Chapter 1

Evolution of Strategic Planning and Today's Role: Chief Strategy Officer

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Strategy without execution is a hallucination.
—Ambuj Goyal, General Manager, System Storage and Networking, IBM

A primary role that has become more prominent in the last two to three years is the role of chief strategy officer (CSO). In the past, this role primarily fell on the leader of the business, the chief executive officer (CEO) or president. It also could fall on whichever senior business leader did corporate development (i.e., mergers and acquisitions), as likely that person was best suited to know the market and what

other competitors had for value propositions that he or she might want to duplicate or embellish and to understand specific market forces. Today, with a globalized economy, the incredibly fast pace of change, and an insurmountable supply of information, business strategy is not something you can work on the side while doing another primary role. Or can you? This chapter goes through a very brief history of business strategy and quickly gets to today's CSO role and some perspective on what does and does not work in business strategy as we know it today.

Evolution of Strategic Planning

Strategic planning has certainly morphed over time. In contemplating this, think about decades of time versus years to look at trends and changes. One of the best articles I've read on this evolution was by Dr. Richard Oliver, who wrote "The Evolution of Business Strategy." I include some of the main excerpts and metaphors that he uses because they mirror my own philosophy of using ideas-that-stick metaphors. It's helpful to look through some of this history to try to predict what new megatrends and events will shape strategic planning and how we drive toward success.

Strategy as War. The word "strategy" is derived from the Greek word *strategia*, meaning

> "generalship." For early commercial enterprises that moved beyond the family firm, business approaches often mirrored those of the military. The command and control models Army generals used moved easily into business practice with little alteration. Company heads commanded the troops while winning battles through sheer force (superior resources), because they had an impenetrable fortress (a protected market or monopoly), or via guerrilla warfare (going after competitors when they're not expecting it). Some of these thematic elements still exist today. Many top executives regard Sun Tzu's *The Art of War*, written more than 2,000 years ago, as required reading. The command and control model has been pervasive. Strategy was primarily centered on winning the war by eliminating competitors.[1]

We know that a lot of how we organize and execute our businesses comes from the military. Think of the hierarchies and discipline utilized and required today. However, the days of one person being in charge and knowing all the factors and dealings in a business is gone. I'm not saying that there is not a head of a business—absolutely you need to have leader—but that person, today more than ever, needs to be a master orchestrator and organizer in pulling together the many aspects of a

business in a globalized economy. While we still need to command and control, we need to do it in a more collaborative approach.

> **Strategy as Machine.** World War II demonstrated that the winner was the one with the better "industrial machine." Thus, the war metaphor gave way to a view of strategy as essentially an industrial process that, just like a factory, was largely mechanized. The prescribed approaches to strategy seemed to suggest (just as with a machine), "If you press this button or pull this lever, then such and such will happen." With its new emphasis on mechanistic processes, the idea of strategic planning drew more attention in academic circles through the 1960s. Major corporations created strategic planning staffs and began to implement systematic planning processes. For the first time, strategy became a business process that was seen as manageable, in the same manner as other elements of the business. Many of today's key terms and tools—as well as a number of strategy consulting firms—were developed during this period. Courses on strategic planning began to enter the business school curriculum in a limited fashion.

Strategy as machine assumes a cookbook approach: "If you do 'x' then press 'y' button, then such and such

will happen." This may have applied during a period of time, but obviously not today; life and business are just not that simple. Additionally, while there are some universal best practices on how to run a business, there is no singular, predefined path to success. There are too many other variables to consider, and after this part of time, post-World War II, the world has turned into an even smaller place. Information is readily available, the workforce no longer consists of the 30-year employees of the past, and older methods of success do not guarantee future success. If you depicted strategy as machine today, it would have to be a learning machine not unlike what you see in sci-fi movies that constantly adapt to their surroundings. Scary stuff.

Strategy as Network. The global shocks of the 1970s (escalating oil prices, war, government instability, and increasing global competition) illustrated the importance of flexibility, non-linear thinking (i.e., strategy was not simply an extension of current trends), and rapid communication in strategic thinking. Many companies burdened with a rigid planning process—or no planning process at all—suffered devastating consequences.

The 1980s saw the rise of Japan and its consequent effect on strategic planning theory and practice. The rapid advances in technology

also had a dramatic effect, with the humble bar code turning inventory management upside down and the rise of enterprise resource planning (ERP) computer systems allowing managers to track widespread geographic activity in real time. Harvard professor and strategy guru Michael Porter wrote his most important works during this period and shaped several generations of academic and practitioner thinking about strategy. As the personal computer and advanced robotics became more widespread, productivity increased and managers gained a wider view of operations than ever before. The 1980s were a golden time in the history of strategy: The decade witnessed the start of global planning processes and corporate reengineering.

The 1990s were a boom time for the United States, which sealed its role as the dominant world leader. Strategic thinking was affected by the rise of the Internet, accelerating advances in technology of all kinds, and a striving for efficiency and low-cost production, putting the focus on a firm's ability to "add and migrate value." Strategic planning and continual revision became entrenched as a vital core of the corporation.

Strategy as network was important. It caused a realization that you could not be so inwardly focused on

your own products and business as to ignore the market, your customers, and your competitors. However, as the 1990s led to strategic planning becoming entrenched as a vital core of the corporation, it also led to some of today's naysayers considering "strategy" a bad thing. As with anything good, strategy needs to be in balance and not overdone. Taking a good thing too far, swinging the pendulum too far to one side or another, can turn a strength into a weakness. Those corporations that put in large strategic planning departments and got buried in the administration of creating lengthy, inflexible plans drove leadership and strategy to a place of bureaucracy and low value added for the time invested. But at the same time, as noted, some of the best strategic planning models, like Michael Porter's work, came into play and are still very pertinent today.

Strategy as Biology. Perhaps the most important change in strategic thinking in this period was the recognition of the critical role customers played and their intimate relationship with the "ecology" of the firm. With few exceptions (e.g., government-dictated monopolies) the customer has always been the final arbitrator of corporate strategic success, particularly over the long term. However, as a result of the proliferation of information technologies during the late 1990s, the customer role in strategy formulation became more immediate and instantly powerful,

> influencing the life of the firm just as a living organism interacts with its environment. This strong and continuous interaction of a firm with its environment (particularly its customers) begged for a new metaphor, that of an organism.

Interesting, isn't it? Takes you right back to biology 101 and the study of amoebas. Why did it take so long to come around to the notion of providing customers what they want, and you'll in turn have a successful business? While the Internet changed distribution channels for selling products forever, before that, the Internet simply changed who had what information. Now customers of products and services had a wealth of knowledge and information at their fingertips via the Internet, and they were not blindly buying based on marketing alone. Think of blogs, consumer reviews, star ratings on Amazon.com, and the many other customer feedback points on goods and services. Customers have the knowledge today, and they have a large voice in the market and can affect it very, very quickly.

> **Strategy Today.** What is strategy today if innovation and change are being created as a natural and intimate part of a constantly mutating organism? Strategy is the process of understanding the industry (its ecology) and the firm's position in that industry (its genetic makeup). It involves understanding whether the firm can

> either improve the structure of its industry or improve its position within the industry (either a revolutionary or evolutionary path.) It asks the question: Can the firm be better than average in its current industry (get beyond its DNA)? If not, it must change the structure of the industry or place itself in another industry where it can be dominant and or relevant (mutate or die).

If you believe the premise that, today, a business and its strategy are part of a constantly mutating organism, then I think you have the mind-set needed to succeed in business at this point in history. Information is fluid, markets are global, customer knowledge and feedback are instant, financial market evaluations are quick and come with high expectations. If you are not constantly adapting, you are dying. Makes you want to run out and start a business, doesn't it? It's really not that bad, but you do need to have your head on a swivel and be aware of your environment. Today's world requires collaboration, teamwork, and trust among the team to move swiftly. It also calls for empowerment and delegation. It is very difficult to run a business in today's world, out of the proverbial corner office, as one person making all the decisions. The world has simply become a more complex, nimble, demanding place. Those who are adapting to today's new rules of engagement are thriving; others are falling to the wayside.

New Role: Chief Strategy Officer

In today's mutating environment, what type of changes should your business be considering? New roles pop up in corporations from time to time to address new or emerging trends in the marketplace. While there have long been people responsible for strategy, only recently have we had a dedicated C-suite position responsible for this role in some larger companies. I've seen this named position pop up more and more. There are pure CSO roles, and then there are hybrid CSO roles. The hybrid roles usually have another function responsibility, such as:

- Chief strategy and innovation officer
- Chief strategy and product development officer
- Chief strategy and corporate development officer
- Chief strategy and marketing officer

First, let's look at the core of a pure CSO role, and then we weigh the pros and cons of the hybrid roles.

Strategy Starts at the Top

It only makes sense that the CEO/president has someone on staff responsible for "facilitating" strategy. I specifically use the term "facilitating" strategy rather than "responsibility for" strategy because there is a huge difference. When you put one person in charge

of or make him or her solely responsible for strategy, then you could have a scapegoat who is responsible for all future successes or failures of the company. There is no "I" in team, right? Well, there is no "I" in strategy either. The desired goal is an entire executive team that is creating, developing, testing, and executing on business strategy. It may be one person's full-time job to facilitate that work, but that person is not solely responsible for it. If one person does all the strategic thinking and planning, that person becomes a crutch to the organization and strategies can be one dimensional. The other executives can get caught up in the day-to-day details of running the business and not also have a watchful eye on opportunities, risks, trends, and other strategic areas that the whole executive team should be paying attention to.

Why Can't This Role Simply Remain with the CEO/President?

Why do you need a CSO? Simply put, CEOs need help; they can't be everywhere at once. As a matter of fact, the best CEO–CSO relationships I've seen are where the CEO is so comfortable in the role (and his or her own skin) that he or she consistently seeks the advice and feedback of others on issues. And if the CEO has a CSO on staff, this person is the CEO's consigliere on decisions and strategic thinking. Not that the two should always

think alike; if they always did, one of them would not be required. But when you have a ying to your yang and someone you can speak extraneously with and bat strategic ideas around in a safe zone, that is an effective relationship, one where business strategy can be incubated then further developed with others. Today's CEO needs to deal with matrixed organization structures, globalization, new laws and regulations, shorter product life cycles, demanding cost reductions, and an insatiable appetite by markets, customers, and investors for innovations. Therefore, the role of the CSO has emerged—not to replace or remove the CEO from doing business strategy, but to help that executive and facilitate the larger executive team.

Is Business Strategy Work a Full-Time Job? Isn't Business Strategy Work a Once-a-Year Job?

Good questions, and ones to which I have very specific answers. I'd answer those questions with "Yes and no, it depends." Let me explain.

Second Question First I don't believe business strategy is an annual, once-per-year-only process any longer. You simply can't afford to ignore markets, competitors, trends, clients, government, technology, and economics for nine months out of the year, after you put together a plan. You have to monitor changes and trends constantly.

Not to say you shouldn't create a plan and execute it, because if you wait for perfect and complete information, you will never move forward. But a business strategy evolves; it cannot stay stagnant for a year. You learn new things, factors changes, the market has turbulence, customers give you feedback, and then you may tweak or outright change parts of your strategy. So I do not believe this is a once-a-year process, but it also is not a process where you should be tweaking PowerPoint slides to improve your story. Who cares about the slides?! Really! And this from a guy who has made a living on creating them! Yes, the slides are important to tell your story convincingly to stakeholders, but it's the content and the strategic thinking within that matter, not the PowerPoint gimmicks. Spend your time in strategic thinking, not color palette controversies.

Back to the First Question Is business strategy work a full-time job? My response: "Yes, absolutely, *but* with a qualification." The qualification is that I don't believe the CSO role should always be a "pure" strategy role. I believe many times the CSO also needs to be responsible for another operational area of the business, such as product, marketing, operations, customer experience, and so on. If the CSO is a pure position, the person can get caught in the ivory tower pontificating strategy and quickly get out of touch with the operations of the business. If the CSO owns a part of the business, the person

has vested skin in the game as an operator and is respected by peers. I firmly believe this hybrid role is more effective in almost all situations. So the CSO should have the following "CSO traits" and responsibilities plus another logical functional/operational area that makes sense in that business and likely is tangential to the CSO role anyway:

- **Master of multitasking.** One study revealed that CSOs are responsible for an average of 10 major business functions and activities, as diverse and demanding as mergers and acquisitions, competitive analysis and market research, and long-range planning. They must be capable of quickly switching between environments and activities.
- **Jack-of-all-trades.** 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.
- **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.
- **Doer, not just thinker.** Although CSOs split their time almost evenly between strategy development and execution, their bias must be toward the latter.

- **Good handle on short- and long-term issues.** The medium term—that period from one to four years out—can go unattended, however. CSOs must focus the organization's attention here, the critical period for strategy execution.
- **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, not using the cover of "Your CEO wants you to do this."
- **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.
- **Objectivity.** Given their broad role, CSOs 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.

More and more companies are exploring the CSO option. For those striving for high performance, adding a seasoned, energetic CSO is often similar to a professional sports organization signing a top veteran player from another team. It simply improves the chances of beating the opposition. To fulfill this quest, CEOs are

either tapping internal 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.

What Type of Chief Strategy Officer Is Needed?

I don't have a one-size-fits-all answer to this question, but we'll explore core components. I came across an interesting discussion on a blog about what is needed in a CSO. Here are some of the responses:

- Big question! I really believe a CSO needs to be a career practitioner (versus manager/administrator). Beyond that, my response is "exactly whatever the business needs."
- Ability to view the entire business holistically and micro-view critical areas and make or recommend decisions based on strategic benefit to the organization. Be a great listener and team leader.
- This person should also be able to implement. Strategy without implementation is nothing.

- Good CSOs have to have command of many basic business skills. They need to understand finance, competition, sales, and, to an extent, the technical side. In my experience, great CSOs come with a wide range of experiences. They also need to be highly creative and willing to wield influence. Most CSO positions are in advisory roles to the profit and loss leaders. Therefore, they have to be great communicators and facilitators.

  In addition, the CSO should be able to deploy these skills in answering the following questions effectively: how to grow, how to compete, and how to remain efficient.
- The CSO has to play a big role in setting the corporate strategic directions of the business, identifying the strategic initiatives that bring high value to the business, developing and maintaining short and long business plans, and monitoring strategy implementation, and they must be able to advise on strategic tactics in highly increasing competition environment.
- If we see strategy as how to realize the vision of the CEO/board, then some of the skills set of the CSO are: externalizing the tacit concerns of the CEO/board, supporting them in actually understanding how these concerns have an impact on the vision, ensuring relevant risks and complexities are identified from various levels within the organization, ensuring the current internal capacity to deliver is

taken into account, keeping abreast with external developments, ensuring there is alignment between the various levels of decision making, including feedback loops, and ensuring emerging concerns are managed appropriately.

- Oftentimes strategy is defined during implementation. You must be able to recognize what is successful and what isn't. Strategy is not developing an idea or plan and passing it off to the next team to implement.

These bloggers collectively get it. Being an effective CSO and driving and facilitating strategy is about relationships, consistency, execution, and linkage to mission.

Let's look at actual deliverables, and ask, what does a CSO do? Consider this real, slightly redacted job description from a 2013 posting for a chief strategy and innovation officer position:

Position Overview

In support of its ambitious business and social impact goals, <ACME COMPANY> is currently seeking a seasoned executive to spearhead an integrated set of functions: ongoing strategic planning and innovation, strategic relationship management, organizational effectiveness,

and corporate brand management. This hire will join a highly collaborative seven-member executive team and play a major role in increasing the organization's overall capacity and potential for impact. This is an exciting opportunity for a thoughtful and resourceful senior leader and manager to help advance <ACME'S> double bottom line of maintaining the organization's business strength while creating unprecedented change on the people and communities it serves.

CS&I Officer—Responsibilities:

1. Strategic Thinking and Planning (30%)
- In collaboration with the executive team, lead the ongoing and active strategic thinking process, translating the two-year strategic plan into specific implementation strategies that position <ACME> as a transformative leader in the field.
- Oversee the management of corporate-level process on an ongoing basis, advising business units in strategic execution. Continue to improve processes that are both top-down and bottom-up, and

(*Continued*)

(*Continued*)

include <ACME>'s Board of Directors where appropriate.

2. Innovation (20%)
- Ensure an innovation discipline that identifies and incubates ideas to create scalable solutions that lead to growth in the organization's double bottom line of creating business value and social impact.
- Oversee ongoing innovation processes and related innovation labs to ensure the ongoing development of new markets, partnerships, and products in the organization's core sectors.

3. Strategic Relationship Development and Management (20%)
- Develop high-level relationships with prospective and existing funders, managing <ACME>'s brand and brand messaging to foundations, and identifying new opportunities for philanthropic support.
- Champion and refine as needed the existing strategy and approach for pursuing philanthropic opportunities, including overseeing

processes for customer relationship management and proposal creation.

4. Social Impact Assessment (10%)
   - Directly manage <ACME's> further development of its approach to assess the social impact of its business activities, and continue to move the process from assessing outputs to outcomes.
   - Ensure that this process is based on the ongoing need for clear and evident organizational learning, such that understanding of our impact leads to greater capacity to set business objectives that lead to increasingly higher impact outcomes.
5. Staff Management and Organizational Effectiveness (10%)
   - Take responsibility for and refine strategies pertaining to human capital management and organizational effectiveness such as team development, performance management, change management, and organizational culture. Stay abreast of related theory and changing practices.

(*Continued*)

(*Continued*)

- Supervise a team currently comprised of a Director of Innovation and Director of Social Impact. Determine other staffing needs and grow team as needed.

6. Corporate Communications and Brand Management (<10%)

- Lead the Executive Team in an analysis of the existing corporate communications, brand management, social media programs and staffing needs relative to that function in the future.

Desired Skills and Experience

Qualifications:

- 10+ years of executive experience in community development lending or similar field such as financial services, management consulting, or real estate development
- A demonstrated commitment to the mission of <ACME>, with a belief and interest in achieving transformative social objectives through business acumen and techniques

- Consummate strategic leadership and management skills, including competence in decision making, change management, staff management, and organizational effectiveness
- Demonstrated experience leading innovation efforts for an organization, with a track record of balancing risk and pragmatism, and tying ideation to business objectives
- A skilled relationship builder and communicator, with a natural ability to serve both internal and external customers
- Collaborative and comfort being part of a consensus-driven leadership team
- An ability to embrace and model <ACME>'s core values of cooperation, innovation, leadership, commitment, trust, and diversity
- Content experience in community development, lending, finance, and/or practice areas of <ACME> (health care, affordable housing, education, healthy foods, aging) is strongly desired
- Master's Degree in business, finance, or related field is strongly preferred

What are the four key takeaways from reading this job description and description of the candidate?

1. **A seasoned and strategic player.** If there is an internal candidate who knows the operations well, he or she may be a good candidate, especially if there has already been a lot of churn on the executive team. If the team has a lot of tenure, it may be time to bring someone in who can bring additional diversity to it. Either way, a respected, seasoned person in business strategy is required.
2. **A relationship builder and doer.** It's all about relationships, right? Why else would many of us jump on a plane to go see a client when we could have simply made a phone call or have written an e-mail? Because you are building a relationship. This stuff is important and you are a doer. Everyone respects a doer, someone who gets stuff done, doesn't just talk, and isn't in the same place the next time you find them, still talking.
3. **Multiple areas of adjacent responsibilities.** In this case, this role has responsibility for corporate communications, innovation, brand management, and fundraising. Smart. Give the person the role of master facilitator but also give him or her some operations to own and have a test lab in.
4. **Collaborator and facilitator.** Last, it's key that the role will, in collaboration with the executive

team, lead the strategic thinking process. Don't make this person solely responsible for the thinking or the strategies. He or she should be the facilitator, the collaborator of strategy.

Of course, every role is going to be different depending on the company, the business model maturity, the tenets of the organization, the existing executive team, the CEO—a whole host of factors. But my core philosophy holds true in all of them: Name a CSO-plus position on the executive team reporting to the CEO. Have that person responsible for facilitating and consulting on business strategy with the CEO and the entire business. In addition to this core responsibility, have the CSO be the head of a functional area(s) that makes sense in your business and on your team, such as product development, marketing, innovation, or customer experience.

CSO: A Distributed Solution versus a Singular Role

I gave a lot of detail regarding what a CSO position could look like via the full job description you just read. I did this to show one good example of how complex and multifaceted a position this can be. I also gave some blogger opinions on what they thought a CSO should be to highlight the fact that there is no shortage of opinions on the topic, but most agree that it is

a large and complex role. As a leader, when you look at a role like this and understand its complexity, you should begin to ask yourself whether one person really can do this or whether the job should be the responsibility of several individuals. CEOs fight with these questions all the time. In large organizations, everyone wants to be at the CEO's direct staff table to represent their areas, but a CEO can't have 50 direct reports. The opposite is true in smaller companies: Individuals are forced to wear many hats, must execute on many duties, and must divide up these responsibilities. Small companies can't afford to have full-time CSOs. So what is the right answer? Again, it depends (of course). I'd argue that without one person responsible for facilitating this work, then no one is responsible. It's next to impossible to manage by committee; someone has to be the one throat to choke. However, if you have a fully functional and capable executive team in place with no gaps, it may make sense to distribute this role across a couple key leaders. In this case, the division of responsibilities and having clear roles is critical.

Summary

Conclusion. There is a clear one-two punch to get respect in business strategy—develop relationships and

then execute. It's hard to argue with a successful track record, especially one in which it was a relay race and multiple people contributed to the win.

Gold nuggets you took away to share with your board of directors or your staff, or for personal reflection:

1. _____

2. _____

Three Additional Resources/Tools

***The Art of War* by Sun Tzu.** If you want to read a book that hasn't gotten much publicity in recent years but is a core book in business strategy (assuming you subscribe to the fact that military strategy is similar to business strategy), this is the book to read.

Careerbuilder.com. Go online and look at CSO job descriptions like the one shown in this chapter. Use this and other job descriptions as a guide to determine what responsibilities you think you should have in this role in your company based on your specific needs.

Your company's executive team organization chart. Look at the chart and map who is doing the CSO's role and if it is being covered adequately

or if you have a gap. This should be a very interesting exercise.

Note

1. All quotations are from Richard Oliver, "The Evolution of Business Strategy," *Journal of Business Strategy* (September–October 2001).