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Why do organizations have COOs?

The operations lead is the counterweight to the external-facing CEO, building organizational resilience and employee empowerment.

The COO is often the unsung hero of the C-suite. You can probably name dozens of famous CEOs; COOs, not so much. (Sheryl Sandberg might spring to mind, but she stepped down from her role as Meta's COO in 2022.) It doesn't help that there are fewer of them than there used to be. In 2000, 48 percent of Fortune 500 and S&P 500 companies had a COO. By 2018, that number had dropped to 32 percent.

But the COO role is making a comeback. As of 2022, 40 percent of leading companies have a COO, with financial and energy sectors leading the way at 48 percent.

But what does a COO actually do? Operations, sure. But beyond that, just as every organization's operations are different, so is the job of every COO. And the role is changing with the times. As CEOs are increasingly public facing, dealing with external constituencies and stakeholders, the COO is becoming a counterweight. Their detailed operational expertise propels technological growth and employee empowerment. And as operations face extraordinary disruptions, COOs are now vital actors in boosting organizational resilience and value creation. Accordingly, 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 promoted from the COO role, more than from any other internal position.

Read on to get the download on the COO's role in organizations today.

Learn more about McKinsey's Operations Practice.

What skills do COOs need to be effective?

In 2022, we spoke with several current and former COOs to understand the most critical skills they needed to manage the challenges they faced in their roles. Chief among them? Many COOs we spoke to struggled with allocating time appropriately: only about a third of their time went to long-term strategic planning, with the remainder split between overseeing people and dealing with current operational priorities. Other challenges included 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.

Here are the top five proficiencies identified by our interviewees:

1. *Get (way) better at anticipating change.* Upheaval is now the norm—both globally and locally. Companies, and their operations leads, need to be prepared for any disruptive event, no matter how far-fetched. To do this, COOs need to have their fingers on the pulse of the marketplace—one COO in a specialty chemicals company told us the ideal COO will have had a few years' experience in a role that interfaces with the market.

2. *Collaborate with other key functions and help shape the agenda.* Cross-functional engagement is key for COOs, especially when it comes to sales and marketing. An understanding of the customer value proposition is essential for operations leaders, and a close relationship between operations and marketing functions can deliver better customer experience.

3. *Engage effectively with boards*. Since the pandemic, boards of directors have developed a greater appreciation for close collaboration with top-management teams. COOs should take advantage of this opportunity to raise the operations profile to the board.

4. *Drive operational excellence culturally and technologically*. Operational excellence is especially difficult in volatile environments—like the one we're experiencing today. Excellence should be defined by outcomes, such as meeting or exceeding stakeholder requirements, improving customer service, or executing marketing campaigns successfully.

5. *Manage talent creatively*. In the wake of the pandemic, COOs are confronting a new set of talent-related challenges. It's up to them to provide pleasant working conditions, meet employee needs, ensure diversity and equity in the workplace, and create an appealing corporate culture.

What is the COO agenda, and what should be on it?

The COO agenda guides COO actions, helps the COO focus on things only they can do, and tests whether investments are being made in the right places. Each COO agenda's core elements will vary by company and context, but the primary elements should include the following:

— *Vision*. Only 22 percent of employees believe that their leaders have a clear direction for the organization. The most effective COOs ensure there's a strategic mandate.

— *Plan and execution*. This is the "how" of making the vision real. It should look six, 18, 36 months into the future, with a portfolio of initiatives designed for each team.

— *Stakeholder engagement*. Operational excellence depends on stakeholder engagement, including the customer, board, public, and employees.

— *Organization and talent*. No COO can run the operations alone. The best COOs find the best teams and lean on them. They also prepare their successors to ensure continuity after they step down or are promoted.

— *Personal operating model*. The COO role is different from what came before. COOs need to manage how they spend their time and where they turn their attention, how they lead, and how they interact with stakeholders.

The COO's vision should start with the overall business strategy. High levels of ownership and buy-in among all operators—including those on the front line—are critical to the success of the overall business and COO vision.

Learn more about McKinsey's Operations Practice.

How can a COO build a plan to enact their vision?

A vision without a plan is just a wish—progress is unlikely to happen by itself. A solid plan is essential for moving forward. To build a robust plan, COOs should ask themselves the five following series of questions, corresponding to the five above core agenda elements:

— *Operations*: What is the organization's current performance and capability? What will it take to achieve performance aligned with the vision?

— *Stakeholders*: What are the expectations of the CEO and other members of the C-suite? What about the board, employees, and customers?

— *Culture*: What is the organization's culture, and does it need to adapt or change? How can I influence those changes?

— *Team*: Are the right team members in the right roles? Does the organizational structure support the operational requirements necessary to achieve the vision?

— *Yourself*: What are my strengths and weaknesses? Am I meeting the requirements of my role?

By gaining a thorough understanding across these five areas, the COO can identify gaps and challenges to achieving their vision, enabling quick action in areas where change is needed.

Learn more about McKinsey's Operations Practice. And explore operations-related job opportunities if you're interested in working at McKinsey.

Articles referenced:

— "The COO agenda: Vision, plan, and execution," August 29, 2023, Darryl Piasecki

— "What is the COO agenda?," August 11, 2023, Darryl Piasecki

— "Stepping up: What COOs will need to succeed in 2023 and beyond," October 31, 2022, Darryl Piasecki

Get to know and directly engage with senior McKinsey experts on the role of the COO

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