEO-COO relationship is a high level of trust. According to Bennett and Miles, there are four key things the COO owes the CEO: true respect (embrace the CEO’s strategy), an ego in check (you have to lead

COO position) and a shared spotlight (CEO ensures that the COO’s contributions to the organization is recognized and shares the spotlight whenever appropriate).

According to the Conference Board of Canada, there are several unique characteristics, factors, and skills required to be a successful COO:

- Strong relationship with the senior team and CEO;
- Role clarity;
- Ability to share the spotlight;

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while serving), an eye on execution (bias towards action) and coaching and co-ordination skills (direct the efforts of the functional people).

Conversely, there are four key things the CEO owes the COO: communication (CEO needs to communicate clearly and directly, without delay to the COO), clear decision rights (to avoid micro-management and second-guessing decisions), a lock on the back door (discouraging former direct reports who may want to circumvent the

- Credibility and knowledge;
- Ability to focus on day-to-day operations and long-term goals at the same time; and
- Diverse operating skills.

Another perspective on the successful COO comes from Bennett and Miles, who provide four conditions or “rights” that boards and organizations must satisfy. For an organization’s COO to be successful, the position must exist for the right reason, at the right time,

for the right person, and with the right support. These four “rights” are interdependent, according to Bennett and Miles.

According to the EY report, a COO has to address six critical areas in the first 100 days in order to have the most impact:

- Expect the unexpected;
- Ask the obvious questions;
- Be ready to move;
- Go for lunch/network;
- Work out who has “got your back”; and
- Make your mark.

A COO’s added value is often operationally focused. Several of a COO’s responsibilities, including optimizing operational performance, delivering significant cost efficiencies, and actively engaging with the board on key issues, are already of importance to an organization’s CFO. The functional role of the CFO is a key in most organizations and often includes a close working relationship with the CEO and the board. In addition, in many instances the CFO is already the second-in-command and effectively the COO for the organization.

Therefore, evolving from a CFO to a COO is sometimes a very natural progression for CFOs. The primary motivation for a CFO to evolve into a COO is to enhance the capacity to affect change within the organization. Those CFOs who combine deep financial operational knowledge with broader human resources management skills (including a mastery of change) may have what it takes to become the next great COO.

The creation of a COO role is not for every organization, but in many cases it can be a great advantage. The elements that make a truly great COO are situational and depend on the motives for creating the position and on the uniqueness of the CEO. There are number of reasons why organizations decide to hire a COO, and these reasons correspond with a number of roles that the COO can play vis-à-vis their CEO. While there are a number of conditions and prerequisites that should be met to ensure a successful COO, the key to success is a high level of trust between the CEO and COO, because ultimately, it is the relationship between these positions that provides the greatest benefit to an organization and its stakeholders.

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