

# Survival of the Fittest

How C-suite roles are evolving —  
and what it means for top teams

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**PART FOUR | The COO**



**Amrop**

Leaders For What's Next

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## PART FOUR | The COO

The internal mechanics of the COO role are undergoing a profound evolution. Change is being driven by tentacular supply chains, intensifying digitization and the quest for sustainability. The COO must not only understand these forces, but embrace the opportunities they bring. The stakes have never been higher — and risk has moved center stage.

**This Amrop series examines the evolution in C-suite roles and the composition of the optimal Leadership Team For What's Next. Based on the insights of senior Amrop Partners from across the world and the Amrop global data set, we consider five roles: the CEO, the CFO, the COO, the CHRO and the CIO.**

**In this article we ask: what will the COO For What's Next look like? What factors determine the survival of the fittest?**



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# Key Questions

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1

How has the COO role evolved over the past 10 years?

3

How are supply chain complexity, digitization and sustainability affecting the operations domain?

2

What are the defining qualities of the fittest COOs For What's Next?

4

What are the evolutionary perspectives for the COO?



# Survival of the Fittest | Topline Messages

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## **The COO role is a paradox.**

Although its purpose is to engineer control and clarity, the COO function is one of the least well defined in the C-suite. Hiring organizations face key questions: whether facets of the job can be embedded elsewhere, or whether a COO is even needed. And blending the COO with the CFO or CEO role may not be the solution.

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## **The COO role risks extremes: too broad or narrow a scope.**

The balance lies in the operational name: assuring the nuts and bolts of the day-to-day to produce and deliver the product or service. The UK Institute of Directors says the objective is to “direct and control all organizational operations in accordance with the strategy and business plans agreed by the Chief Executive Officer and Board to ensure that organizational goals and objectives are met.”

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## **The CEO/COO symbiosis should be reflected in role design.**

Questions concern the ways in which the COO’s operational mind- and skillsets complement those of the CEO. For example, when it comes to visibility, the COO is primarily inward-facing, whereas the CEO has two faces: inward and outward. An elegant symbiosis of these two pivotal players can only enhance business performance.

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## **Risk and end-to-end digitization are rewriting the supply chain agenda.**

Supply chains are vulnerable. Protectionism and nearshoring are on the rise. And as ‘industry 4.0’ and the IoT become the norm, COOs must strengthen links between production, systems and procurement to the furthest point: the suppliers’ suppliers. A digital mindset is essential, working with the CIO.

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## **The COO is pivotal in the sustainability drive.**

ESG activities have to link to measurable KPIs. But this is problematic for COOs overseeing multiple divisions, geographies and tentacular supply chains. A materiality analysis helps set priorities aligned with major global frameworks such as the UN Global Compact and Sustainable Development Goals.

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## **Technical mastery is no longer enough: COOs will need to be wise and purposeful.**

Planet or profit? Shareholder or stakeholder value? To resolve dilemmas in innovative ways, COOs need to be guided by three kinds of purpose: business, environmental/social and personal. This takes vision, courage, integrity and authenticity, learning, empathy and accountability.

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## **The provenance of COOs is unlikely to undergo a revolution.**

The COO role has not traditionally been seeded by people from other disciplines, and this is unlikely to fundamentally change. COOs will continue to need a technical background and an upward progression through operational channels.

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## **The COO will remain a key contender for the CEO, but faces new competition.**

The COO will likely retain a place in CEO succession plans given the stakes of the role and the value it can bring to the top seat, compounded by the need for today’s CEO to have a strong grasp of operations. However, a growing emphasis on culture, values, and sustainability is set to widen the scope of candidates to other CXO domains, such as Human Resources.

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## **Under pressure to secure What’s Now, COOs must prepare for What’s Next.**

COOs are battling economic and geopolitical turbulence, (protecting what exists). Innovation and transformation (exploring future perspectives) may need revitalizing or installing. Formal learning programs, peer exchanges and board support will all be essential.

# 1

## Scope

The COO role is one of the least well-defined in the C-Suite and risks being too broad or too narrow in scope. The balance lies in the name: assuring the nuts and bolts of production and delivery. Given the weight and stakes of the COO role, it is common practice for the CEO and COO to be running mates. When it is elegantly designed, the duo has great potential to enhance business performance and shareholder returns.



The COO role is a paradox. Even though its purpose is to engineer control and clarity, it is arguably one of the least-well defined in the C-suite. The risk of role ambiguity is real.

One Amrop Managing Partner warns that the role risks becoming a catch-all: “If something is not included in other roles, you give it to the COO. So my advice is to define it very carefully.”

He even invites hiring organizations to question whether they need a COO at all. Can facets of the role be embedded in other functions? “If you have a Chief Information or Chief Financial Officer, do you really need a COO, and for what?” Indeed, a recent study<sup>1</sup> explored a development in the US to combine the CFO and COO roles. Whilst the authors suggested that the formula is proving its worth, the practice is not commonplace, says this Amrop Board Member. Especially in industrial, energy or mining companies “It’s rare that you’d see a finance person going into a COO type role. You’d have people who have grown up in operations.”

In terms of scope, another challenge lurks: that of extremes, the Amrop Managing Partner warns. On one hand, the COO’s mandate may be too broad: “I’m not a big fan of those multi-faceted COO roles.” On the other, too narrow. In this case: “the rest gets neglected. Or is not competently managed.”

Today, organizations across many sectors are grappling a Gordian knot of forces. Tentacular (and vulnerable) supply chains. AI and digitization. The drive for sustainability. A high-performing COO has never been a more important lynchpin.

But how can hiring organizations ensure that their COO role is fit for purpose? Between too broad and too narrow a palette of responsibilities, where is the Goldilocks zone? For this Amrop Board Member, it’s all in the name: “The COO is truly focused on running the operations. So, it’s a role that is a little more technical — the nuts and bolts of the day-to-day to make your product or service and deliver it to your customers.”

Meanwhile the Institute of Directors in the UK states that the main purpose of the COO role: “is to direct and control all organizational operations in accordance with the strategy and business plans agreed by the Chief Executive and Board to ensure that organizational goals and objectives are met.” What does this mean? The Institute unpacks nine tasks, which we detail overleaf.



“I’m not a big fan of those multi-faceted COO roles.”

<sup>1</sup> Buchheit, Steve & Reitenga, Austin & Ruch, George & Street, Daniel. (2019). ‘Are CFOs Effective Operators? An Empirical Analysis of CFO/COO Duality.’ *Journal of Management Accounting Research*. 31. 37-58. 10.2308/jmar-52168.

## COO Accountabilities (the UK Institute of Directors)

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1

Direct and control all **internal operational employees** to ensure that they are appropriately motivated and trained and carry out their responsibilities to the required standard.

2

Contribute to the development of the company's **corporate strategy** and lead strategy development in all organisational operations to ensure that the company achieves its short- and long-term objectives.

3

Develop and implement all necessary policies and procedures to facilitate **management control** and to ensure that all internal operations achieve their business objectives.

4

Develop and control all **operational budgets** to ensure that the company has all the resources required to meet its objectives within agreed financial parameters and to maintain the financial strength of the company.

5

Develop and maintain all necessary systems and procedures to ensure that company operations comply with all **legal requirements** and meet agreed operational standards.

6

Regularly review operations to ensure that these meet **required standards** and recommend changes where necessary.

7

Develop and maintain the organization's **structure and processes** and provide for effective management succession for all internal operations.

8

Maintain an effective **working relationship** with all other directors to ensure that there is effective coordination of all company activities in support of corporate objectives.

9

Act as the company's **main adviser** on all issues relating to operational functions and keep abreast of latest developments to ensure that the company maintains its competitive position.





How do you take what the CEO brings to the table and establish what the COO needs to do to complement the CEO?”



## COO or CEO?

Given the weight and stakes of the COO role, it is common practice for the CEO and COO to be running mates. The duo is set to continue. After all, it has great potential to enhance business performance and shareholder returns. But this can only be realized if the symbiosis is well thought-out. “What is clearly necessary in this next COO is that strong operations mindset and how you complement the skills of the CEO and gaps in experience,” says the Amrop Board Member.

“And so it really is that combination, that jigsaw puzzle. How do you take what the CEO brings to the table and establish what the COO needs to do to complement the CEO? I find that some of the most successful companies have a strong relationship between the CEO and CHRO, the CEO and CFO, the CEO and COO. Those three roles are absolutely critical in the success of a leadership team and the CEO in accomplishing what they need to do.”

The CEO/COO symbiosis is therefore a vital C-suite success factor. It combines the CEO’s helicopter awareness of the terrain with the COO’s insight into the internal workings of the organization (its strategic tensions, opportunities and risks).

For many organizations, the COO remains a top candidate in their CEO succession plan. Could the CEO/COO roles even be interchangeable? Not so, according to the Amrop Board Member: “The biggest difference between a COO and a CEO is between running an operation versus running the whole business. And running the whole business will include, for instance, things like M&A activity. Often, we don’t see a COO involved in that, other than in a due diligence capacity.”

John Knotts, a Councils Member of Forbes, actively warns against the CEO extending his or her reach into the COO domain: “The biggest concern in this situation is that the CEO is filling the role of visionary and integrator. This is one way that they get sucked into working “in” the business and not “on” the business.”<sup>2</sup>

There is another difference between the CEO and COO role: orientation, says the Amrop Board Member. When it comes to public visibility, the COO is primarily inward-facing: “not truly the face to the street of M&A activity or what needs to be done. It’s also a function of the organizational strategy at a given point in time.” Yet the CEO has two faces: inward and outward. In our article, *‘Survival of the Fittest: the CEO’*, Amrop Partners explore the growing imperative for CEOs to cultivate a compelling public persona.

<sup>2</sup> Knotts, John, ‘What Is A Chief Operating Officer?’ *Forbes*, Mar 12, 2021.



## A strategic role? It all depends

Other C-suite roles, such as CFO, CHRO and CIO are increasingly 'strategic' in scope. What is the case for the COO?

An Amrop Board Member is somewhat reserved: "We see the COO have a little bit of involvement in strategy, but again, they're usually the ones who are operationalizing things — implementing the strategy, as opposed to being involved in creating it."

When it comes to COO strategy-making, the Institute of Directors is nuanced. As we saw, its topline description positions the COO as one who leads the operational implementation of plans agreed by the CEO and Board. "... lead strategy development in all organizational operations to ensure that the company achieves its short and long-term objectives." However the IoD also acknowledges that the COO should "contribute to the development of the company's corporate strategy".

The extent to which the COO is involved in strategy creation ultimately lies with the organization's specific governance, C-suite design, and decision-making structure. This in turn will be influenced by size, ownership, and sector.

However, for organizations to benefit from the COO's insights without piling yet more weight on an already heavy load, the question should always be asked: to what extent should this pivotal C-suite player have a seat at the strategy table, and at what point/s in the strategy-making process?

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# 2

## Evolution

The internal mechanics of the COO role are profoundly shifting, driven by the intertwined forces of supply chain complexity, digitization and the quest for sustainability. Technical mastery alone will no longer define the fittest: COOs will also need to be wise and purposeful to resolve the strategic tensions of their role.



**Amrop**

Despite its ambiguities, has the general COO mandate fundamentally evolved over the last ten years? “I don’t think it has changed that much,” says the Amrop Board Member. One constant factor is the need for exceptional resilience. “I think the COO, of all roles, is the one where you definitely need more grit from the point of view of operational background, operational mindset, technical competencies. More so than a CEO.” How can this be? “Because you’re the one who’s really making things happen every day. And the only way you can make them happen is by having the right processes and people in place.”

COO churn rates illustrate just how tough the role can be. BoardEx is a global data company specializing in executive relationship mapping and intelligence. Examining the annual average turnover in the main C-suite functions in the US from 2018 to 2022 it found COO turnover to be the highest of all C-suite roles, at 27%, (followed by CMOs at 22%).<sup>3</sup>

If the overall COO mandate has not fundamentally evolved, its internal workings certainly have. COOs face deep shifts: increasingly complex (and vulnerable) supply chains, AI and digitization, the omnipresent drive for sustainability. Every COO, irrespective of sector, must not only anticipate and address these intertwined forces, but embrace them.

## 1 Supply chain

“Supply chain is a large component of the COO role: being able to manage it, understand the key levers, what needs to be done differently, and learning through the experiences of something like Covid. Supply chain is also a large contributor to the success of the role. And every organization is focussed on supply chain,” says the Amrop Board Member.

In 2022 Ernst and Young surveyed the supply chain leaders of large corporations across the Americas in a range of industries.<sup>4</sup> “End-to-end visibility” emerged as an overriding need. This has a range of benefits, say the authors: from influencing capital allocations beyond traditional areas (such as plant and equipment), to technology/infrastructure upgrades. Visibility also enables sustainability goals to be defined and met (including the design of sourcing strategies, data collection and circular business models).

Ernst and Young call for COOs to set five priorities<sup>5</sup>, which we paraphrase here.

- 1 **Agile strategic architecture:** product portfolio optimization, asset ownership (outsourcing vs. insourcing), capability delivery, digital and talent management. A good operational design can deliver 8% to 15% cost savings and 15% to 25% in reduced lead times, Ernst and Young has found.
- 2 **Resiliency plans:** better assuring product availability.
- 3 **Cost and cash efficiency:** identifying changes to operating cost and working capital profile to fund transformation.
- 4 **Sustainable operating models:** measurably improving the use of resources in supply chains with decarbonization across the product lifecycle; sourcing, design, waste management and packaging.
- 5 **Leveraging digital technologies** to “provide visibility, create new revenue streams and enable a transparent ecosystem.”

Underpinning these priorities is the talent question: COOs must address the ways in which technology, for example, is re-shaping current and future talent and staffing needs.

<sup>3</sup> Imberg, Maya, (2023), ‘2023 Spotlight – C-Suite Turnover in the US’. Altrata, BoardEx.

<sup>4</sup> ‘Building supply chain sustainability that can drive revenues and reduce operational risks’, (2022), Ernst and Young.

<sup>5</sup> ‘How COOs can lead the way on supply chain digital transformation’, (2023), Ernst & Young.



## Supply chain security

Even the most sophisticated technology cannot eliminate vulnerabilities in today's supply chain. Against a disruptive backdrop, from the recent tsunami of Covid to current geopolitical instability, COOs are having to lock their organization's processes in.

"Every operational risk impacts on this role," says an Amrop Partner. "Can I get people to run my factories, can I get goods, given all the congestions in supply chains? What's the cost of delivering, what's the contingency planning? What happens if I can't get microchips, can't get any supplies in at all? What's the cost of power to all my factories if prices multiply fifteen times? And that's why supply chain has become such an essential role in so many ways.

"Just a few years ago Tesla and Apple and so on didn't produce cars or iPhones themselves. They invented, then outsourced. Now we're seeing a little more protectionism, with production moving closer. Because if any one of those many suppliers fails, you have an issue. So, the risk agenda has spilled into the COO agenda. And then you combine it with current supply chain discussions that are changing the landscape of pretty much everything."

"A lot of businesses over the last few years have been in situations where the demand was there but they couldn't deliver," he continues. "And that's a very frustrating place to be, the fact that you can't produce what you're supposed to produce, simply because you're missing something."

Post-Covid, many businesses have faced pent-up demand, thanks to government measures and economic growth — demand they were unable to fully exploit because production capacity was lacking. "We had 14 month waiting lists on cars. Companies couldn't deliver because they were missing a microchip."

To offset these risks, he expects a further evolution in the COO role. Supply chain management will increasingly become a distinct specialism, and offshoring will decrease. "I think supply chain may get divided up from operations. We see tremendous change in supply chains with a lot of aspects moving closer, because control and certainty are becoming so important. That's why you see a lot of nearshoring as opposed to offshoring: companies are bringing it home and accepting higher production costs."

Automation has a role to play here. For example, 3D printing is on the rise, he says. "So here it's fueled by technology but also by risk. Supply chain proximity is becoming so important."

The statistics bear this out. In its 2022 survey of supply chain leaders, Ernst & Young found that 53% of respondents had already near- or re-shored some of their operations in the last 24 months, with 44% planning new or additional near-shoring activities in the 24 months to come.<sup>6</sup>

“

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<sup>6</sup> 'Building supply chain sustainability that can drive revenues and reduce operational risks', (2022), Ernst and Young.

## 2

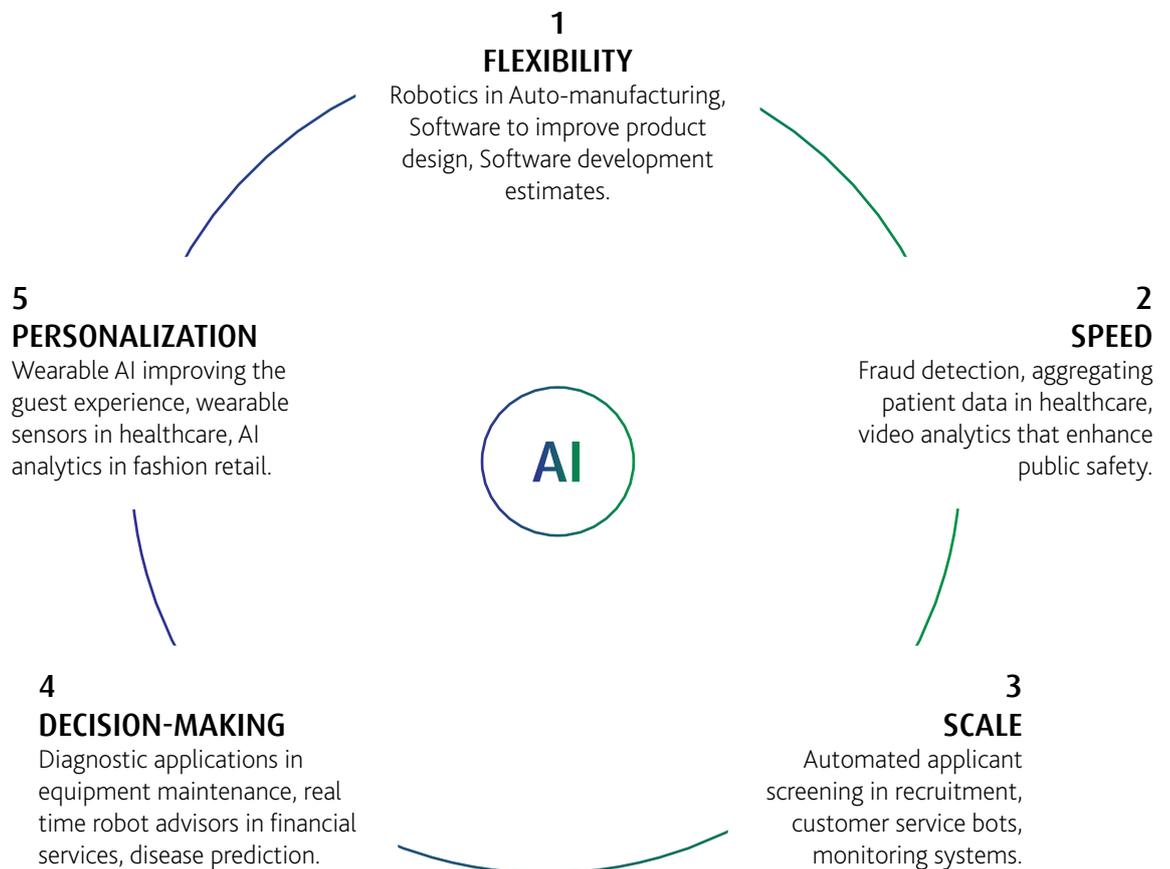
**Digitization**

The full-scale integration of digital technologies is a major development in the role of the COO. Today, it has become the new normal. What does the future hold?

Manufacturing is traditional COO territory. Here, 'industry 4.0' and The Internet of Things have become business as usual. "The smart factory is no big deal" says this Amrop Managing Partner. The next question will be interconnectivity: "how do COOs link everything together? They have to run smart manufacturing, smart systems, smart procurement." It's a matter of end-to-end digitization in the supply and value chain, he says: "all the way to the furthest sorting point — your suppliers' supplier your customer's customer. So, the modern COO needs a highly digital mindset, deploying AI, machine learning, robots ..."

<sup>7</sup>Wise Leadership and AI: Making Friends with the Machines', (2019), Amrop.

AI in particular is already transforming business operations — and not only in the manufacturing industry. Amrop has highlighted five ways in which it is benefiting a range of sectors. <sup>7</sup>

**AI has a downside**

As the Amrop authors warn<sup>7</sup>: although a deep-learning system provides high predictive accuracy, it may have difficulty explaining how its results were derived, turning the algorithm into a black box. Many AI will face regulatory scrutiny. The requirement for more explainability must take into account not just technological issues but financial, legal, ethical and other considerations. This will call for 'holistic leadership': COOs cannot only be *smart or reasonable*; they must be *wise, purposeful and responsible*, as we explore in the next section.



3

ESG

The drive for sustainability is infiltrating all aspects of the COOs role. Consider FEMSA, a global beverage and retail company with a legacy of concern for society and the environment. Today, like all players in its sector, it operates under a harsh spotlight. Victor Treviño, FEMSA's Director of Energy and Sustainability, recently talked with Amrop about the organization's sustainability journey.<sup>8</sup>

The sustainability landscape is rich, extensive and packed with difficult strategic tensions. It is easy for COOs to become disoriented and distracted by fragmented or irrelevant blind alleys. Mr. Treviño emphasizes the importance of linking sustainability priorities to targets, incorporating measures in day-to-day operations.

Success means assigning responsibilities and ultimately, accountability. Clarity and transparency create momentum. But this is particularly difficult for COOs who work in organizations with multiple divisions spanning different geographies, running tentacular supply chains. To solve the problem, FEMSA conducted a materiality analysis in its business units, merging the output with the major global priorities. This included aligning the organization with the UN Global Compact and Sustainable Development Goals.

"How do we reduce the carbon footprint of our organization and the product or the services that we're producing?" asks an Amrop Partner. "And that in itself is a huge task of the COO." Decarbonization may spark the emergence of new role species in the operations domain: "Head of Decarbonization, Head of Footprint, all these new areas may evolve, depending on the industry." As Amrop recently reported, the role of the Chief Sustainability Officer is becoming pivotal for many organizations.<sup>9</sup>

The shipping sector is a good example. "Companies can have new methanol ships, but if they can't get the methanol, suddenly they need somebody in charge of new fuels. It's a completely new role." But a vicious circle can emerge: "If they can't get the fuel they can't sail the ship, they can't reduce their carbon footprint, so they need the methanol. Where do we get that from? *We don't know, so we need to invest in that!* That whole side of things comes across in most of the industries. Carbon footprint is not just for energy companies, it's for everyone."

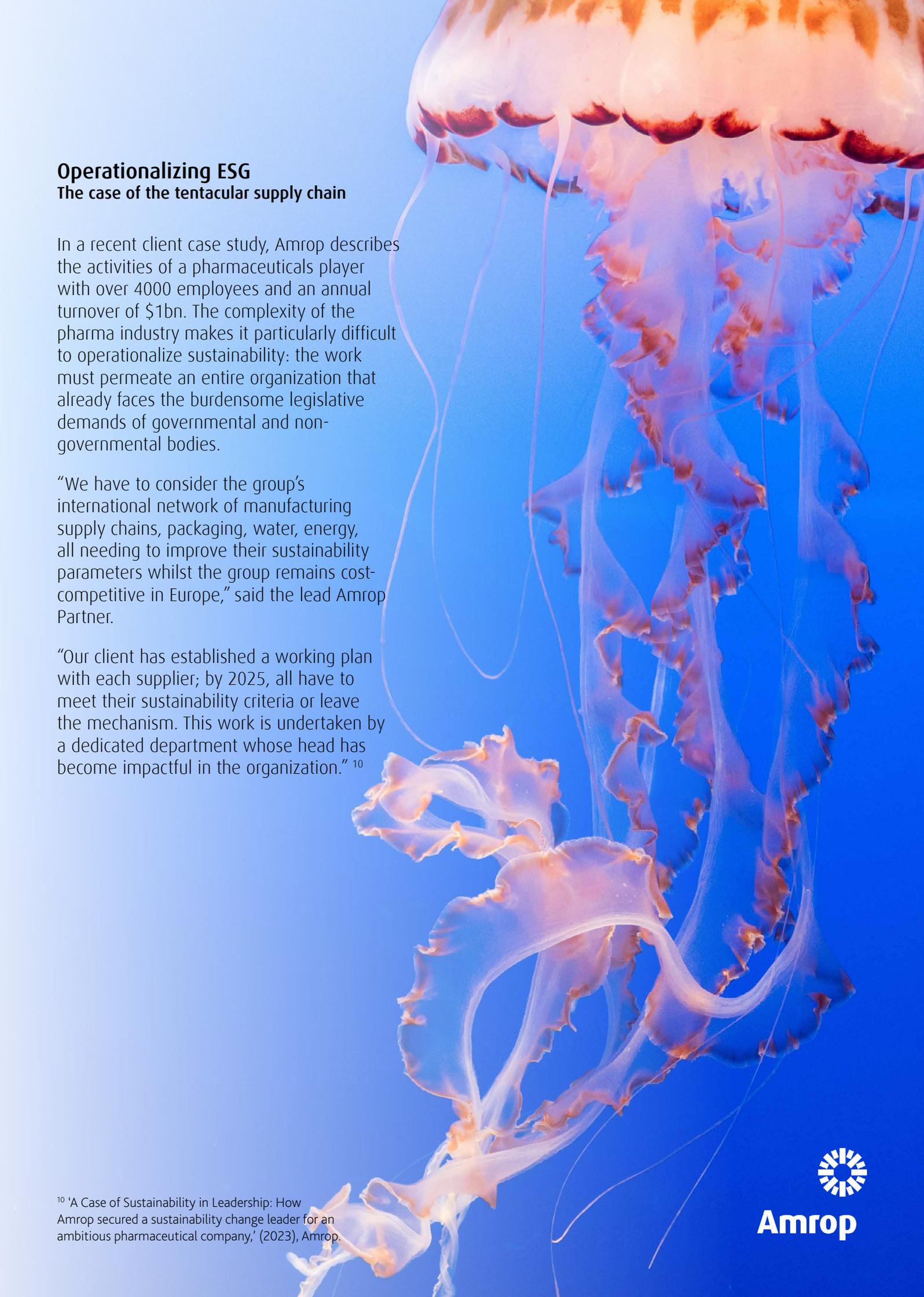


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<sup>8</sup> 'Living Sustainability: An Amrop Interview with Victor Treviño, Director of Energy and Sustainability, FEMSA,' (2023), Amrop.

<sup>9</sup> 'The C-suite Sustainability Struggle, An Amrop Report, Part 1', (2023), Amrop.





## Operationalizing ESG

### The case of the tentacular supply chain

In a recent client case study, Amrop describes the activities of a pharmaceuticals player with over 4000 employees and an annual turnover of \$1bn. The complexity of the pharma industry makes it particularly difficult to operationalize sustainability: the work must permeate an entire organization that already faces the burdensome legislative demands of governmental and non-governmental bodies.

“We have to consider the group’s international network of manufacturing supply chains, packaging, water, energy, all needing to improve their sustainability parameters whilst the group remains cost-competitive in Europe,” said the lead Amrop Partner.

“Our client has established a working plan with each supplier; by 2025, all have to meet their sustainability criteria or leave the mechanism. This work is undertaken by a dedicated department whose head has become impactful in the organization.”<sup>10</sup>

<sup>10</sup> ‘A Case of Sustainability in Leadership: How Amrop secured a sustainability change leader for an ambitious pharmaceutical company,’ (2023), Amrop.



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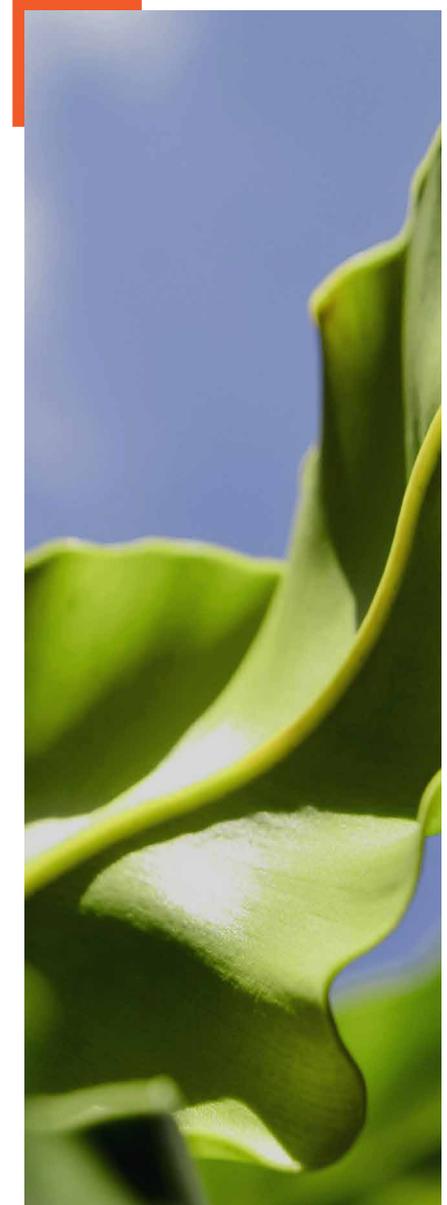
In general, the Amrop Partners interviewed for our series 'Survival of the Fittest' warn against role proliferation at C-suite level. Any new specialisms should be carefully evaluated for strategic relevance. And if judged to be necessary, they must report into the core functions: in this case, the COO.

This is the equally the case for the operational ESG domain. The Amrop Partner confirms that many new species, no matter how important they are now, will self-destruct over time: "Let's hope that everyone reaches their goals and moves to net zero by 2050. Then these roles will naturally cease to exist. Everything related to decarbonization — new fuels, carbon pricing — will disappear."

Currently, he says, decarbonization is incremental. "You can't move from regular fossil-fueled vehicles to electric vehicles just like that, because there's no [battery charging] infrastructure." Furthermore, the longevity of this big ticket purchase means that many consumers are unable or unwilling to switch vehicles in the short term. "Cars live for a long time, depreciate over time.

"This applies across industries. It needs to be a gradual transition, and that only happens if you become better and better at doing things the traditional way, using less and less energy and then moving to new fuels, new ways of doing things, new technologies. And that's also important for the COO."

In summary: "A lot of what companies do between now and 2030 is basically running things as they used to, but better. And then from there to 2050, which is the net zero point, it's mainly a matter of implementing the new technologies."



It needs to be a gradual transition, and that only happens if you become better and better at doing things the traditional way, using less and less energy and then moving to new fuels, new ways of doing things, new technologies. And that's also important for the COO."

## 4 Wisdom and Purpose

In early 2024, reporting its second highest annual profit in a decade, the energy multinational BP announced that it would increase returns to investors through a large program of share buybacks over six months. Reactions were divided: campaign group Global Witness told the BBC that 'reckless shareholder payouts' conflicted with the need for shareholders to protect their long-term positions via a clean energy transition. Another commentator said that the move clarified BP's focus on boosting share price and shareholder benefit, despite its new Chief Executive's pledge to retain the company's transition from international oil company to integrated energy company. Meanwhile, a former head of strategy at BP suggested to the BBC that the focus on financial performance was a defense against a possible takeover.<sup>11</sup>

Planet or profit? Shareholder or stakeholder value? Investment in the energy transition, or short-term performance to offset a takeover? Given the push and pull of modern business, at what moral level should a COO operate? What permutations of Planet, Profit and People are most relevant for the organization? Such dilemmas land directly on the desk of the COO. To resolve them, the key leadership skills, content knowledge and role experience are not enough. The role needs a fourth dimension: wisdom and purpose.

Commercially smart leaders become wise when they address business dilemmas in a holistic way, taking a broader socio-ethical and environmental perspective. Wise leaders do not just create vital economic value, they also build more sustainable and legitimate organizations. They do not just make smart or reasonable choices; they make responsible ones.

A global Amrop study<sup>12</sup> found that executives were struggling to make the leap from reasonable to responsible leadership. Only a third would systematically stop or adapt a decision in the face of counter-evidence, for example.

When it comes to navigating paradoxes, wise and purposeful COOs are helped by a clear guiding framework combining three kinds of purpose: *business, environmental/social and personal*. They consider moral and ecological values in their decision-making, beyond purely financial objectives. Their holistic vision helps them to step back and reflect. They also possess a particular set of competencies and mindsets: *vision, courage, integrity and authenticity, learning, empathy and accountability*. These equip them to reconcile business contradictions in innovative ways.

What permutations of Planet, Profit and People are most relevant for the organization? The impact of dilemmas such as these lands directly on the desk of the COO. To resolve difficult paradoxes, mastery of the key leadership tasks, content knowledge, and role experience are not enough. The role needs a fourth dimension: wisdom and purpose.



<sup>11</sup> 'BP reports second highest profit in a decade', February 6 2024, BBC.

<sup>12</sup> 'Wise Decision-Making: Stepping Up to Sustainable Business Performance', (2018), Amrop.



# 3

## Sources and Development

COOs will continue to need a technical background and upward progression through operational channels. And whilst the COO, together with the CFO, will remain a key candidate for CEO, a growing emphasis on culture, values and sustainability will widen the scope of competitors to new CXO domains. And COOs, under pressure to secure What's Now, will need to prepare for What's Next.



Fundamentally, the COO role has not evolved over the past ten years. But its internal mechanics are shifting significantly due to supply chain complexity, digitization and sustainability. Are these combined forces moving the dial on the COO For What's Next?

Not when it comes to their provenance, says this Amrop Board Member. "Not much has changed. Operations people have always been responsible for making or doing or creating the service, where you've needed the more technical background. If you're a large mining company or a similar enterprise, the COO may have started out running a single plant or mine. Then he or she took on a few more as he or she progressed or took on some greater regional role. But it always revolved around the operations. It wasn't as if the role was seeded by people from other disciplines."

As we saw earlier, despite some evidence from the US regarding the benefits of a CFO/COO merger<sup>13</sup>, the Amrop Board Member is skeptical, particularly when it comes to industrial, energy or mining companies: "It's rare that you'd see a finance person going into a COO type role. You'd have people who have grown up in operations."

An Amrop Managing Partner adds: "I think the COO has gone to the most state of the art point — technology."



It always revolved around the operations. It wasn't as if the role was seeded by people from other disciplines."

This Forbes Councils Member confirms: "A good COO has at least 13 to 15 years of experience and great ones have more than 20 years of experience. A large part of that experience is in operations. They typically have a very good knowledge of program and project management, process improvement and change management."<sup>14</sup>

Amrop global assignment data analyzed over the past 10 years shows that General Management, Finance and Regulatory positions each consistently occupy just over a third of the CXO mandates. Meanwhile, Operations and IT/Digital C-suite roles each occupy around 9%. Given its central (and increasing) importance in securing organizational performance, the COO domain looks set to occupy a larger territory.

### Under pressure to secure What's Now, COOs also need to prepare for What's Next

Many COOs are battling economic and geopolitical turbulence, (*protecting* what exists). This means it may be necessary to revitalize (or install) their capacity to be forward looking (*exploring* future perspectives). From the external perspective, innovation and transformation require a wide understanding of the business landscape outside organizational borders. From the internal perspective, they mean being more 'functionally multilingual' about the workings of other C-suite domains. Boards should envisage the space and budget for COO coaching and training.

<sup>13</sup> Buchheit, Steve & Reitenga, Austin & Ruch, George & Street, Daniel. (2019). Are CFOs Effective Operators? An Empirical Analysis of CFO/COO Duality. *Journal of Management Accounting Research*. 31. 37-58. 10.2308/jmar-52168.

<sup>14</sup> Knotts, John, 'What Is A Chief Operating Officer?' *Forbes*, Mar 12, 2021.



The usual rise to CEO is via the CFO or COO role.”



## The road to CEO

As we have discussed, the CEO/COO symbiosis is a vital C-suite success factor. It combines the CEO’s helicopter awareness of the terrain with the insight of the COO into the internal workings of the organization (with its tensions, opportunities and risks).

For many organizations, the COO is a key contender for the CEO role. As this Amrop Board Member puts it: “It is interesting to see what the feeder system for the CEO has been. In years gone by, it was often someone with a sales orientation, and then it migrated to people who were really good at operations. Could you run the business with your operations mindset, almost like a COO who then evolved into being the CEO?”

An Amrop Partner confirms: “The usual rise to CEO is via the CFO or COO role.” Whilst he welcomes the idea of bringing fresh perspectives into the CEO role, this is still a work in progress: “I haven’t seen it yet in any sort of magnitude. We haven’t seen a shift where people are being promoted from other functions than the traditional functions where CEOs are eminent.”

It’s safe to predict that the COO role will retain its status in CEO succession plans, given the stakes and the value a robust operations leader can bring to the top seat (especially given the current risk environment). An Amrop Board Member describes today’s CEO role as “far more strategic, broader, an appreciation of supply chain, operations, of what it takes.”

Indeed, the CEO role itself has changed beyond recognition. As we see in our exploration,<sup>15</sup> it is being re-shaped and amplified. The CEO is under the spotlight 24/7. To succeed in strategy-setting and implementation, talent attraction and retention, employees must be engaged and federated. But particularly the next wave of executives are losing their faith in the pseudo family. An inclusive and purposeful culture is a must.

The shift in the CEO role may mean that the COO faces new competition for the top seat. As this Managing Partner puts it: “I think if we look at culture, values, and sustainability then it could be any CXO who takes the role based on his or her ability to drive exactly these topics. And personal credibility. So I think that’s going to broaden.”

To remain a top candidate for the fast-evolving CEO position, the COO must also grow via formal learning programs and peer exchanges. As this Amrop Partner warns: “I don’t think it’s business as usual, because the CEO role has become much more multi-faceted. But that means that there are people who would have become CEO who suddenly won’t.”

<sup>15</sup> ‘Survival of the Fittest: How C-suite roles are evolving — and what it means for top teams’ (2024), Amrop.





# About Amrop

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The Amrop Partnership is a premium leadership and executive search consultancy with 69 offices in 55 countries and a global team of more than 550 professionals.

We help our clients find and develop Leaders For What's Next.

Shaping sustainable success is our mission, craft and passion.

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