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Coming of Age



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# C.O.O. Agenda

CONSULTING

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## KPMG's Inaugural COO Roundtable

KPMG held the first COO Roundtable at the Hong Kong Club. The meeting covered a number of critical topics that COOs are facing in both Financial Services and broader Industrial and Government sectors.

The aim of the Roundtable is to allow COOs to have a venue to discuss and debate critical issues that they see day to day. It is a forum where ideas can be developed and

concerns shared and potential solutions can be debated in a safe environment.

This insight document summarises the high level discussions that were debated. It also serves as a reminder of

what we saw at a specific point in time and for those COOs who could not make some of the Roundtables given their busy schedules.

It is a forum where ideas can be developed and concerns be shared.

## Role of the COO

The COO is more than riding shotgun to the CEO. It is the officer of the organisation who makes things happen. Their remit often covers every aspect of the business including infrastructure, human resources, technology and front office. The COO's role is not a simple one, their office is usually the lynchpin for practical implementation and getting the execution done. The COO title is more than a catchall of different responsibilities. It is a crucial role which determines how successful an organisation can implement its vision.

Building on this it is fair to say that the COO usually controls the keys of execution. While the CEO usually sets up these strategy and vision of an organisation, the COO is the executor of the strategic initiatives. Then from a slightly different angle the CFO manages the numbers of an organisation, setting the focus and boundaries that the COOs and their business unit heads must work within and make the projects count. One other increasingly important area especially to the COO, is risk, and regulation the CRO pulls together, and monitors the risks of an organisation essentially becoming the conscience of the organisation and will have a say in how the COO is able to action on their plan.

THE COO'S  
ROLE IS TO  
EXECUTE  
THE  
STRATEGY.

# Challenges of the COOs

## Target Operating Model (TOM)

Many COOs were the custodians of making an organisation's target operating model achieve its strategic goals. It is usually the COO's role to ensure the TOM is running efficiently and effectively.

All organisations were reviewing their TOM, stress testing the sustainability of the model. Regulatory, cost and revenue pressures are putting strains on legacy models. Infrastructure in many cases is too "heavy" and needs to be cleaned up. The goal was to become lean and mean.

It is expected that the COOs would be doing the "heavy-lifting" here.

**Regulatory changes were forcing them to focus on regulatory and compliance projects rather than executing on strategic initiatives.**

## Prioritisation

Many COOs were facing numerous challenges. Some were faced with shrinking revenue and rising costs. It was difficult in this climate to invest in the future if everything was focussed on survival.

COOs in regional MNCs are faced with difficult challenges. They are expected to grow in Asia while receiving limited investment from their headquarters who are tightening budgets. It was very difficult to fund growth projects when funding was being restricted.

Many were faced with too many initiatives and struggled with having the right resources to get things done. With all the regulatory projects, it was actually difficult getting to more strategic ones.

Few were getting to implement new projects such as social networking and other technology initiatives.

## Talent retention and hiring

Even in this difficult market, many COOs are faced with retaining very good people. They are in demand even in a recession. Keeping personnel motivated when salaries are not increasing is difficult. This becomes even worse when organisations must reduce their headcount.

This was starting to become a high priority for many organisations. Even where there were major headcounts reductions, it was key to that ensure strategies were in place to retain high performers.

## Cost reduction, management and optimisation

Cost reduction is what many organisations are currently doing and planning for. This is going to be an extreme uncertain time for COOs. Do they increase their infrastructure to meet the demands of the market or do they prepare for the worst. Are the issues in Europe and the US finally going to be a contagion in Asia?

Cost reduction is still happening especially within large regional MNCs with global headquarters in US and Europe.



**Europe could potentially present a significant threat to the Asian markets.**

Many COOs did not see this changing in the coming future. But we do need to be careful that we were not being too pessimistic. It is crucial that support is given to searching for new opportunities even in this market.

In addressing cost reduction, many organisations had done the usual short term fix of headcount reduction, while some had started to develop a cost management programme which systematically looked at eliminating unnecessary cost out of the business. In this environment, every organisation has to do a detailed review of their target operating model and then determine the sustainability of that model.

## Regulatory changes

This is a major concern especially for Financial Institutions. Many COOs were finding that the regulatory changes were forcing them to focus on regulatory and compliance projects rather than executing on strategic initiatives.

There is a view that many of the regulators are becoming a lot tougher on listed entities especially in their jurisdiction.

A number of organisations discussed carrying out regulatory reporting reviews across the business, across all functions, and across Asia.

## Eurozone

The Eurozone was a major issue for many COOs. The uncertainty and volatility in the European market was starting to have an impact on businesses in Asia. There was no real positive feeling that Europe could work itself out of the crisis in the next six to twelve months. In fact there were concerns that it could be longer than twelve months. It was agreed in the foreseeable future that Europe could potentially present a significant threat to the Asian markets.

## Social Media

**One of the hot themes across industries is social media and its impact on the way business is done.**

Many are focused on cost cutting and divestiture but there is an eye on what is happening with customers, in particular consumers.

There is a major convergence happening, especially in banking, insurance and mobility. Consumers are increasingly demanding the portability of goods and services.

This poses a major strategic question which impacts the business model for all organisations. But how do you adapt to employ and capitalise on social media during a time of tightened investment and cost reduction?

By the time we have right-sized our businesses, are we too late to join the new world order? Is it just a fad or is there still time to join the broadening social media savvy crowd?

Like many new innovations it raises more questions than it answers. This is what makes the COO's role in social media implementation so demanding, challenging and exciting.

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