

Market Focus & Position

Rise of the chief strategy officer

By Tim Breene, Paul F. Nunes and Walt Shill

High performers know that a robust organization design is a key competitive asset. This begins at the top, with the creation of a senior leadership team that can quickly realize the benefits of strategy. For more and more companies, this team includes a new role—the chief strategy officer—for just such a purpose.

For most executives, the topic of organization design does not generally set the heart beating faster. More often, it conjures images of boxes and arrows and dotted lines, with long, dense explanations of the value of one approach over another. Actual flesh-and-blood leaders seem to be missing from the picture—at least, in the conventional view.

But as is so often the case, the typical view fails to capture reality in all its complexity. Recent Accenture research has revealed that more and more companies are competing on organization design by configuring the C-suite in new and powerful ways (see “About the research,”

page 3). In particular, as we discovered in our research for “The Chief Strategy Officer” (which appeared in *Harvard Business Review* in October 2007), organizations are adding a strategist—often called a chief strategy officer, or CSO—to their top ranks.

Having a chief strategy officer—loosely defined as the senior executive whose main responsibility is to ensure that execution flows from strategic planning—gives companies an edge over those whose organization design, particularly at the top, has not yet evolved in a similar direction. And since a robust organization design is a key component of a successful

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market focus and position—one of the three building blocks of high-performance businesses—the importance of this new role should not be underestimated by companies attempting to compete on the global stage.

Why a CSO?

Companies are starting to add CSOs to their management teams for a variety of reasons. First, CEOs need the help: Complex organizational structures, rapid globalization, new regulations and the struggle to innovate, among other challenges, make it ever more difficult for CEOs to be on top of all parts of the business, even when it's something as important as strategy execution.

Further, the nature of strategy itself has changed during the past decade. Strategy development has become a continuous process, and successful execution therefore depends more than ever on rapid and effective decision making. Finally, centralized control of execution often breaks down when maverick line executives define strategy according to their own plans and interests.

In this environment, the CSO often confronts companywide issues that were once the sole responsibility of the chief executive. Kimberly-Clark CSO Robert Black, whose previous jobs include chief operating officer of Sammons Enterprises (a conglomerate with more than \$27 billion in assets) and president of international operations at Steelcase, the global office-furniture company, explains his role this way: "Over the course of a week, I'm spending time on consumer innovation, business process outsourcing, financial structure, product supply chain, international expansion, communications, acquisitions. Most people in today's functionally oriented career paths don't have the experience to address so many diverse challenges at once."

Indeed, Black's résumé suggests the breadth and depth of experience

necessary for success as a CSO: a string of high-profile positions, in a variety of companies and in a wide range of industries, organizational cultures and geographic locations.

This experience and unique positioning at the top also enables the CSO to offer perspectives and ask questions that other senior executives can't or won't. As Mark Buthman, CFO of Kimberly-Clark, puts it, the strategy chief is often the one person in the room who is in the best position to "put the moose on the table." Because the CSO is willing to discuss subjects no one else wants to touch, important but buried issues no longer serve as barriers to agreement and action. At the same time, the CSO must also ensure that the top ranks maintain the right market focus so that strategic initiatives don't stall and business opportunities—a key to market position—don't get lost.

While the number of companies announcing the addition of a chief strategy officer has been rising steadily in recent years, what that title actually means is fluid. Sometimes a CSO is not a CSO as Accenture defines the term—and sometimes an executive without that title is.

In some cases, the CSO title denotes "traditional strategic planner"—a vice president-level executive whose authority over execution is limited. In other cases, an executive with a relatively unassuming title—say, "vice president, business planning"—may be fulfilling the demanding CSO role as we define it. More commonly, C-suite executives in established roles are also being asked to take responsibility for strategy execution, often under the "executive vice president" title.

For example, Sallie Krawcheck was CFO and head of strategy at Citigroup until March 2007, when she became CEO of Citi's Global Wealth Management group. Shane Robison is executive vice president

About the research

Between December 2006 and February 2007, Accenture conducted a survey of nearly 200 top strategy executives. We also analyzed the press releases and media coverage of more than 100 chief strategy officer appointments to determine how the CSO role is evolving. We completed this research with interviews of CSOs from a variety of industries and backgrounds.

The review of articles in the general business press through 1996 revealed a total of just seven CSO announcements at large companies, starting with Colonial Penn Life Insurance Company and Mead Corporation (now MeadWestvaco Corporation) in 1979.

Between 1997 and 2002, there were 39 CSO announcements in the business press, with a peak of 14 in 2001. (That surge may have been a response to the growth demands companies were facing in the wake of the dot-com collapse and increased globalization.) Since then, the number of CSO announcements has grown steadily—from eight in 2003 to 21 in 2006.

Accenture also conducted a related survey of chief financial officers in February and March of 2007. The goal of that research was to better understand the role of the CFO in the strategic management of their organizations.

and chief strategy and technology officer for HP. And Douglas Sgarro is the executive vice president of strategy and chief legal officer for CVS Caremark Corp., the retail pharmacy chain and pharmaceutical benefit management company.

As companies continue to refine their expectations about strategy execution, the role—and the title—of the chief strategy officer remains under construction.

Benefits by design

As companies increasingly bank on the quality of the top management team as a competitive differentiator, they need to think in innovative terms about that team's design and construction. That doesn't mean adding a faddish position of dubious value, of course. But the CSO role doesn't fit that description. We have identified clear short-, medium- and long-term benefits for companies that name strategy chiefs—advantages that justify the costs of restructuring the top of the organization.

From day one, the strategy chief becomes the “go-to” person, the executive who can provide immediate answers to important questions. American International Group's CSO, Brian Schreiber, told us that

when he took the job, he wanted to be the “first call people made every time they had a new [strategic] opportunity.” That way, he could quickly get the right people involved in making a decision—calling on members of the senior team, for instance, or experts in functional areas like treasury and risk management. He could also ensure that any decision would have a strong strategic rationale as well as a financial one; the two aren't always compatible.

Schreiber and other CSOs aren't just “first responders” to other executives' strategic dilemmas, however. They actively resolve strategic questions that overwhelmed business-unit heads just don't have time to deal with.

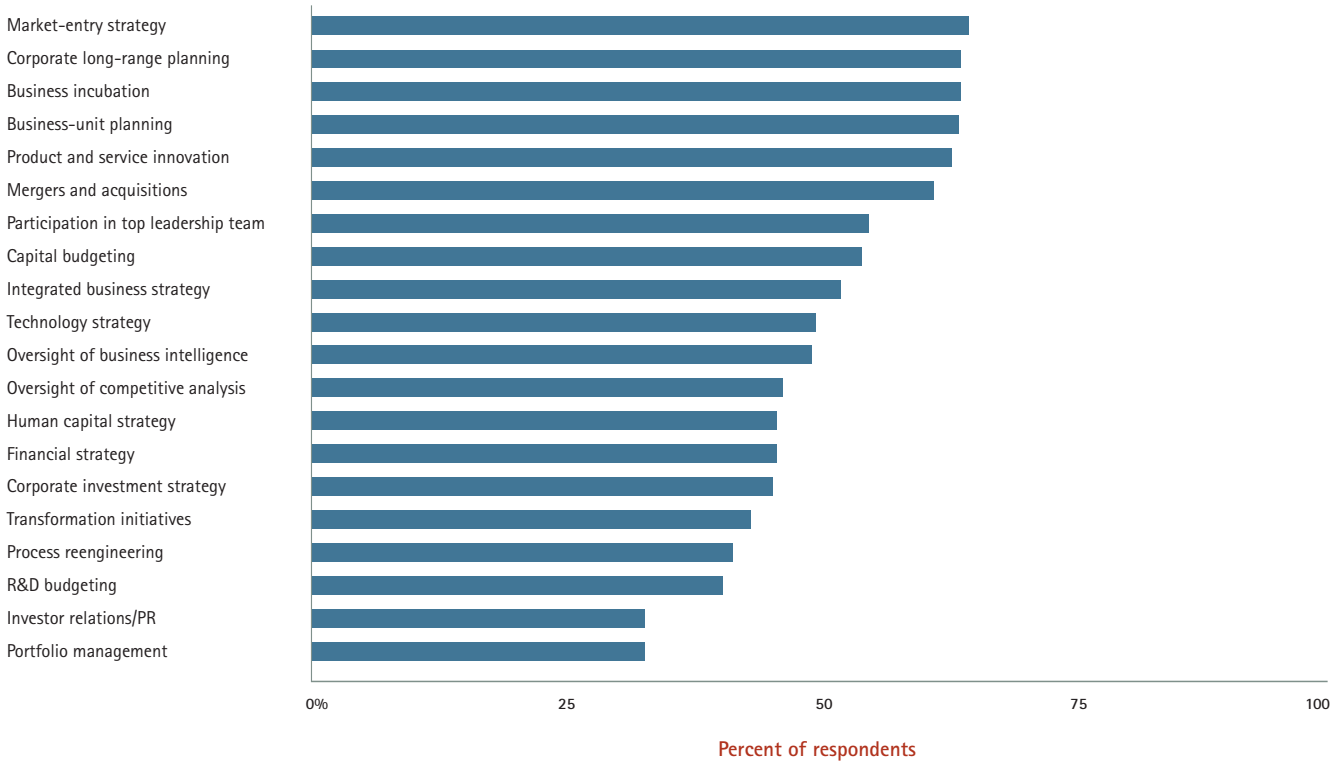
In the medium term, CSOs build world-class strategy development and execution capabilities within the company. In fact, many strategy chiefs are helping their companies compete on organization design by creating departments specifically for that purpose, hiring people with strong strategy-related skills and competencies (in business development, competitive analysis and M&A, for example). CSOs also ensure that the capabilities they

(Continued on page 5)

Breadth and depth

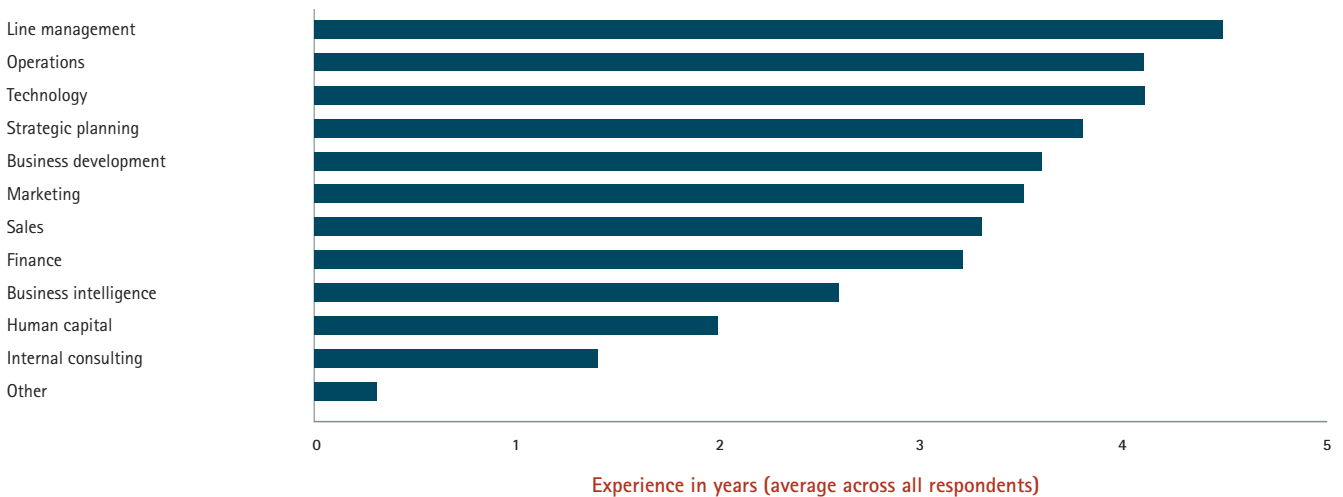
CSOs have significant responsibility for an average of 10 major business functions and activities. A quarter claim responsibility for more than 17 activities.

Activity



Most CSOs have substantial prior experience in an average of four business functions, with the most years in line management, operations and technology.

Business function



Source: Accenture survey

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help to develop are implemented by managers and integrated throughout the organization.

Indeed, when specialty chemicals company H.B. Fuller announced that it had hired its first ever CSO, it underscored the point that the move “emphasizes and aligns the key functions of strategy planning, business development, process improvement and information technology.” And when Marjorie Dorr was named chief strategy officer for US health-benefits company WellPoint, the company’s CEO said in a press release that Dorr would be “working with, and across, all business units to [establish] specific plans, deliverables and measurable objectives.”

In the long term, the role of top strategy executive can become an effective succession-planning tool. At Cadbury Schweppes, Todd Stitzer progressed from CEO of Dr. Pepper/Seven-Up to chief strategy officer to deputy CEO of the entire company to CEO—all between 1997 and 2003. And PepsiCo CEO Indra Nooyi was in charge of corporate strategy at both ABB and Motorola before being named PepsiCo’s senior vice president of corporate strategy and development in 1994; from that role, she moved to president and CFO in 2001 and then to CEO in 2006. As Krishnan Rajagopalan, managing partner at executive recruiter Heidrick & Struggles, told us: “People take on the chief strategy role because they want to run the business sooner or later.”

Rare talent, complicated role

Although the potential benefits are clear, bringing on a CSO is not without its challenges. Finding someone with the skills and experience needed to develop strategy, translate it for people across functions and business units, and drive organizational change can be a tall order. Executive recruiters confirm that the search for

the right candidate, whether internal or external, takes longer than most CEOs expect—a fact that is particularly frustrating for those looking to drive a growth or innovation agenda quickly.

For the CSO, the most critical ingredient for success is probably a strong relationship with the CEO. Chief strategy officers are often given broad authority to tackle companywide challenges and seize new business opportunities, so there must be a strong sense of trust between the CSO and the chief executive. A long professional and personal history between them isn’t absolutely necessary—but it helps.

We discovered that many CSOs actually have long-standing relationships with their CEOs. One reason: Chief executives are loath to give up the rare combination of skills and experience embodied in the typical CSO. The strategy chiefs we surveyed said they had known the CEO at their companies for five years, on average, before becoming CSO.

One strategy chief we spoke with said he and the CEO of his company had worked together at three different businesses during a seven-year period before they both ended up at a health care management firm. After the CEO’s six-month search for a strategy chief proved fruitless, he turned to his longtime colleague. “It’s a huge job,” the CEO told the manager, “but you’ll have more impact doing this than you would leading a division—and you’re the person I’d feel most comfortable with.” His colleague accepted.

In addition to having a strong relationship with the CEO, CSOs should also be able to fit into the following categories.

- **A master of multitasking.** Our study revealed that CSOs are responsible for an average of 10 major business functions and activ-

The role of top strategy executive can be a useful succession-planning tool.

CSOs sway others with their deep industry knowledge, their organizational connections and their ability to communicate effectively.

ities, as diverse and demanding as M&A, competitive analysis and market research, and long-range planning. They must be capable of quickly switching between environments and activities.

- **A jack-of-all-trades.** In our survey research, most strategy executives reported that they had significant line management and functional experience in such areas as technology management, marketing and operations. Less than one-fifth had spent the bulk of their pre-CSO careers on strategic planning.
- **A star player.** Most CSOs achieved impressive business results earlier in their careers and view the strategy role as a launching pad, not a landing pad.
- **A doer, not just a thinker.** Although CSOs split their time almost evenly between strategy development and execution, their bias must be toward the latter.
- **The guardian of horizon two.** Senior teams generally have a good handle on short- and long-term issues. The medium term, that period from one to four years out, can go underattended, however. CSOs must focus the organization's attention on horizon two, the critical period for strategy execution.
- **An influencer, not a dictator.** Strategy chiefs don't succeed by pulling rank. They sway others with their deep industry knowledge, their organizational connections and their ability to communicate effectively.
- **Comfortable with ambiguity.** All executives today must exhibit this trait, but it's especially true for CSOs, whose actions typically won't pay off for years. The role tends to evolve rapidly and

requires an extraordinary ability to embrace an uncertain future.

- **Objective.** Given their wide remit, chief strategy officers can't play favorites. Openly partisan CSOs, or those who let emotions or the strength of other personalities cloud their vision, are sure to fail (see "The CSO and the CFO: Creative tension in the C-suite," page 7).

More talent at the top

Despite the challenges of finding an executive with these traits and with the necessary range of experience, more and more companies are exploring the CSO option. For those striving for high performance, adding a seasoned, energetic chief strategy officer is often akin to a professional sports organization signing a top veteran player from another team. It simply improves the chances of beating the opposition.

As one C-level executive puts it, "We've added a talent or a capacity, a capability that's every bit as big as the individual who runs our biggest business. And we added that in a place that we didn't have any capability before." Heidrick & Struggles' Rajagopalan summarizes a CSO's organizational value this way: "Every company already has a strategy. CEOs are looking for a leader who can help implement it, not just refine it."

To fulfill this quest, chief executives are either tapping company veterans with the experience and the social and political capital to cross boundaries quickly and effectively, or they're bringing outsiders and their fresh growth perspectives into the C-suite. Either way, they're recognizing the ever-growing value of having a trusted, in-house strategy expert as a member of the top team, an executive who will keep the company focused through both the formulation *and* the execution of its strategy.

The CSO and the CFO: Creative tension in the C-suite

By Daniel T. London and Eric M. Lowitt

For some years now, chief financial officers have been playing a larger role in the strategic management efforts of their organizations. As more companies bring on chief strategy officers (see story), however, the potential for conflict between the CFO and the CSO over turf and responsibility is likely to grow. (The biggest area of possible tension is somewhat metaphysical, perhaps: Just where does short-term strategy execution end and medium-term strategy begin?) Fortunately, Accenture research reveals that both parties understand not only how important it is to work together but also that perfect harmony at the top is actually undesirable.

To find out more about how the CFO role is evolving, we surveyed 30 financial officers of leading companies worldwide and followed up our survey with in-depth interviews. What the CFOs told us about their experience in the area of strategy was consistent with prior studies. But what they said about their relationships with top strategy officers was revealing.

Our research confirmed the growing importance of CFOs in the strategy formulation and execution processes. Fifty percent of our survey respondents indicated that five years ago, they had been primarily "service providers" in their organizations; today, only 6 percent feel that way, while fully 44 percent consider themselves to be mainly "business partners." Almost 90 percent expect to be mainly business partners in another five years. In addition, 83 percent said they were engaged or highly engaged in strategy formulation, and 95 percent were engaged or highly engaged in its execution.

Through our interviews, we also found that the survey results were not simply expressions of wishful thinking. We talked to a variety of financial chiefs who are helping drive their companies' strategic vision. For example, Doug Winterrose, divisional CFO of a business that is part of Dutch publishing giant Wolters Kluwer, works closely with his company's top strategy executive and the business development group to make their strategic vision a reality. Kimberly-Clark CFO Mark Buthman works almost daily with CSO Robert Black on strategy and innovation. And the head of finance at a subsidiary of a European chemicals company is leading the effort, along with the heads of strategy and marketing, to define the unit's five-year strategy.

A key factor in the success of these efforts is the strength of the working relationship between the CFO and the CSO—something these executives are well aware of. More than three-quarters of CFO respondents, for example, agreed that their working relationship with the CSO is critical to their own ability to execute. And in a separate survey of CSOs, more than half of the respondents indicated that only the CEO is more important to their ability to execute than the

CFO. These findings help explain why 86 percent of the CFOs interact at least once a week with their company's CSO, and 41 percent do so several times a week.

This close relationship is not without friction, of course. Despite—or perhaps because of—such close and frequent interaction, CFOs and CSOs may find themselves at odds over strategic direction and priorities. The greatest point of tension can come when horizon-one activities like budgeting (the CFO's domain) blur into horizon-two efforts like strategic planning (the CSO's bailiwick).

Here's how the CFO of one Fortune 500 company described this process: "I own the next 18 months, and our CSO owns the next 18 months to five years. And those two [periods] have to be integrated. Sometimes you want to make long-term investments, and we can't afford them in the short term. Sometimes we want to do short-term things that don't make sense for the long term. So it definitely has been a learning experience."

Of course, learning experiences aren't always fun. One CFO explained how some of his colleagues were frustrated by the commitments made by the CSO, which were less precise than those required of finance executives. More typical, however, were the comments of this CFO: "Our CSO has a lot of experience running global businesses. So there are myriad things where . . . bumping heads isn't the right word . . . but where we're working through things like, 'How do we work together most effectively? What do you have? What do I have? What are we working on together?' "

But there is genuine creativity hidden beneath this tension that companies shouldn't quash. Indeed, the CFO-CSO relationship exemplifies the importance of strong debate at the top, as described more than a decade ago by Kathleen Eisenhardt, Jean Kahwajy and L.J. Bourgeois III in "How Management Teams Can Have a Good Fight," in *Harvard Business Review*: "Management teams whose members challenge one another's thinking develop a more complete understanding of the choices, create a richer range of options, and ultimately make the kinds of effective decisions necessary in today's competitive environments."

The creative tension between CFOs and CSOs is likely to become more prevalent as companies increasingly add strategy chiefs to the mix at the top. Chief executives need to ensure that these developments are a net positive for their companies. That means, first of all, clarifying expectations and responsibilities, and second, as the *Harvard Business Review* authors stressed, making sure that conflict is over substantive matters, not personal disagreements. By fostering tough, healthy debate, CEOs can get the most out of the CFO-CSO dynamic while building important new strategic capabilities.

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