Routes to the top
How to develop industry-specific skills
How did the world’s leading COOs work their way to the top? What kind of experiences, education and background is most typical for these leaders in various key industries? What core skills are most valuable in each of these sectors? And what can aspiring COOs do to go about attaining the capabilities described?

These are some of the questions this booklet, *Routes to the top: how to develop industry specific skills*, helps to answer. It showcases the core skills that COOs will need to develop, along with insight on how to go about acquiring them. These skills are prioritized in line with the responses given from an in-depth survey of more than 300 leading COOs in each particular industry, conducted as part of our study *The DNA of the COO* in 2012. A comprehensive overview of each of the skills is available in the main report, *Aiming for the top: a guide for aspiring COOs and their organizations.*
For each of the following sectors, we profile three skills from this list that will be an especially high priority for future COOs. Of course, as our main report makes clear, all of these skills are necessary as part of the broader capabilities that future operations leaders will need to develop and refine preparing for the role.

In addition, this booklet also profiles the career paths of exemplary COOs across five key sectors: consumer products, financial services, life sciences, oil and gas, and power and utilities. Each of the individuals and companies are leaders in their respective industries, drawn from a shortlist of the largest global organizations.

1 Displayed career paths are approved by the individual COO and are accurate as of August 2013.
Deeper industry and market knowledge

More so than most industries, the consumer products sector faces an outlook largely characterized by volatility and uncertainty in terms of future demand. This puts significant pressure on companies to keep a finger on the market's pulse, to identify market changes early on, and to pick up on evolving consumer interests and preferences. Furthermore, to gain an edge on rivals in an increasingly complex and competitive environment, there is also a need to understand how product lead-times can be reduced. To round this off, the sector faces mounting pressure to be seen as a good corporate citizen. This imperative requires new operational approaches and more visibility of the supply chain.

There is no single answer to the question of how to develop the necessary skills. Experience needs to be built up across different functions, from understanding customer service trends, through to sales and supply chain approaches. Communicating with internal stakeholders, external experts and, crucially, customers, is a major part of it. Data analysis skills, including exposure to predictive analytics tools, are also important. They enable better tracking and assessment of changing sales and consumer demand trends, not least given ever-shorter product lifecycles. Social media engagement, as part of monitoring consumer sentiment on a more real-time basis, is an increasingly vital means of keeping in touch with shifting market developments.

Finding a multicultural management approach

In the past decade, consumer products firms invested more and more in rapid-growth markets. They pursued new sources of demand and sought to find new ways to cut costs internally. But moving into each new market increases complexity and brings a host of questions. What local cultural nuances might affect product development? How do staff tend to behave in a certain country? What are the regulatory norms? COOs need to be at the front line to determine whether a firm's global operating model is adaptable to a new market, or how systems need to be tailored to suit local conditions. They need to find the right balance between consistent global processes and local flexibility, not least to deliver on profits within key new markets.

There are several routes to take when developing this competency. For example, spending time managing a shared service center in a region can be useful, as can the chance to help launch a product in a new market. Beyond this, many operations leaders are choosing to base themselves in a rapid-growth market to ensure that they are close to where tomorrow's growth is emerging. For example, Unilever’s COO is now based in Singapore. Additionally, keep an eye out for various management techniques, especially those that seek to make people feel involved in the process. In short, take the chance to move around and spend meaningful time in different countries.

Engaging in strategic board-level discussions

COOs bring an important perspective to board-level discussions in consumer products firms. While discussions might often be led by marketing and sales, the operations leader must contribute with a pragmatic understanding of both the firm's supply chain and its key markets. In short, they need to help shape an overriding strategy for the company that is achievable, based on a granular, bottom-up analysis of where to compete, and that aligns with the trends they see in the market. The ability to produce insight or highlight counterintuitive trends uncovered through advanced data analysis is becoming an increasingly valuable part of the role.

Building up these competencies requires experience of the company's strategic planning function. This helps prospective COOs to gain a robust grasp of underlying market trends and growth potential. It also demands a clear sense of how consumer demand is evolving – such as a shift toward value, or a move up market. This ability will help to ensure that product and brand strategy are aligned with the reality of the market. Time within a specific strategy practice or firm is a great way to develop this skill quickly, as is exposure to the IT function and the latest big data-related analytics tools.

2 For more information, see Profit or lose, EY, 2013.
Financial Services

**Setting and enforcing robust operational controls**

In the wake of the financial crisis, strong controls are now vital and have become a visible part of the COO role. Across a range of key markets, regulators are clamping down on misconduct – from failure to implement strong operational controls, to weakness in how these controls were enforced internally. From rogue traders exceeding their trading position limits, to concerns over how measures such as Libor rates are shared, the demand for robust controls has never been stronger.

Getting this right is a huge challenge. It demands a detailed understanding of underlying processes, a clear handle on where accountability ought to lie, deep familiarity with regulatory trends, and an eye for where proper controls can actually help improve business performance. To prepare, aspiring COOs can consider a range of options. Spending time in an advisory firm can help, although there is no substitute for having worked in a bank’s operations function. Overseeing a team tasked with conducting controls checks, such as “know your customer” reviews, can be useful, while exposure to the underlying IT systems is even more important.

**Mastery of change management**

For many future COOs, change management lies at the core of their role: taking the CEO’s vision, developing an operating model to underpin it, and then transforming the business and operating culture to match this new approach. There are few tasks as challenging as this one. For example, COOs must demonstrate leadership skills to realign how staff work, and grasp how the underlying technologies and processes can be optimized. It demands a strong strategic vision, a nuts-and-bolts understanding of how the business works, and the communications skills to sell change to teams that may be resistant to it.

The necessary experience will come from a range of sources. At the base level, it is important to get to grips with the products being sold, the types of customers being served, the wider organizational dynamics and broader industry trends. Working as a specialist consultant can be a useful way to gain this holistic view. Offering to lead a major change management initiative will be vital, as you will need a proven track record.

**Finding a multicultural management approach**

Many of the world’s major financial services institutions are highly globalized. From customer-facing staff in key markets, through to support staff operating across many jurisdictions, an appreciation for cultural nuances and variances can make the difference between success and failure. This is especially important when trying to standardize processes within a global architecture, while still giving operations the flexibility to respond in a manner relevant and applicable to their local needs.

More so than any other skillset, there is little substitute for experience here. Asking for the opportunity to spend meaningful time abroad in different locations, as opposed to simply visiting an extensive list of airport hotels, will make a difference. Some cultural insight and anecdotes will go a long way. It may sound obvious, but being open to learning and appreciating new cultures matters: it will help you understand when and why “yes” actually means “no.” Beyond this, take the time to learn and apply different types of management techniques, especially methods for involving people within discussions and processes.
Life sciences

**Engaging in strategic board-level discussions**

The life sciences sector is in the midst of a major transition. As they contend with factors such as patent expirations and tougher regulation, companies are under to adapt their business models. Added to this is a significant burden pressures on life science companies to provide better value. These pressures come from a range of stakeholders, including physicians, patients, payers, regulators and investors. The breadth of these challenges demands that life science COOs are particularly agile. Accordingly, one of the COO’s major tasks is to discuss, challenge and shape the strategic options that their organizations face, while assessing the feasibility from an operational perspective. They also need to measure and compare the financial impact of various strategies.

Life science COOs require a strong grasp of strategy. They must know how to formulate it; how to set objectives, resources, initiatives and milestones; and how to measure the results. They may be able to learn the theories via an MBA, but it is more likely that time spent at a consultancy or within a corporate strategy unit will be more valuable. COOs could also benefit from spending time with their finance teams, learning how to develop and monitor KPIs and to employ various tools and methods for analysis.

**Designing and implementing the organization’s operational model**

The demand for strategic change has a direct effect on how COOs set out their company’s underlying operational model; how they determine the right mix of people, process and technology. In a complex, data-intensive industry such as life sciences, this challenge is especially difficult. Life science COOs need to consider the outlook for developing new drugs, where new technologies can help, and how to improve knowledge management. Beyond this, COOs are also key players in the adoption of open innovation, establishing effective collaboration with a growing network of external partners, from universities through to biotech start-ups.

When learning how to achieve this, one option is to start small: spending time helping a start-up find the right operating model, while using the experience as a test-bed for comparing different approaches. Given the importance of technology to the sector, it will also be important to learn how clinical data and other relevant information is collected, used and stored. And, more generally, COOs must understand the market, competitors, suppliers and customers – all with a view to finding new opportunities to collaborate, while protecting core intellectual property.

**Setting and enforcing robust operational controls**

Drug discovery and testing are among the most essential elements of a life sciences business – and clinical trials are strictly regulated. Failures can jeopardize a potentially major new product line and even sink the business. Drug certification is linked specifically to the fact that all controls and processes are in place and have worked, and here COOs are clearly in the spotlight.

In developing the requisite expertise, a strong grasp of the various methods and frameworks used for operational oversight is vital. Getting to know relevant experts in this area, who have specific knowledge of the intricacies of life sciences, will also be useful. Related to this, it is important for COOs to be closely familiar with the underlying processes of their business. At a basic level, they need exposure to daily operational procedures in order to gain awareness of different performance and risk indicators, as well as the tools used to analyze and optimize such processes.
Oil and gas

**Setting and enforcing robust operational controls**

There are few sectors where tight operational controls are as important as in oil and gas. In the wake of the 2010 Gulf of Mexico spill, the industry’s operational controls have come under renewed scrutiny. In order to respond to increased health and safety requirements, operators have to ensure that they have the right processes, systems, tools and controls in place to ensure compliance with regulations and global best practices. The risks of failure are great. Renewed debate is underway about whether centralized or decentralized controls are better suited, while simultaneously ensuring that contractors are properly aligned on all systems and procedures. Finally, given the geographical territories that oil and gas companies operate in, strong financial and ethical controls are also important.

Learning how to handle all of these challenges requires a strong grasp of both operational models and new regulatory trends. Given the unique nature of the oil and gas sector, there is no substitute for exposure to the variety of environments in which operations are underway – from the Arctic to the desert. Beyond this, reviewing internal incidents, as well as how other high-profile industry accidents have been handled, helps to determine what process and controls lessons can be learned. Regular inspection programs are necessary to ensure compliance. This includes the implementation of enterprise governance, risk and compliance assurance programs, as well as more advanced modeling and risk analytic services.

**Proficiency in identifying and extracting efficiencies**

The need for improved cost controls in the oil and gas industry is an urgent issue. Skills scarcities are driving up wages and capital project cost overruns continue to bring dramatic reductions in shareholder value. The pressure to get costs under control falls largely on the shoulders of COOs. They have to optimize headcount, improve working capital and find new sources of efficiency. Given project complexities and the demands of multiple contractors, suppliers and other stakeholders, the situation demands new methods for monitoring the supply chain. They are needed to identify emerging risks and potential transformation opportunities, such as partnerships, acquisitions and new greenfield developments.

To prepare for such challenges, exposure to a broad sweep of functions is needed. Finance is especially important, in order to get a clear sense of the pressures faced, and to learn methods of calculating both expected costs and likely returns on projects. Supplier management is also key: from handling contracts and negotiations, through to output planning and distribution management. Furthermore, gaining insight into innovation and ongoing R&D is also useful as it helps to identify emerging technologies that can help bolster efficiencies.

**Mastery of change management**

Many operators in the global oil and gas industry face continual changes in the scope and procedures of projects. First, increasingly challenging exploration sites are in turn demanding a greater emphasis on innovation, such as cutting-edge drilling technology. Second, mergers and acquisitions are rising in importance, as companies seek to divest non-core assets and as increased competition drives consolidation – especially among independents and oilfield service firms. In both the adoption of new technologies and in the integration of firms, there is a critical change management component, which is typically led by COOs.

Today’s oil and gas COOs needs strong change management skills that will allow them to provide good operational leadership and direction to their company. Various business schools offer specialist courses on behavioral and change management, which can provide useful theoretical foundations for tackling such initiatives. However, hands-on experience is vital – so involvement in change management projects early in a candidate’s career will be helpful. In particular, getting the opportunity to support a merger and handle a post-merger integration program is invaluable experience.
The power and utilities sector is undergoing significant changes to its structure and the way it operates. Compared with just a decade ago, it is becoming increasingly decentralized. While renewable energy sources are added to the grid, yesterday’s primary sources of energy generation – such as nuclear and coal – are under closer scrutiny than ever. Added to this is considerable regulatory uncertainty, with major energy policy changes – and pressure to achieve energy efficiency targets – often having a severe impact on future investment plans. Meanwhile, a trend is developing in Europe and Asia of unbundling energy companies. COOs must, therefore, understand how to manage the separation of a business. So, new challenges are being introduced to a sector that is already highly regulated and complex. COOs must grasp the regulatory boundaries that will limit the company’s scope of action, not least as it plans for its future investment cycle.

Navigating all this complexity requires a clear understanding of the industry fundamentals and a strong appreciation of legislative trends. Experience in calculating risk-adjusted forecasts and conducting scenario planning can be useful here. Developing the requisite technical skills and getting exposure to the strategic side of finance will both be helpful. Engaging with those who lead on forecasting, simulation and modeling is especially important. Also, to get closer to the regulatory side of the business, it is advisable for prospective COOs to spend time networking with the compliance and legal teams.

The sector trends outlined have major implications for COOs, especially given the scale of the infrastructure investment that the industry investments will be making over the next 5-10 years. Most fundamentally, the structure of how energy is distributed is evolving rapidly. Companies need to ensure that tomorrow’s grid can accommodate these changing sources of power, while still guaranteeing both the reliability and flexibility of the network. This makes the ability to participate in board-level strategic planning discussions about related investments a core competency. Such conversations will consider decisions on asset replacements that are risk-weighted against the regulatory outlook and shifting cost assumptions.

Preparing for these challenges will require the development of a diverse set of skills, on top of the base engineering skills that are mandatory. At a high level, experience in formulating strategy, mapping out key objectives, resources, initiatives and milestones is crucial. For this, experience in strategic planning, or at a strategy consultancy, will be valuable. Ask to at least listen in to board-level discussions if such opportunities arise. Financial savvy is also a core requirement. This quality can be developed when studying for an MBA.

The changes being grappled with on the supply-side of the industry are mirrored by significant shifts on the demand-side too. Customer needs and priorities are evolving, with a stronger focus on cost-control and energy efficiency. There is more competition, not least as energy providers start to broaden their portfolio of services and related pricing strategies. Meanwhile, expectations of customer service are changing as well. This all has significant implications for the underlying operational model, not least as smart meters generate vast amounts of new data on energy usage patterns, which in turn allow for more customizable pricing plans and new customer offerings. It also relates to how COOs shape the broader investment decisions being made. Successfully utilizing these investments will be an important part of securing the industry’s future returns and performance.

For aspiring COOs working toward such a role, this requires a more commercially-minded focus to match their operational and engineering skills. They need to be knowledgeable about various price strategies, how these might work in practice, when they are best deployed and how they ultimately relate back to the fundamentals of the business. Complementing this is the ability to review and analyze the growing volume of customer usage data and to pick out key trends. This demands a strong grasp of new technology tools. But it also calls for experience in resetting the underlying operational model of a business unit in order to achieve new strategic goals. Experience or insight from other customer-centric industries will also be beneficial.
Exemplary COO career paths

Walter Lynch, President and COO of Regulated Operations, American Water

Véronique Weill, Group COO, AXA

Richard P. Goudis, COO, Herbalife

James Fernandez, EVP and COO, Tiffany & Co.

Harish Manwani, COO, Unilever

Kristof Terryn, Group Head of Operations, Zurich Insurance Group
Walter Lynch  
President and COO of Regulated Operations, American Water

2010  
COO and President, Regulated Operations, American Water

2008  
President, Regulated Operations, American Water

2007  
Executive Vice President Business Operations, Eastern Division, American Water Works Company

2005  
President, New Jersey – American Water Company

2003  
President, American Water Services

2001  
President Southwest Region, American Water

1990  
Various start-up and growth organizations in the environmental industry and Mobil Oil Corporation

Bachelors of Science in general Engineering, U.S. Military Academy, West Point, USA

Véronique Weill  
Group COO, AXA

2013  
Member of the Management Committee, AXA

2009  
COO, Member of the Executive Committee, AXA

2008  
Group Executive Vice President IT and Operational Excellence, AXA

2006  
CEO, AXA Business Services; Group Executive Vice President of Operational Excellence, AXA

2005  
Various positions, including global head of Operations for Investment Banking; Global head of IT & Operations for Asset Management and Private Clients, J.P. Morgan

Degree in Accounting, University of Massachusetts; MBA, Nova Southeastern University, Ft. Lauderdale, both USA

Richard P. Goudis  
COO, Herbalife

2010  
COO, Herbalife

2004  
CFO, Herbalife

2002  
Partner, Flamingo Capital Partners

1998  
COO, Rexall Sundown

2010  
COO, Herbalife

Véronique Weill  
Group COO, AXA

2008  
Group Executive Vice President IT and Operational Excellence, AXA

2006  
CEO, AXA Business Services; Group Executive Vice President of Operational Excellence, AXA

Graduate of Institut d’Etudes Politiques de Paris; Université la Sorbonne (Licence de Lettres), both Paris, France

Exemplary COO

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James Fernandez
EVP and COO
Tiffany & Co.

Harish Manwani
COO, Unilever

Kristof Terryn
Group Head of Operations, Zurich Insurance Group

Career paths:

James Fernandez
- 2011: COO, Executive Vice President, Tiffany & Co.
- 2004: Member of the Board of Directors, The Dun & Bradstreet Corporation, member of the regional Advisory Boards, JP Morgan Chase, FM Global insurance company
- 1998: CFO, Executive Vice President, Tiffany & Co.
- 1989: CFO, Senior Vice President, Tiffany & Co.
- Various positions in financial planning and management, Tiffany & Co.

Bachelor of Business Administration in Accounting, Pace University; MBA, Corporate Finance, Fordham University, both New York, USA

Harish Manwani
- 2011: COO, Unilever
- 2005: President Asia Africa, member of the Executive team, Unilever
- 2004: President and CEO, Home and Personal Care North America business group, Unilever
- 2001: President, Home and Personal Care Latin America business group, Unilever
- 2000: Senior Vice President, Global Hair Care and Oral Care, Unilever
- 1995: Director responsible for the Personal Products business, Member of the board, Hindustan Lever (HLL)
- 1976: Various positions, Hindustan Lever (HLL)

Master’s degree in management studies, Mumbai University, India; Advanced Management Program, Harvard Business School, Cambridge, USA

Kristof Terryn
- 2011: Group Head of Operations, Member of the Group Executive Committee, Zurich Insurance Group
- 2009: COO, General Insurance business segment, Zurich Insurance Group
- 2007: COO, Global Corporate business division, Zurich Insurance Group
- 2004: Head of Planning and Performance Management, Zurich Insurance Group
- 1997: Various positions, financial services practice, McKinsey & Company
- 1993: Various positions, banking industry and capital markets

Law degree and degree in Economics, University of Leuven, Belgium; MBA, University of Michigan, USA
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