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# Memo to the CEO: Is Your Chief Strategy Officer Set Up for Success?

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**When Snap appointed a chief strategy officer (CSO) in 2014**, the move was widely noticed — and not just because the owner of the Snapchat messaging app had picked a banker who made his name advising on the massive initial public offering of Alibaba, the Chinese e-commerce group. It was the first time Snap had employed a CSO.

The role of the CSO is only a few decades old, but it is growing increasingly popular. Companies large and small continue to create the CSO position. They apparently recognize the value of having a member of the C-suite who is primarily oriented to the long-term future of the company.

Unlike the CEO, whose day job often focuses on short-term performance, the CSO can, in theory, concentrate on the future. And unlike other C-suite officers such as the chief financial officer, the chief marketing officer, or the chief information officer — whose points of view are influenced by the sometimes large functions they represent — the CSO can provide an independent perspective.

Yet as desirable as the CSO role may be, there are signs that the role has yet to be leveraged to its full potential. In a wide-ranging survey of 187 CSOs around the globe, Strategy&, PwC's strategy consulting practice, found that only 25 percent of respondents felt they were "very successful" at creating value for their company. And in our ongoing research into the state of strategy, we find that 65 percent of executives across industries don't think their company has a winning strategy.

This tells us that companies need to reexamine how to get the most from this increasingly critical strategic role. They also need to take a hard look at strategy

itself. It may have been desirable in the past for companies to employ the long-term planning skills of a senior strategist, but the large number of choices companies need to make today and the unprecedented scale of disruptive challenges they now face make it imperative.

Indeed, in these turbulent times, companies need to make clear choices on how they are going to compete and win, and that requires building real advantage. Just responding in an ad hoc fashion — launching initiative after initiative to seek growth or trying to remain flexible and react to what others are doing — is a clear path to failure. Companies need to reboot the CSO role and strategy itself.

The good news is that some CSOs across industries and across regions do get it right. They feel positive about the value they create for their company, they report that their strategic plans are of high quality, and they tell us their companies tend to outperform their peers. And they share a number of characteristics from which we can learn.

### **What Ails the Chief Strategist?**

Unfortunately, the companies with effective CSOs appear to be in the minority. For the rest, there is a massive gap between the reasons the role was created and what the job typically entails. Indeed, our survey found that 65 percent of CSOs think their priorities aren't very clear. "The company feels they need a CSO, but they don't quite know why," says the head of strategy at one global manufacturing company. "And then the CSO feels like they need to make up the role as they go along."

Rather than spending time and energy addressing the fundamental questions of strategy, the CSO typically manages a long list of more tactical areas that fall into what one executive described as "the chief everything-else officer." Indeed, many CSOs end up being stretched across too many different areas, making it difficult for them to drive the company's strategy. Many are busy dealing with mergers and acquisitions, restructuring programs, the board agenda, external intelligence, or various corporate-wide initiatives they may not be well positioned to run.

Whether it's helping drive board documents, executing cost programs,

launching incubator businesses, or supporting individual business units, the CSO typically has no shortage of areas in which to help, but lacks the freedom to prioritize the important over the urgent. Adding to the problem is the fact that the CSO role often overlaps with other C-suite positions, such as the corporate development officer, the chief growth officer, the chief digital officer, and the chief innovation officer — some of which were introduced after the invention of the CSO role. At a minimum, this overlap can create confusion about who is driving the perspective on some longer-term strategic questions.

The environment is not set up for the CSO to live up to the potential of the role. Most companies address strategy through an annual strategic planning process. But that process generally doesn't help the company address the fundamentals. Says one CSO at a global consumer packaged goods company, "Our strategic planning process is currently too detailed, at a level that creates arguments and discussions that don't focus on high-level concepts that add value. We need to raise the level at which we have discussions." This is a widespread issue: Just 26 percent of CSOs in our research, for example, fully agreed that their company's strategic plan clearly states "how we are going to compete and what is going to make us successful."

And although many top teams seem to be concerned that the company isn't addressing strategy properly, CSOs report that the same teams spend significantly more time discussing operational issues and short-term financial performance than important strategic matters. Small wonder, then, that although almost half (47 percent) of CSOs expect their industry to be significantly disrupted in the next five years, 68 percent admit they need to "get in front and drive change, rather than react to it." That's hard to do if the top team isn't spending time on real strategy.

Many CSOs voice frustration over not being systematically involved in strategic discussions, a situation that allows them little room for influencing the many decisions that are being made throughout the company. CSOs don't feel they have the authority to influence the company's direction as much as they'd like. In our survey, only 28 percent of CSOs fully agreed that they have a seat at the table equal to those of other senior executives. Almost half don't meet more than twice a month with their CEO to discuss strategy.

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It may be that CSOs need to be more proactive in demonstrating the value they can add, or that leadership teams need to stop viewing the CSO as a "genius on demand" — that is, someone who will always be available on an ad hoc basis for reactive insight — or both. Because, as we know from the way the role was conceived, and how it must be used today, the CSO needs to be empowered to drive the strategic agenda with a proper seat at the table.

### **Three Ways to Unlock the Full Potential of the CSO**

We have compared the survey responses of CSOs who report being very successful at creating value for their companies with those of their less successful peers, and distilled three recommendations for ensuring the CSO is set up for success.

**1. Put strategy at the forefront of the executive agenda.** Prioritizing strategy allows the company to make the big choices that shape its future and command a sustainable competitive advantage. And the CEO needs to hold the CSO accountable to work with the executive team to develop answers to the fundamental strategic questions that all companies need to address.

There are two powerful tools that a CSO can use to stretch the top team's thinking beyond the here and now. The first is to imagine together what a new competitor would do if it entered this industry: What value would it create? What customer experience would it offer? What technologies would it use? The top team will gain new insights into similar technologies and processes they may want to use, and into how they could use some of their own advantages to win against this type of competitor.

The second tool is to turn that same scrutiny on their own company. In our work, we call this the “coherence test.” It requires asking questions about how the value proposition, capabilities system, and product and service lineup all fit together. For example: Are you investing in the areas that really matter to your value proposition (the promises you make to customers)? Can you articulate the three to six capabilities that deliver on that value proposition? Have you defined how those capabilities work together in a system? Do most or all of your products and services fit with that capabilities system? Is it reinforced by your performance management system, your other incentives and KPIs, and your practices? Do you understand how to leverage your capabilities in new or unexpected arenas? And does everyone in the organization understand how the company is distinctive?

In addition to ensuring that strategic questions get a prominent place on the top team agenda, the CSO should build in mechanisms to hold the company accountable for its strategy, for example, by getting regular input from key managers across the organization on the critical issues the company faces, and by defining clear metrics that help measure progress.

**2. Make the strategic planning process more effective.** Many strategy processes focus too closely on short- to medium-term functional and operational issues. They neglect important stakeholders, do not respond well to a highly dynamic business environment, and are overly bureaucratic and cumbersome. To avoid these traps — and to make strategic planning truly strategic — the CSO should aim to do the following.

- *Decouple, then relink* the strategic planning and budgeting processes. First separate them, then bring them back together, making sure that the strategic plan feeds into the budgeting process but is not dominated by it.
- *Focus the scope* of the strategic planning process on the few key strategic questions that need to be answered, rather than doing comprehensive bottom-up planning.
- *Improve inputs* to encompass a broader set of external stakeholders — not just customers, but also ecosystem partners, technology think tanks, and others. Use artificial intelligence to identify patterns, generate ideas that contribute to some of the key strategic questions identified, and improve the efficiency of

data collection and analysis. Continually monitor the environment — including social media data — for early signs of business opportunity and potential disruption.

- *Improve engagement* to make strategic planning an experience rather than an exercise of filling in templates. Use storytelling, workshops, “immersive visualization” sessions, social platforms, strategic simulations, and other tools to create a real dialogue and transform the presentation of strategy into something dynamic, engaging, and tangible in order to bring the best ideas to life.

- *Hold the organization accountable* by measuring the company’s progress in addressing its most important strategic questions. Keep some of the key strategic questions the same each year, and put in place a periodic check-in, such as an annual employee survey about strategy.

**3. Clarify the CSO’s role and priorities.** There’s no doubt companies should want the CSO to shape the company’s strategic direction and make sure that all the leadership team’s major decisions are in line with that strategic agenda. But different companies will have different operational and institutional needs, and the CSO might be called on to add other roles for a limited period of time — for instance, manager of a cost transformation program. In such cases, however, the CEO will need to ensure that these roles are undertaken not at the expense of addressing the company’s strategy, but rather in addition to it.

CSOs will find there are different ways to drive the company’s strategic agenda. It helps to be aware of those paths and have an open discussion with the leadership team about which is the right one, given the company’s needs and

culture, as well as the CSO's strengths and personality. These approaches might include playing the following roles.

- *Truth teller* — providing objective insights about strategic challenges in the business and economic environment
- *Challenger* — constantly pushing the organization and presenting ideas leaders might not otherwise consider
- *Change agent* — supporting the organization in achieving its strategic objectives by helping design and implement large transformation programs
- *Advantage guardian* — identifying, securing, and promoting the key capabilities that help differentiate the organization
- *Facilitator* — providing guidance and facilitating strategic thinking across business units or departments
- *Outsource provider* — getting work done for people and helping them solve their biggest problems

Executive teams know that their company's future relies on making the right big choices. But most are also painfully aware that the company's governance, management structure, and culture don't facilitate the tough discussions needed to place the right big bets.

It's this exact challenge that the CSO, as an independent insider at the side of the CEO, is uniquely positioned to address. Companies may have used their CSO for many other things in the past — which is understandable given the broad skill set many CSOs have — but it's time now to have the CSO focus on the fundamental questions of strategy and the most significant opportunities presented to the company. It's up to the executive team, and especially the CEO, to ensure the CSO is set up to do the job. And it's up to the CSO to hold everyone else accountable. +

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