

Chief Operating Officer:

One of the Most Critical C-Level
Positions in Privately Held Companies



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Authored by
Bill Wright and
John Liacone



The Overture GroupTM
Search and Compensation Consulting

WHAT IS A COO?

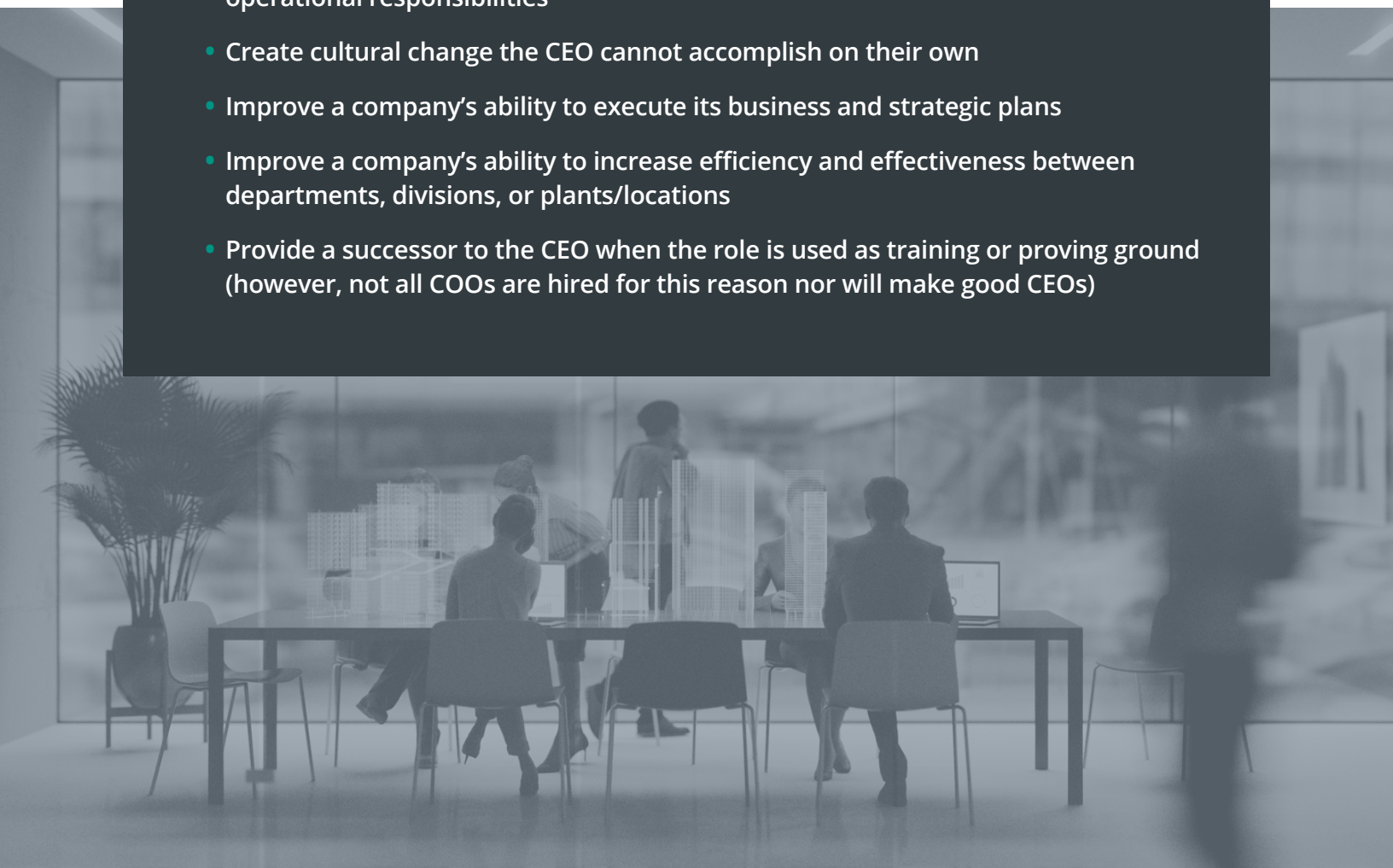
The Chief Operating Officer (COO) is one of the most important C-Level positions and one of the most difficult positions to recruit for. The role often includes comprehensive responsibilities and is sometimes misunderstood because of the dynamic range of skills it demands. In addition, the role can vary widely based on a company's

unique needs, stage of development, team composition, and the strengths of the current executive team. As the second-in-command, reporting to the CEO, the COO is accountable for daily operations and administrative functions. In some cases, the COO may also assume the title of President/COO if they have external responsibilities.

WHEN DO COMPANIES TYPICALLY ADD THIS POSITION?

This position can be added for one or more of the following reasons:

- Increase the CEO's effectiveness by taking over the burden of day-to-day operational responsibilities
- Create cultural change the CEO cannot accomplish on their own
- Improve a company's ability to execute its business and strategic plans
- Improve a company's ability to increase efficiency and effectiveness between departments, divisions, or plants/locations
- Provide a successor to the CEO when the role is used as training or proving ground (however, not all COOs are hired for this reason nor will make good CEOs)



WHAT ARE THE SKILLS REQUIRED TO BE AN EXCEPTIONAL COO? HOW HAVE THESE CHANGED IN THE LAST 10 YEARS?

Below lists the core skill set that a COO should possess, regardless of the company:

- **Systems-oriented** to be capable of optimizing processes to enhance organizational efficiency and effectiveness
- **Collaborative in nature** to ensure effective management, garner support, and achieve positive outcomes through collective efforts
- **Familiar with conflict management techniques** that help resolve organizational issues productively and constructively
- **Planful and forward-thinking** to ensure people and departments are all synergistically working to achieve business goals and objectives
- **Financially-oriented** with a strong business acumen
- **Exceptional communications skills** to effectively communicate at all company levels, whether that be to the board or shop floor
- **Delegation skills** to better leverage talents and to manage projects others will be leading

In the last ten years, the role is demanding a higher level of expertise in specific domains as follows:

CHANGE MANAGEMENT

Otherwise referred to as interventions, change management includes business planning, organizational design, process improvement, compensation as a tool, training, development, and communications. While some of these skills have always been part of the role or skill set of the COO, the ability to orchestrate change and strategically use these interventions is true change management. With the pace of change rapidly accelerating, these skills are now critical.

DIGITAL TRANSFORMATION

Broadly speaking, digital transformation can be defined as a company's goal of leveraging technology to better serve its customers and to better manage the business internally. In the last 20 years, especially during the previous five years, the use of technology has increased significantly. For companies to excel, they must leverage technology for external purposes, including dealing with customers and vendors. In addition, companies must optimize their use for internal purposes.

- It's not uncommon for the COO to possess a broader skillset than the CEO, who may be
- exceptionally strong in a few areas and weaker in others. That in mind, a CEO must recognize
- their own strengths and weaknesses in order to build a complementary team.

Key Attributes

Analytical
Systems-Thinker
Collaborator
Problem Solver
Conflict Resolver
Planner

Communicator
Integrator
Coach & Mentor
Financially Savvy
Intellectually Curious



WHAT ARE THE DIFFERENT TYPES OF COOS?

There are different types of COOs with specific qualities, making them attractive recruits based on a company's unique environment or needs:

- **Executor** - This COO has a heavy emphasis on the company executing its business operations and strategic plan.
- **Integrator** - Some organizations have high-conflict situations due to the nature of their business or other reasons. The COO must act as an integrator, ensuring cultural cohesion.
- **Change Agent** - This COO is heavily involved in bringing about change. This change can be technological, strategic (shifting to new markets or rolling out new product lines), or cultural where they partner with the CEO.
- **Mentor/Coach** - This COO can be especially critical within a company that is developing staff and future leaders for growth or succession purposes. A seasoned and sometimes older COO can train and develop these individuals.
- **CEO Successor** - Not all COOs are brought in before replacing the current COO, but some are. In this case, the COO position is a transition role. In some situations, the COO will progress to President/COO before becoming CEO.

WHAT IS THE KEY TO A SUCCESSFUL CEO-COO RELATIONSHIP?

More so than any others, these positions need to be aligned, with the ability to work in harmony with one another. They do not need to have the same management style; in some respects, they should differ to ensure they have styles that create constructive interaction and complement one another so that "1 plus 1 equals 3".

To ensure a successful work relationship, the following basics should be considered:

- **Weekly or bi-weekly one-on-one meetings** to ensure there is timely dialogue. These one-on-one meetings exclude other meetings like business planning, committee or task forces, and management meetings. This time should be considered sacred to ensure opportunities and issues are addressed promptly.
- **A psychological/leadership assessment** should be done on both executives. The assessment should be shared with both parties to understand the strengths and weaknesses of their respective styles and tendencies.
- **Periodic roles reviews** should be done annually to discuss potential adjustments to their roles based on the evolving needs of the business. Some refer to this exercise as role negotiation and clarification.

WHEN TO PROMOTE FROM WITHIN OR RECRUIT FROM OUTSIDE?

Before deciding to promote from within or recruit from the outside, the company must define the role and success criteria. The following items should be considered:

- Skills and attributes of the role
- Industry experience or desired previous roles
- Duties and responsibilities
- The strengths and weaknesses of the current executive team
- The company's succession plans

In addition, **understanding a company's strategic objectives** for the future is a crucial step towards identifying the ideal candidate. Understand that the COO will be responsible for driving key initiatives and implementing strategies that align with the company's long-term business plans. By gaining insight into the organization's vision and goals, stakeholders can better evaluate the necessary skills, experience, and qualities required in a leader to ensure the company's success and growth in the future.

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