Future-Proofing the C-suite: Addressing the COO Succession Imperative

As the COO role grows increasingly strategic, more companies are incorporating the position into their C-suites. Alongside turnover and retirements, this has led to a surge in COO-related succession, search and associated advisory work as organizations integrate the new role, seek replacements, or require support in complex leadership challenges from executive transition to top team effectiveness.

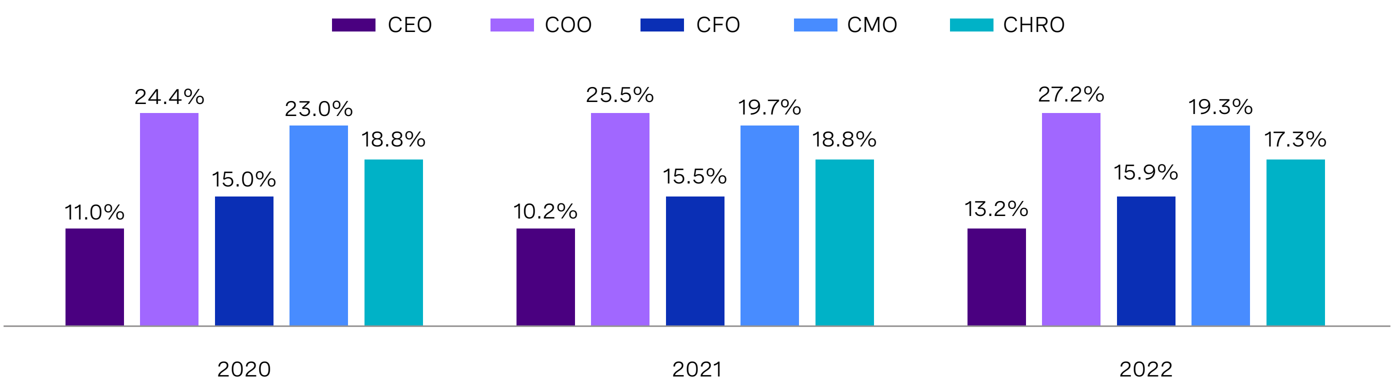
This increased demand prompted us to deepen our understanding of the COO talent market. To accomplish this and support COOs, CEOs, and HR leaders' succession planning efforts, Russell Reynolds Associates analyzed survey responses from 159 COOs and examined demographic data of 425 COOs worldwide, learning that:

- Over 70% of COOs globally are ready to make a career move beyond their current employer, with top reasons related to career growth.[1]
- A large proportion of US COOs are nearing retirement age, indicating an impending boom in departures.
- Most organizations globally are not prepared for their COO's departure, as only 22% have a proactive succession plan in place.[2]

Navigating career transitions: The rising mobility of COOs

Our H1 2024 Global Leadership Monitor reveals that COOs are more inclined to make career moves than their C-suite peers: 71% of surveyed COOs are open to external opportunities, compared to 63% of all global C-suite executives. Historical data from the US market aligns with this, as the COO turnover rate has been notably higher than that of CEOs, CFOs, CMOs, or CHROs, and trended upwards between 2020 to 2022 (Figure 1).

Figure 1: Fortune 1000 turnover by year (%): CEO, COO, CFO, CMO & CHRO



Source: Imberg, Maya. 2023 Spotlight: C-Suite Turnover in the US. BoardEx. March 30, 2023.

What's motivating your COO to make a career move?

Although better compensation is often a factor in COO's career moves, our data shows that the primary reasons they leave roles are related to career growth—with COOs naming "career advancement" and "seeking new responsibilities" as the top two reasons they would be willing to leave their employers (Figure 2). One such career advancement opportunity is stepping into the CEO position, as the COO role is one of the most common CEO feeder roles in the United States.

Beyond career advancement, COO's top five motivations for a career move are aligned with the rest of the C-suite—with one notable exception. Across the broader C-suite, a "desire to feel more valued by the organization," was the fourth most common reason leaders gave for leaving their organizations. But for COOs, this was replaced by "seeking different types of leadership."

Our H1 2024 Global Leadership Monitor found that 59% of COOs aspire to become CEOs, compared to 43% of the broader C-suite.

Additionally, 46% of COOs believe their current role provides a clear path to becoming a CEO, versus 30% of the C-suite, on average.

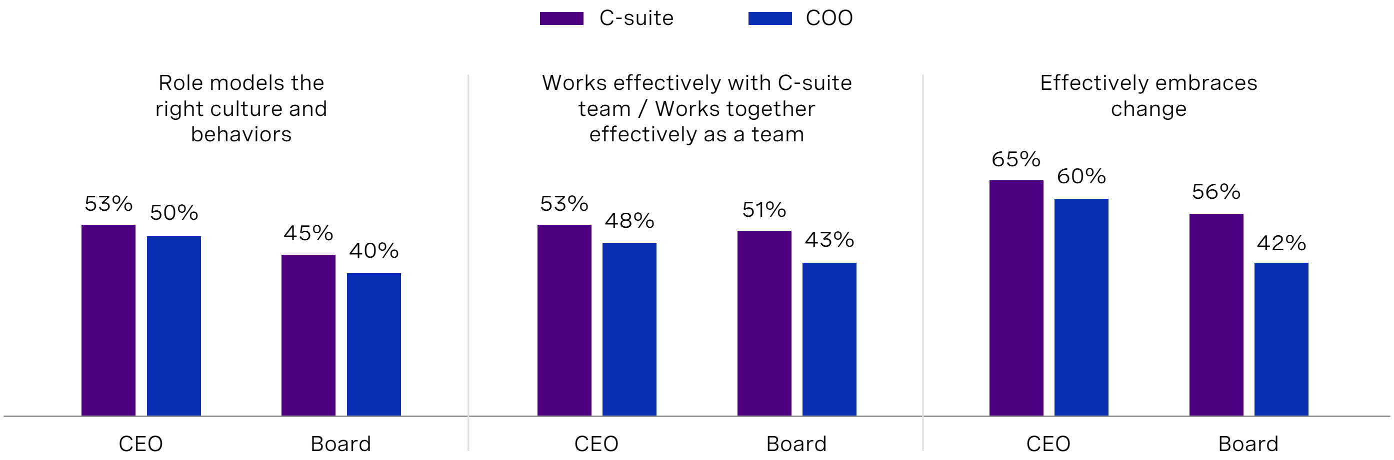
Figure 2: Reason for willingness to change employer - COOs vs. rest of the C-suite

Top 5 - COO			Top 5 - Rest of C-suite
Career advancement	1	1	Seeking new responsibilities
Seeking new responsibilities	2	2	Career advancement
Better pay	3	3	Better pay
Seeking different type of leadership	4	4	Desire to feel more valued by an organization
Seeking a different company culture	5	5	Seeking a different company culture

Source: Russell Reynolds Associates H1 2024 Global Leadership Monitor, N=86 COOs, N=858 C-level executives.

This difference may be explained by our Leadership Confidence Index, which found that COOs have even less confidence in the board and CEO than the rest of the C-suite (Figure 3). These differences in confidence are likely due to the stressors of managing through crises and disruptions over the last several years, as well as COO's heightened exposure to top leadership. This confidence gap is particularly concerning, given the overall decline in leaders' confidence in their executive team, which has reached a three-year low.

Figure 3: CEO and Board behaviour - To what extent do you agree or disagree that your CEO and Board



Source: Russell Reynolds Associates H1 2024 Global Leadership Monitor, N=122/81 COOs, N=1,232/828 C-level executives.

The low confidence COOs have in their CEOs and boards highlights the need to enhance team effectiveness among these leaders, building trust and psychological safety as foundational components. To inspire confidence and become a high-performing leadership team, it is essential for those at the top of the organization to role model the right culture, collaborate across functions, and demonstrate openness to change. As COOs become more strategic, top leadership and the board are collaborating with them more, marking a new dynamic where COOs have a stronger presence at the table.

Managing retirement risks: Ensuring continuity in COO leadership

In the US, we are observing an impending COO retirement boom. A significant proportion of COOs are reaching retirement age, creating tangible concern for employers. Our analysis of 300 COOs from the Fortune 1000 list reveals that over 43% are aged 58 and above. And within Fortune's largest company segment (companies with +$10 billion in annual revenue), this proportion is even higher at 50%.

However, there are notable differences among industries: the healthcare industry, followed by the industrial and consumer industries, have the highest proportion of COOs aged 58 or above (52%, 47%, and 44%, respectively.) And within the healthcare space, nearly half of the COOs are at least 60 years old (Figure 4).

Figure 4: Age distribution of COOs across Fortune 1000 companies by industry

	Consumer	Financial Services	Healthcare	Industrial & Natural Resources	Technology
% of COOs at the age of 58 or above	44%	39%	52%	47%	34%
% of COOs at the age of 60 or above	33%	29%	48%	32%	26%

Source: Russell Reynolds Associates proprietary analysis of 300 COOs from the Fortune 1000 list, July 2024.

COOs approaching retirement may not seek another role due to factors like burnout, financial security, or simply finding retirement to be the more attractive option. Given how challenging the role has been and continues to be, organizations should take the appeals of retirement seriously. COOs have led through significant economic and geopolitical uncertainty over the past several years. In addition to persistent periods of unpredictability, the majority of COOs are now navigating large-scale transformations, with heightened sustainability expectations and ongoing digital advancements, including the evolving AI revolution. These complexities are compounded by talent and skills scarcity across organizational levels.

The data suggests that the market as a whole—and certain industries in particular—are at risk of losing a significant number of COOs to retirement in the next few years. Organizations without a healthy internal talent pipeline may face a shortage of experienced leaders, resulting in heightened competition for qualified external candidates.

Bridging the gap: The dire need for effective succession planning

Despite these circumstances, our leadership succession data shows that only 22% of surveyed COOs in 2024 believe that their organization is proactively developing succession plans via a formal process and criteria (Figure 5). Additionally, only 19% of surveyed COOs are currently part of a formal leadership succession program.

Figure 5: How COOs rate their organization's succession practices

(% of respondents)

22%	38%	40%
Proactive - Succession plans are created in advance using a formal process and set of criteria	Reactive - When a succession need is identified, we activate a formal process and set of criteria	Informal - Succession processes are informal and unstructured

Source: Russell Reynolds Associates H1 2024 Global Leadership Monitor, N=107 COOs.

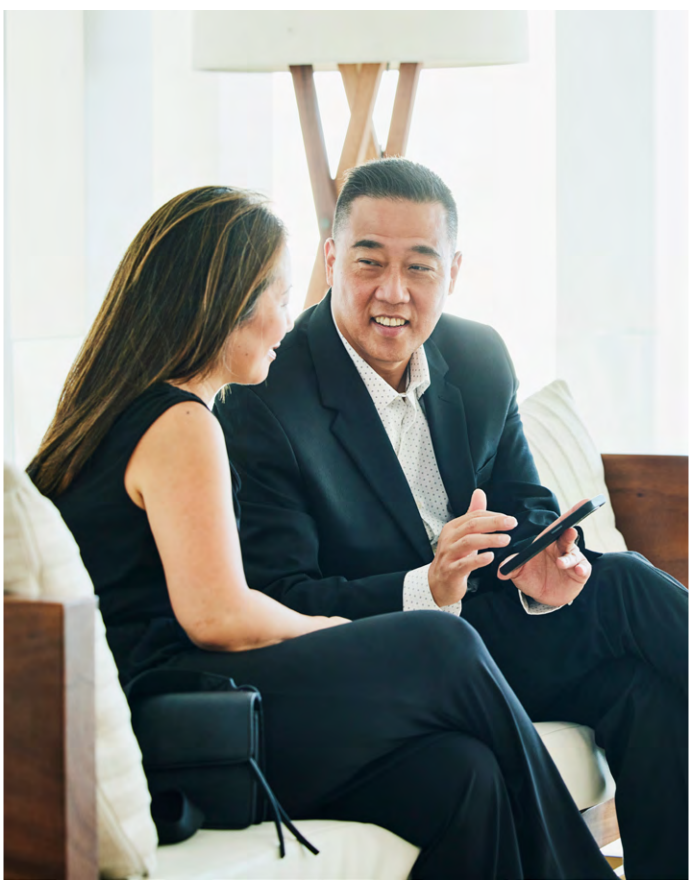
Organizations that establish robust succession planning processes can set them apart from approximately 80% of market players, who have reactive or informal processes in place. Additionally, by taking related steps—like establishing diversity metrics, identifying external talent, and benchmarking internal candidates against the market—COO succession processes can grow even more distinct.

Proactive strategies: Cultivating leaders and strengthening succession plans

As COOs globally grow more open to leaving their employers, a looming retirement boom is also expected shrink the pool of experienced replacements. Meanwhile, the role's increasing strategic importance is prompting more companies to add it to their C-suite, boosting demand. As a result, focusing on succession planning and keeping a strong COO talent pipeline is more important than ever.

To accomplish this, organizations must:

Understand and manage the talent pool: To succeed, companies need a clear understanding of their talent pool and an objective process for identifying the best candidate beyond the "heir apparent." "Ready now" successors aren't always available, so organizations should also identify longer-term successors who might require two to three years of targeted development. This process can also highlight the need to consider external candidates when no viable internal successor exists.



Develop a robust pipeline of talent: To avoid competing for external COO talent, organizations should establish programs to develop and maintain strong pipelines of high-performing next generation talent. This includes identifying high potentials and investing in their training and development well in advance of succession events to ensure a healthy internal pool of qualified candidates. Additionally, fostering mentorship relationships and providing diverse experiences can further prepare these individuals for future leadership roles.

Establish a differentiating succession process: While a great succession planning system is critical, several factors differentiate an exceptional approach from a merely good one. RRA research has identified the unique differentiators that contribute to effective succession planning for this C-suite role.

- It starts with business goals and objectives
- It is focused on future—and not just current— needs
- It is done in partnership with the CEO
- It is viewed as good governance and has board oversight
- It dives several layers below the C-suite to develop future leaders
- It is intentional about diversity, equity, and inclusion
- It positions the organization as a talent academy

Prioritizing the above initiatives and successfully implementing them offers significant benefits: a healthy operations and supply chain leader pipeline minimizes risk and disruption, enhances business continuity, accelerates agility, reduces costs, and boosts employee morale.

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References

1. Russell Reynolds Associates H1 2024 Global Leadership Monitor, N=122 COOs.

2. Russell Reynolds Associates H1 2024 Global Leadership Monitor, N=107 COOs.

About Russell Reynolds Associates

Russell Reynolds Associates is a global leadership advisory firm. Our 500+ consultants in 47 offices work with public, private, and nonprofit organizations across all industries and regions. We help our clients build teams of transformational leaders who can meet today's challenges and anticipate the digital, economic, sustainability, and political trends that are reshaping the global business environment. From helping boards with their structure, culture, and effectiveness to identifying, assessing and defining the best leadership for organizations, our teams bring their decades of expertise to help clients address their most complex leadership issues. We exist to improve the way the world is led

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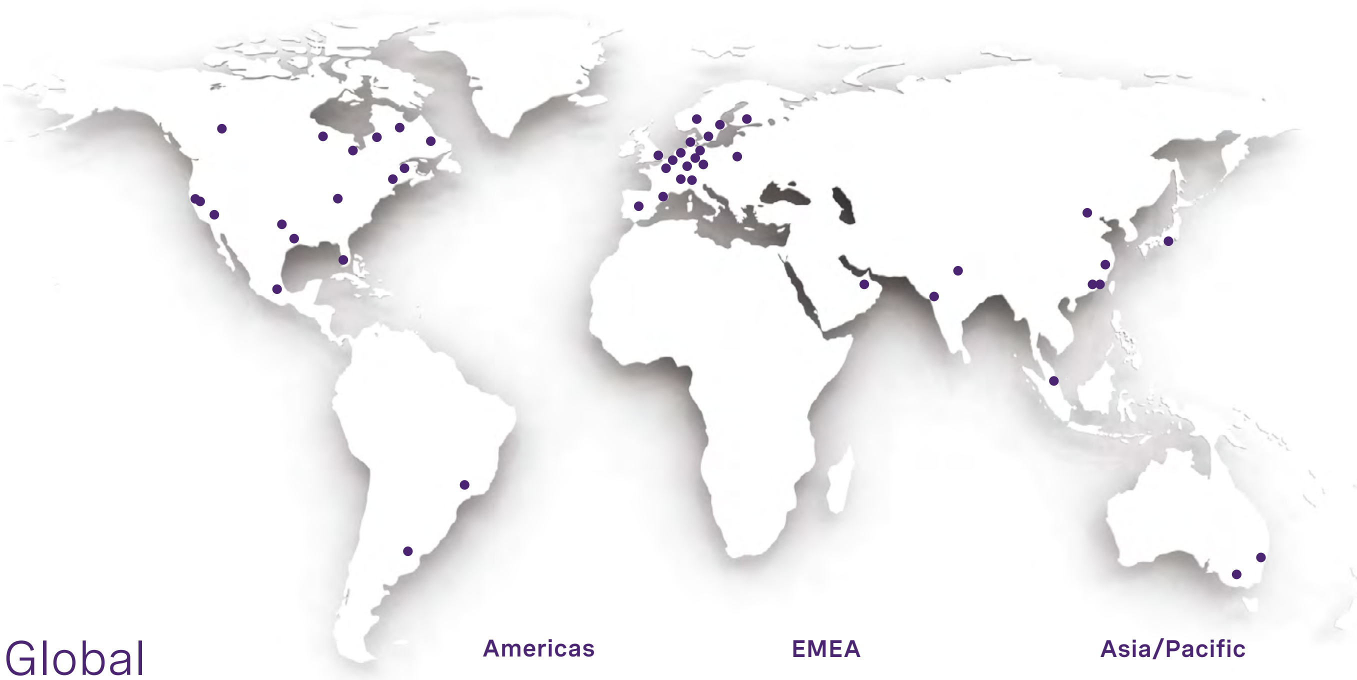

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