

Operations Practice

Stepping up: What COOs will need to succeed in 2023 and beyond

COOs are increasingly important to corporations, but what skills will they need to perform at their best? Business leaders weigh in.

by Darryl Piasecki



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How many of us can name a famous COO? The role of the COO was low profile to begin with, and in the early 2000s, a trend toward flatter organizations and more hands-on CEOs took hold. In 2000, 48 percent of Fortune 500 and S&P 500 companies had a COO¹; by 2018, that number had dropped to an all-time low of 32 percent.

But COOs are making a comeback. As of 2022, 40 percent of leading companies had a COO, with the financial and energy sectors leading the way at 48 percent. Furthermore, the role itself has changed—it's bigger, bolder, and more transformative than ever.

The COO job description has never been a fixed one: it varies by industry, organization, and need.² Some COOs may see their role as that of a mentor, whereas others may be partners or heirs apparent to the chief executive. Managing day-to-day operations and executing the strategies of the top management team are only part of the job. In an uncertain postpandemic environment, the COO role is evolving from its roots³ in the back office into a catalyst for technology-driven growth, strategic expansion, and employee empowerment. As chief executives increasingly become the public face of organizations and deal with external constituencies and stakeholders, it often falls to COOs to provide internal leadership and direction. And as operations face extraordinary disruptions, COOs are now key players in boosting organizational resilience and value creation. As such, they are often leading contenders for the top job: in 2021, nearly 27 percent of CEOs in Fortune 500 and S&P 500 companies were promoted⁴ from the COO role, more than from any other internal position.

We spoke with several current and former COOs from various sectors about what skills they see as necessary to operate effectively in the years to come. Currently, many are struggling with

allocating time appropriately: only a third of their time goes to long-term strategic planning, with the remainder split between overseeing people and dealing with current operational priorities. Other challenges include managing the unique needs of the workforce, an expanding number of shareholders, rapid increases in automation, and workplace real-estate issues in the wake of the pandemic. Many of our interviewees wish they had acted earlier in their careers to identify and remedy skills gaps and prepare workers to move to the next level. Not surprisingly, they believe that the next batch of COOs should be better able to address these issues—and, ideally, possess some additional talents. In this article, we discuss the top five proficiencies they identified.

Get (way) better at anticipating change

It has been years since operating environments were relatively stable and organizations could count on carrying out ten- or even five-year plans. As global and domestic upheaval is now the norm, companies need to be prepared for any disruptive event, no matter how apparently far-fetched. "Every month or two brings some surprise," says a COO in the specialty-chemicals industry. "COOs need to get better at anticipating regulation that could affect the business, for example. It could be any driver, but they need to know how to see it coming, get in front of the marketplace, and gain an advantage."

To do that, COOs must have their fingers on the pulse of the marketplace. One operations executive in the aerospace and defense sector recommends being aware of what universities and other educational institutions are teaching, thereby identifying future developments in the field and a potential talent pool. Staying on top of trends helps the COO predict innovations and products that may come down the pike. "It's important to have an understanding of the external world," the executive

¹ *Volatility report 2021 America's leading companies*, CristKolder Associates, 2021.

² Nate Bennett and Stephen A. Miles, "Second in command: The misunderstood role of the chief operating officer," *Harvard Business Review*, May 2006.

³ Anne Raimondi and Stefanos Zenios, "The role of COO is evolving, and it's more important than ever," Quartz, updated July 20, 2022.

⁴ *Volatility report 2021 America's leading companies*, 2021.

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says. “It’s good for a COO to come from inside the company, but it’s better for the candidate to have had a couple of years in a role that interfaces with the market.”

Collaborate with other key functions and help shape the agenda

Nearly all the executives we interviewed agree that increased cross-functional engagement is critical for COOs to succeed—especially when it comes to sales and marketing. Operations leaders must have a thorough understanding of the customer value proposition and what it will take for operations to deliver on it. Close collaboration between the marketing and operations functions can help deliver a better customer experience and increase customer satisfaction and loyalty.

For example, when one financial-services company launched a social channel, the chief marketing officer (CMO) controlled the social-media strategy, but the COO owned the service channel, with the goal of saving money by diverting traffic from the organization’s call centers. This allowed the company to not only integrate social customer-care efforts with service operations but also boost coordination across the full range of social-media functions. In another case, the CMO and COO of

an energy company agreed to joint accountability and created incentives that rewarded collaboration. They defined goals and budgets for customer service and bonuses for meeting their joint targets.

Delivering on customer journeys requires many different parts of the organization to come together. One operations leader formed a committee with the commercial function to better predict demand. “We had daily demand from our top 20 customers and had to ensure we had the right staffing and the right places open,” says the former COO of a European logistics operation. “Operations shouldn’t wait. We should create the forums to better interact with other organizational functions that are most valuable.”

Engage effectively with boards

Following the pandemic, boards of directors have incorporated a greater appreciation of the need to collaborate with top-management teams on new and improved ways of working. In a McKinsey survey, more than 90 percent of respondents reporting an effective collaboration between the board and management say their board’s response to the COVID-19 crisis was effective—compared with only 60 percent of all other respondents.⁵ COOs should seize the opportunity to raise the operations profile

⁵ Celia Huber, Frithjof Lund, and Nina Spielmann, “How boards have risen to the COVID-19 challenge, and what’s next,” McKinsey, April 29, 2021.

to the board and communicate a holistic picture of the function to stakeholders.

The executives we interviewed emphasize that heads of operations should have equal stature with other leaders such as the CFO or CMO. “The COO role should not be considered second level,” says the specialty-chemicals COO. “In fact, it is among the most complex roles in the organization in terms of agendas and interests.” As such, operations heads should ensure that their exposure to and engagement with the board consists of focused meetings and problem-solving sessions rather than scripted presentations.

Drive operational excellence culturally and technologically

Today’s volatile environment makes achieving operational excellence much more difficult than in years past. Widespread supply chain disruptions, global political and environmental upheavals, and radical changes in the workplace highlight the need for operations leaders to be agile and responsive on many fronts. It’s essential to define excellence by outcomes, whether that means meeting or exceeding stakeholder requirements, improving customer service, or executing marketing campaigns successfully.

“Do not stay in your comfort zone,” advises a former COO from the consumer retail sector. “You need to proactively manage the inertia of organizations. Disruptions can come from new players that are operationally superior. Engage important stakeholders. Assess the mindset of middle layers of management quickly, as you cannot execute without them. Build relationships with unions. Identify people who have the expertise you need and learn from them.”

Mistakes offer a great opportunity to learn, according to an operations head in the energy industry. “Look outside your industry,” says this leader. “Consider airline incidents, nuclear disasters, or chemical spills. Ask yourself, ‘What can we learn from this?’ It’s very important to really learn from

near misses and accidents. Don’t take the easy way out and blame people. Typically, it goes way deeper than that. Learning from experience is vital, particularly in high-hazard industries.”

Manage talent creatively

The postpandemic talent landscape is vastly different from before, and operations leaders need to work hard to adjust. Providing pleasant working conditions, meeting employee needs, ensuring diversity and equity in the workplace, and creating an appealing corporate culture are just a few of the many challenges the COO of the future will confront.

Executives say that a key priority for COOs will be to showcase the importance of operations within the organization and create career development paths that prevent top talent from leaving. “Operations still has somewhat of a brand stigma,” says a former COO of a commercial- and residential-products manufacturer. “It’s not as sexy as marketing or sales, but it is the underpinning of your business and your ability to make money.”

Reinforcing this involves hiring qualified professionals at all levels, not just top management, and making sure to staff adequately for any special competencies or capabilities that may be required. One executive points out that diversity of educational levels is a critical element to consider. “We emphasize higher education and marginalize people who learn differently,” says the energy operations leader. “Therefore, we create a skills gap in the middle for people who may have had a different level of education. We need to celebrate the skills of people who may do things differently.”

Another recurring theme among executives is the importance of keeping one’s eyes and ears open. Several leaders recommend regularly visiting various facilities, walking the shop floor frequently and getting an impression of how things are working, engaging with people at all organizational levels and of different tenures and backgrounds, building credibility and trust across the operation, and ensuring that the right teams are matched with

the right tasks. COOs who are new to the job or organization need to conduct a baseline appraisal of their workforce. “Make sure your team is the right one, and don’t be afraid of changing it if not,” suggests the European logistics executive.

The COO role has traditionally taken a backseat to other C-suite functions within the organization. Its recent resurgence and increasing visibility showcase the importance of the job in building resilience and positioning organizations for success in a dynamic and rapidly changing environment. But the skills of the past aren’t enough. COOs must develop new capabilities and strengths to take on the complex and uncertain tasks that await them.

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