Today's C.E.O. Agenda has moved beyond cost restructuring to gearing up for growth and to managing the post-reengineered enterprise. This conclusion was drawn from discussions with Booz-Allen & Hamilton’s “virtual panel” of international chief executive officers about trends affecting their businesses. In one sense, the topics that occupy the busy calendars of C.E.O.’s have not changed much over the past two or three decades. The vocabulary that describes these “perennial” issues — as well as their relative emphasis — may have evolved (see Table 1), but today’s C.E.O.’s are largely concerned with the same issues as their predecessors were. In another sense, though, there are tides of fashion, driven by external pressures as well as trends in management thinking, which sweep through the C.E.O. Agenda with remarkable synchronicity. Recently, we have seen the focus shift toward growing the top line rather than cutting costs, and toward managing the new corporation now that it has been restructured, rather than restructuring it.

The new C.E.O. Agenda, beyond the perennials, can be summarized against three variations of these two themes:

➤ Managing for Growth
➤ Business Process Redesign, the Next Generation
➤ The New Organization

The drivers of this shift in focus are straightforward. Many — though not all — major companies have
completed the first wave of business process reengineering work and have thus achieved the first 80 percent of cost restructuring. They must now look to revenue growth for the next quantum leap in performance improvement, an expansive mood that is doubtless reinforced by the rebound in corporate profits over the past two years.

At the same time, the wave of de-layering, restructuring and reengineering has left many companies in a twilight world between the old and the new. Traditional management processes have been discarded and dismantled; new ones are not always comfortably in place. Learning to manage in the post-restructuring world has become a priority.

MANAGING FOR GROWTH

If the top management focus of the past five years was on restructuring costs, today it is on growth. The comment of Drew Lewis, chairman and chief executive of the Union Pacific Corporation, captures this reemphasis: “Union Pacific used to have 80,000 employees. Today we have fewer than 50,000. There is still more room to cut costs, but we’re not going to get anywhere unless we grow our revenues through improved services and satisfactory margins.”

Broadly, our clients are seeking growth from four sources, each of which has implications for the C.E.O.’s role in shaping his or her company’s core capabilities and critical priorities:

- Emerging markets. Most C.E.O.’s look to the emerging markets of Asia and Latin America (and to a much lesser and potentially myopic extent, Eastern Europe) as the key to future growth. On the one hand, there is the

### TABLE 1: THE “PERENNIALS”

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<th>TOPIC</th>
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| CORPORATE VISION AND VALUES        |                   | ➢ The No. 1 role?  
|                                   |                   | ➢ Premium on communication |
| CORPORATE PORTFOLIO STRATEGY       |                   | ➢ Eclipsed by reengineering  
|                                   |                   | ➢ Focused on capabilities and processes versus assets |
| TOP MANAGEMENT ORGANIZATION        |                   | ➢ Role of corporate center  
|                                   |                   | ➢ Teamwork |
| CORPORATE FINANCE                  |                   | ➢ But be sure derivatives risk is managed |
| ACQUISITIONS                       |                   | ➢ Depends on the industry  
|                                   |                   | ➢ Some comeback  
|                                   |                   | ➢ Increasing interest in alliances |
| SHAREHOLDER RELATIONS/ GOVERNANCE  |                   | ➢ Still a priority |
| GOVERNMENT(S) RELATIONS            |                   | ➢ Still a priority  
|                                   |                   | ➢ Increasing focus overseas |
| RISK MANAGEMENT                    |                   | ➢ Top-of-mind, post Barings etc. |
| TECHNOLOGY MANAGEMENT              |                   | ➢ Bets are getting larger |
infrastructure boom ($1 trillion by 2000, according to some estimates); on the other, there is an almost infinite potential consumer market as more and more segments of these huge populations enter the market economy. Already there are about 300 million “consumers,” in purchasing power parity terms, in emerging markets. The total population is more than 3 billion.

➢ New products or services. The capability to sustain innovation in products and services is becoming a principal source of competitive advantage across a broad range of industries.

➢ Acquisitions are receiving renewed interest. As balance sheets have improved, the number of corporate acquisitions has started to rebound. In fact, there is even evidence that part of the value liberated by the recent generation of acquisitions is being captured by the acquiror’s as well as by the acquiree’s shareholders, who had historically enjoyed the vast majority of gains. This fits with our own observation that today’s acquisitions appear to have greater strategic fit with acquirors’ core strategies and capabilities than often in the past.

➢ Strengthened “blocking and tackling.” Our clients are placing increased focus on enhancing the basics in their existing businesses: enhanced customer care, strengthened marketing and sales force management and improved, tactical pricing. Much of this is overdue. Despite the claims of many philosophers of business process reengineering, recent rounds of reengineering and restructuring have left many of these basic processes weaker than before.

Relative emphasis among these growth channels necessarily varies. Our own analysis of 100 companies that have grown their shareholders’ wealth beyond the average over the past two decades suggests that expansion in emerging markets is the No. 1 source of growth; developing breakout strategies that redefine the basis of competition in mature industries (Virgin Atlantic or Home Depot, for example) comes second; and continuous product innovation and brand building comes third.

Acquisitions worked less well, with the notable exception of those few companies like the Emerson Electric Company in the United States or BTR P.L.C. in Britain that have made the acquisition and performance turnaround of mature businesses into core capabilities.

To capture differentiated growth, C.E.O.’s need to foster new and enhanced capabilities and attitudes within their organizations. Innovation, for example, has historically been viewed as being as much a lucky break as a business capability that can be designed, upgraded and managed. As a result, many organizations avoid managing their innovation capability for fear of tampering with creativity that they do not wholly understand. In fact, as companies like the Chrysler Corporation and the Sony Corporation have shown, the innovation capability can be designed and managed through strengthening the business processes associated with market understanding, product line planning, technology manage-
ment and product/process development; strengthening measurement systems that track innovation; and through systematic processes to capture and deploy organizational learning and best practices.

Similarly, to capture the full long-term potential of emerging markets, C.E.O.’s will have to progressively move the center of gravity of their organizations, managerial brain-trusts and their own mindsets toward these markets — and there is a long way to go. Winning in emerging markets also requires a different type of decision-making process. The speed of change is so dramatic that traditional planning processes simply do not work. For example, markets that took a decade to develop in the United States and six years in Japan, are evolving in less than two years in some parts of China.

What is needed is “strategic entrepreneurship,” a relatively clear view of long-term objectives and a strong set of strategic boundaries that can be used to screen opportunities in or out, plus a highly entrepreneurial approach to creating and exploiting opportunities and shifting between scenarios as they unfold.

But growth also implies risk, which has implications for how companies must think about risk management. Among the “perennials” on the C.E.O. Agenda, we have found that risk management has a strong claim to be the fastest riser in emphasis. John Prescott, chief executive of the Broken Hill Proprietary Company, Australia’s largest industrial concern, observes that most of his company’s best growth opportunities stem from new technologies or from activities in

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| MANAGING FOR GROWTH | ➤ Emerging markets  
➤ Product innovation | |
| INNOVATION | ➤ Customer understanding  
➤ Product planning  
➤ Technology management  
➤ Product development | |
| BUSINESS PROCESS REENGINEERING/RESTRUCTURING | ➤ First wave in maturity  
➤ Second wave underway  
➤ Revenue versus cost focus  
➤ Brain power versus labor  
➤ Becoming part of business-as-usual | |
| QUALITY | | |
| TIME-BASED COMPETITION | ➤ Have become part of business-as-usual | |
| LEAN MANUFACTURING | | |
| CUSTOMER RETENTION | | |
| THE NEW ORGANIZATION | ➤ How to operate post-restructuring  
➤ Institutionalizing change  
➤ Concepts getting greater traction | |
| ENVISIONING THE FUTURE | ➤ An increasing priority | |
| KNOWLEDGE MANAGEMENT | ➤ Intellectual capital  
➤ Best practices, capture and transfer | |
countries that are traditionally considered high risk, or from both. “You can’t avoid risk,” he says, “and there’s no point in complaining about it. Instead, you need to make the assessment and management of risk one of your core competencies.”

As C.E.O.’s think about growth, their time frames are lengthening. One of my favorite questions to clients is to ask them to estimate the center of gravity of their time horizon. Answers vary depending on the near-term health of their businesses, but strategic focus has moved out to about seven years — on earlier occasions 18 months was not unusual. During the past year, our firm has experienced a surge of engagements focused on modeling the relatively distant future and on leading management teams through strategic simulations or sophisticated war games for their industries.

Changing demographics, technology advances and global shifts have far-reaching implications for competitive boundaries and patterns of demand in virtually every industry. C.E.O.’s are increasingly viewing one of their core roles as stimulating their companies’ perspectives on what the future will bring. The boldest among them will select a scenario and remodel their businesses to win against it.

B.P.R.—THE NEXT GENERATION

Is the business process reengineering boom over? The answer is: “not really.” The first wave of reengineering has passed its peak, but is still strong; the second wave has already begun.

The first wave of B.P.R. was predominantly focused on cost reduction, notwithstanding the rhetoric of B.P.R. and its goals to improve service levels and cycle times. The pressure of global competition and the predatory efficiency of the capital markets — especially the American majority of companies — about 60 percent — have already passed through the first wave. Though this number may sound high, it suggests that a significant number of companies have yet to begin reengineering their basic cost structures. It also means that a large number of companies have yet to address costs in major parts of their businesses.

B.P.R.’s second wave has already started to gather momentum. This generation is more actively focused on value creation than on cost reduction. It is also concerned with reengineering “knowledgework” as well as physical labor. The focus includes strengthening those very processes that are critical to enabling growth:

The first wave of reengineering has passed its peak; the second wave has already begun
reengineering a company’s value proposition to its customers and making it interactive with its cost structure. What do I mean by interactive in this context?

The American Express Company, for example, has a higher cost structure than many bankcard providers because it provides its card members with more product features and higher levels of service. To remain competitive, American Express continuously reassesses whether its members value those features sufficiently to justify their costs; that is the interactive part. As a result, the company must reengineer its service offering and its delivery structure in concert to arrive at the optimal balance of features and costs. To do this, American Express engages in smart B.P.R. on a segment-by-segment basis; one of the principal messages of B.P.R.’s second wave is that one size does not fit all.

Perhaps the most interesting question about B.P.R. is what will transpire outside the United States. For the most part, European businesses have been slower at moving through the first wave than their American counterparts. To gain immediate advantage, many European businesses might leapfrog to the second wave, something that was recently suggested by Didier Pineau-Valenciennes, chairman of France’s Schneider Group: “In Europe, reengineering will focus more on the revenue than on the cost side because we don’t have the same ability to reduce workforces as the Americans.” We are observing similar thinking in Japan and other parts of Asia.

But can the inevitable be postponed? Probably not. Companies in these markets still face pressure to bring down costs. Indeed, the pressure is even greater due to the striking productivity gains of their American competitors.

In our view, B.P.R. will always be with us as companies continue to evolve. Even in companies still engaged in first-wave B.P.R. activities, there is the recognition that the need for continuous improvement is a constant. As Richard M. Rosenberg, chairman and C.E.O. of the BankAmerica Corporation, notes: “Reengineering has become a normal part of doing business, just like quality or value.” In today’s and tomorrow’s world, companies will need to continuously refine, restructure and reengineer how they operate in order to keep up with customers’ needs and drive continuous productivity gains.

Many other business leaders believe as Mr. Rosenberg does. Ervin R. Shames, former C.E.O. of Borden Inc., captures this philosophy when he suggests that: “You need to pick those few capabilities and processes which will lead to competitive advantage and invest continuously in strengthening them. At the same time, you should be reengineering or outsourcing the others to be as low cost as possible.”

THE NEW ORGANIZATION

In our discussions with business leaders and in our ongoing work, we have found that “organization” has moved back onto the center stage of the C.E.O. Agenda. Partly this is necessary follow-through to the restructuring wave — how do you manage the reengineered corporation? Part of it also relates to renewed questioning...
of the value-added role of the corporation itself, spurred by the same competitive and economic pressures that mandated restructuring in the first place. To a large extent, the renewed emphasis on organization coincides with new ways of thinking about corporate-level strategy that we are observing in many C.E.O.’s.

The new organization agenda has four principal themes:

➢ Focus on Vision and Values
➢ Role of the Center
➢ Managing Through Processes
➢ Turning Managers Into Entrepreneurs

C.E.O.’s have long understood their role in building the corporate vision. Today, this focus is being complemented by a drive to establish and entrench clear corporate values.

These are not simply a means to edify the spirit, but are vehicles to communicate to the full employee population strategic focus and operating boundaries. When Robert Bauman, chairman of British Aerospace P.L.C. and a prior C.E.O. of SmithKline Beecham P.L.C., thinks about corporate strategy, he thinks in terms of values and not so much in terms of growth/share matrix dynamics, as most C.E.O.’s would have done 10 years ago. “This is less the result of environmental change,” Mr. Bauman says, “than of a change in managerial philosophy.”

The breakthrough lies in understanding how important it is to enable the entire organization to understand your strategy and thus consistently make the right decisions within all parts of the company. It also implies focus on both vision and communication. As Floris Maljers, former C.E.O. of Unilever, puts it: “Being great at everything is not an actionable message.”

A related trend in “organization” is renewed interest in the role of the corporate center or core. At a recent symposium, where Booz-Allen partners discussed the most important business issues on the firm’s client agendas, we discovered that 13 of the 25 participating partners were working with major companies to retune and redefine the role of the corporate center.

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**TABLE 3: PHASES OF REENGINEERING**

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To some degree, the reassessment of the role of the center relates to the need to change management processes to fit the post-restructured corporation. But it is also driven by external pressures: the same capital market pressures that compelled companies to lower costs are forcing them to rethink the integrative logic of their business portfolios. This notion was nicely presented by Donald Argus, C.E.O. of the National Australia Bank, which operates banks in five countries: “Our challenge is to demonstrate to shareholders that by adding a layer of value beyond the sum of the parts of our Federation of Regional Banks we will offer more to investors than would a series of separate shareholdings in individual banks in Australia, the U.K., and America.” Mr. Argus’s statement is certainly worth noting.

Much of the thinking in this field comes back to address which businesses belong in the corporate portfolio and how does the parent add value, rather than subtract it, which is too frequently the case. In addition to the traditional debate over the most appropriate forms of strategic and financial performance management systems, this wave of reexamination is focused on building truly global organizations (in many cases, with traditional “center” functions being distributed geographically), on conceiving and managing strategic alliances and other extended enterprise relationships, and on some of the “softer” forms of value-added. The latter include the inculcation of shared corporate values and identity and the capture and deployment of organizational learning and best practices. Corporate value-added is increasingly a matter more of intellectual capital than of sponsoring scale economies in unit costs.

We are also seeing greater top-level attention focused on managing through processes. The wave of restructuring, reengineering and delayering demands different management approaches than in the past. Yet this has been slow to occur. In a recent analysis that we conducted of 28 “post reengineered” companies, we found that in most cases the C.E.O.’s and their top management teams were continuing to manage essentially as before, through the same decision, planning and control processes and through the same management information and reporting systems. Most recognized the disconnect, but were uncertain about how to resolve it. The answer lies among the following:

➢ reorientation of top management to managing and enabling “processes”
➢ explicit reengineering of the decision-making processes involving top management itself with related changes in authority delegation and style;
➢ new forms of performance management systems, which complement the reengineered world and which incorporate an ability to learn (see “The Perform System: Turning Strategies Into Results,” which follows on Page 22).

In beginning to address these issues, C.E.O.’s are also beginning to take more seriously some of the concepts that they nominally embraced over the past several years. The horizontal organization, team-based management, the learning organization, empowerment and similar concepts have had their place in the executive lexicon for several years. However, the body language of most C.E.O.’s continued to reinforce older, more hierarchical traditions. This is now beginning to change as C.E.O.’s gain a greater...
understanding of these ideas and become more sincere in their desire to practice them.

The final element of the new organization relates to the players themselves. Building the management team is a C.E.O. Agenda “perennial;” today, virtually all C.E.O.’s with whom we talk say that creating greater entrepreneurship and teamwork among their top 100 managers is their No. 1 challenge.

There are several drivers behind this renewed focus on the top team. Above all, the quantity and speed of change faced by most corporations demands that the load be shared; the C.E.O. cannot typically expect to shoulder it alone. Then, too, there is a need to rebuild the social contract between managers and the company. One consequence of restructuring and downsizing has been a unilateral revocation of implied loyalties.

C.E.O.’s are exploring various approaches to reengineering their teams, including explicit team-building exercises, adjustments to measurement and rewards systems and experimentation with such devices as internal “venture funds” designed to stimulate entrepreneurship. We are also seeing a renewed focus on selection, including a willingness to reach outside the home team to enlist the best athletes. As Robert Galvin Sr., retired C.E.O. of Motorola Inc., notes: “It is not enough to deploy the best in your company. You have to have the best in your industry. You have to be able to face off each of your managers against the best players at your competitors.”

To build the management culture to fit the post-restructured world, today’s C.E.O. must be coach and catalyst as well as manager. Not surprisingly, we are also observing the reemergence of the chief human resources officer as “primum inter pares” among the advisers of many C.E.O.’s, after being variously eclipsed by the chief financial officer, corporate planner, chief information officer or marketing head.

**CREATING SUCCESS**

As C.E.O. agendas evolve, the natural question is whether the current focus is the right one. From our vantage point, the new agenda is properly directed. Nevertheless, it is almost certain that the next decade will see an equivalent sorting of winners from losers at least as significant as the one that occurred during the last two decades. Fewer than half of the Fortune 500 listed 20 years ago are still on the list today, and a fair number of the survivors owe their position to their leviathan scale rather than stellar performance.

Those companies that lost position failed because they had insufficient insight into their customers’ needs and the implications of technology and other trends; and because they allowed service bottlenecks and excess costs to accumulate in their delivery systems. As a result, overseas and greenfield competitors were able to out-deliver and undercut them.

In theory, the new C.E.O. Agenda will help business leaders avoid similar missteps in the future. The concentration on growth and innovation implies improved customer understanding and strengthened value propositions; the second wave of B.P.R. will improve value while keeping costs lean; the new organization is focused on shared learning, continuous improvement and greater entrepreneurship; and, overall, we observe a more concerted attempt by C.E.O.’s to understand and position their companies for the future.

In practice, some companies and some C.E.O.’s will do better than others. That is the nature of competition. But from our vantage point, it is clear that the winners will be those C.E.O.’s who can integrate the new agenda with their own clear vision while simplifying the execution challenge and inspiring their organizations to perform beyond all expectations. $^3$

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