The Execution Void: Filling the Role of the Chief Strategy Officer

LIEUTENANT COMMANDER KENNETH W. RICE, USN

In the dynamic business environment of today, organizations have to cope with a large number of challenges, including changes to the business landscape such as complex organizational structures, rapid globalization, new regulations, and the struggle to stay ahead of competitors. Many chief executive officers have less time to devote to executing strategy to address these challenges. As a result, they are appointing strategy officers, which is becoming popular among many large multi-national Fortune 500 companies. Strategy officers are responsible for three critical jobs that are considered to be the most important aspects of successful strategy execution: (a) they must portray a company's strategy to every business unit within the organization so that all employees, partners, contractors, customers, and investors understand the organization's strategic plan and how it plugs into the organization's overall goals; (b) they must drive immediate results in support of the long-term strategy, whereas the chief executive officer is normally responsible for driving long-term results and providing vision; and (c) they must drive decision making that creates immediate change within the organization. This paper identifies the need for filling this key position as well as the primary role of the strategy officer.

Organizations plan for the future for many reasons. Often, they do so in a reaction to the uncertainties of the present that are perceived to be escalating such as globalization, rapidly changing technology, limited resources, prevailing values including diversity, or local community instability. Unpredictable change is rapidly transforming the way organizations plan for the future. It's becoming more and more difficult for senior executives to survive in such an environment. The turnover rate of executives of large organizations is extremely high, resulting in unmanaged priorities which ultimately lead to incomplete objectives. Chief executive officers (CEO) fail due to a number of reasons such as financial malpractice and mental or physical incapacity, but mostly due to lack of leadership skills. CEOs blow it

> more than any other way, by failure to put the right people in the right jobs—and the related failure to fix people problems in time. Specifically, failed CEOs are often unable to deal with a few key subordinates whose sustained poor performance deeply harms the company.[1]

The increasing pace of change has put increasing pressure on the CEOs, increasing their reliance on their senior executive team to fill the execution void.

The CEO Can't Do It Alone

Not all executives can successfully operate at the strategic level as evidenced by the failures over the last decade. Harry Stonecipher, the chief executive who vowed to repair the tarnished reputation of Boeing, fell victim to his own scandal when he was fired in 2005 for conducting an affair with one of the company's female executives.[2] Stanley O'Neal was ousted as the CEO of Merrill Lynch & Co. after failing to identify mortgage risks that led to the biggest writedowns in the company's history.[3] Or consider when the coffee giant Starbucks, with its stock price down

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almost 50% from the previous year, brought back founder and former CEO Howard Schultz who publicly complained that Starbucks was "losing its way" and forgetting about its consumers as it expanded.[4] However, just because the previous CEO failed, does not mean that every member of their executive team also failed.

It is lonely at the top and the pressure can be intense. Contrary to what many people might believe, even those at the top of the organization find that they need outside sources of insight. The people you surround yourself with are the best prevention of and, when necessary, recovery from mistakes. The question executives should ask themselves is, "Who do I have around me to help me accomplish the task at hand?" Or, better yet, "What skills do we have and how do we get it done?" Don't think you have to do it by yourself. Your executive team is always more powerful than you are in terms of creativity and helping with complex issues.[5] But how do you find those people? How do you get the star players on your team? Which position do you start with? The answer usually lies in looking first to the key positions in the team you just inherited from the old regime and ensuring you have the right talent in the right places.

Key positions require attention because they represent the strategic leverage points that affect organizational success. Left vacant—or if the work is left undone, for whatever reason—the organization will not be able to meet stakeholder expectations, confront competition successfully, or follow through with long-term strategies.

> A *key position* exerts critical influence on organizational activities—operationally, strategically, or both. Key positions have traditionally been viewed as those at the pinnacle of the organization's chain of command. The most obvious reason is that important decision making has been done at the top of most organizations and imposed downward.[6]

The Rise of the Chief Strategy Officer

There are a number of key players on the executive team that we must consider. There's a chief operating officer or chief operations officer (COO) who is one of the highest ranking members of an organization. This person is responsible for managing the day-to-day activities of the corporation. The failed CEOs identified earlier, as with many others, do not fail due to an inability to manage daily activities but rather long-term strategic issues. Then there is the chief financial officer (CFO) who is primarily responsible for managing the financial risks of the organization. This officer is also responsible for financial planning and record-keeping. As with the day-to-day operation, most problems were more than a matter of financial reporting. For example, the Starbucks 50% drop was attributed to the excessive domestic expansion, poor sales growth, and increased competition.[7]

Then there is the role of the chief strategy officer.

> A typical Chief Strategy officer is not a pure strategist that creates long term planning that is isolated from the organization's current initiatives. These executives are often considered 'doers' since they have the experience to help advise as well as execute.[8]

Today many chief executive officers have less time to devote to executing strategy, which encompasses those aspects of planning beyond the day-to-day responsibilities of the COO or the financial planning responsibilities of the CFO.

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> Chief Strategy Officers are usually responsible for identifying major changes in the environment, customer base or competition, and defining adjustments required. They are often also responsible for corporate development activities: acquisitions, divestitures and joint ventures. In some cases, the CSO also plays a role communicating the vision internally or externally.[9]

Whether you are a CEO now or on your way to becoming one, you want to be a good one. As evidenced here, you can't do it alone. Today, many chief executive officers have less time to devote to executing strategy, as a result, CEOs are appointing chief strategy officers within their organizations to focus on strategy. The chief strategy officer position is becoming popular amongst many of the Fortune 500 companies such as Hewlett-Packard, Cisco Systems, Motorola, Sprint Nextel, and Ingram Micro.[10] Each of these companies has assigned chief strategy officers to their top management teams. A review of their job descriptions revealed a number of recurring functions: overall business strategy, fostering strategic alliances, guiding internal and external communications, strategic growth initiatives, process improvement initiative, and public relations. From these functions we can discern four primary roles for the chief strategy officer to shaping organizational strategy through: strategic foresight, strategic innovation, strategic communications, and knowledge sharing.

The Primary Roles of the Strategy Officer

Strategic leadership is no longer just top-down information channels, or simple task managers who operate within a single leadership style. These leaders must embody the core competence of the successful organization while avoiding the individual and organizational barriers that prevent them from tapping into the full leadership potential of those around them. It's the job of the chief strategy officer to understand what challenges lie on the horizon, make plans for implementing the proper actions, and articulating the strategy to stakeholders. This involves shaping organizational strategy though strategic foresight, strategic innovation, strategic communications, and knowledge sharing.

Shaping Organizational Strategy Through Strategic Foresight

The ability to look up and out provides scope for dealing with more substantive issues. Organizational strategy is what drives the organization to want to change. It is how the organization directs its own future, anticipating threats and exploiting opportunity. The strategy of an organization is the roadmap towards attainment of its long-term goals and objectives. It consists of planning, organizing, execution, and controlling activities.

> Senior managers are better equipped to carry out the planning process than anyone else; not only do they have the broadest perspective on the organization's resources and goals, and the environment in which it operates, they also have access to all different types of data.[11]

Organizations need to be fast and flexible to compete successfully in this era of changes. One method of maintaining a competitive advantage is through strategic foresight. Strategic foresight encompasses a set of methods, processes, actors, and organizational forms that enable organizations to identify, assess, and act upon opportunities and threats, that have been identified in the periphery. Companies using strategic foresight aim at enhancing their innovation reactivity, managing disruptions, and enhancing strategic decision making.

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> Strategic foresight, as its name suggests, is a matter of envisioning what customers will want and need in the future, and what will be required for delivery. Sometimes it entails the ability to imagine not only the kind of change that is continuous with the present, but also radical, discontinuous change. In its most visionary form, strategic foresight can mean foreseeing dramatic changes in the entire industry in which the organization competes, or even the creation of a whole new industry.[12]

Shaping Organizational Strategy Through Strategic Innovation

Strategic foresight leads to strategic innovation—a business development framework that identifies breakthrough growth opportunities with measurable impact, in both the near-term and long-term. Strategic innovation defines the supporting decisions and actions to achieve a compelling organizational vision. "To be effective, a vision should describe some 'future state' that is so appealing that the company stakeholders will be motivated and dedicated to the journey."[13] It is the responsibility of the chief strategy officer to encourage innovation throughout the organization for "future based" results. "No leader can do everything that needs to be done, because innovation often must come from others in the organization. The question is whether a company stimulates or discourages the creation and testing of new ideas."[14] Along with a culture that encourages and rewards innovative ideas, the chief strategy officer must also encourage collaboration.

Many organizations face the challenge of balancing the development of innovative ideas and delivering sustained results, while maintaining a stable and collaborative state of mind. High performance requires a "balanced approach to each of the key elements of the organization."[15] Strategic innovation is based on harnessing the insights and creative ideas of the organization's experts in fields relevant to growth goals. This is done through creative teamwork and collaboration.

> An important organizational and behavioral aspect of innovation is that innovation is rarely an output of isolated genius. Today's significant innovations, including those that confer competitive advantage, are developed through effective collaboration between people in different parts of an organization, or even from different organizations.[16]

Everyone in the organization has to be involved in executing the strategy which means, everyone has to understand it. This is why strategic communications is so significant.

Shaping Organizational Strategy Through Strategic Communications

Communications is critical to making strategy everyone's job. Poor execution, not bad strategy, is the primary cause of strategy failure, and one of the main reasons organizations do not successfully execute strategy is the lack of awareness. This requirement for awareness stretches to internal as well as external stakeholders. Customers as well as investors must know where the organization is headed. "External communication is the two-way interaction between an organization and its various publics. It might reasonably be argued that this is marketing by another name, but there are some key differences:

1. Unlike marketing, external communication is part of every manager's responsibility.
2. It envisages a far wider audience (the various publics) than is generally associated with marketing activity, where customers are the direct focus.

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3. It is concerned with understanding and conveying a potentially bewildering array of messages (‘How do people perceive us?’, ‘What are our competitors up to?’, ‘The company is in a strong financial position?, ‘We care about the standard of local services’, ‘This is a family-friendly employer’).”[17]

Senior managers must be made aware of the added value of the strategy and employees cannot be expected to help achieve strategy if they are not aware of it. Even when asked if they understand the strategy, many employees say “yes” when in fact what they believe to be the strategy is incorrect. I’m reminded of a company executive. While explaining why he didn’t see a need to develop an internal communications strategy, he said, “If I want something communicated to everyone in this company, I know exactly which three secretaries to tell.” Obviously, he has never played the telephone game as a child. The first child whispers a message to the next, who whispers it to the next, and on down the line until the last child announces the message he heard, which rarely sounds like the message the first child uttered. High performance organizations have senior managers that are highly effective communicators as well as employees who have a good overall understanding of organizational goals. Employees represent the company to external audiences in a manner consistent with the image the company’s leaders want the outside world to see—breeches of ethics or involvement in the community or tales of employee innovation.[18] When managers communicate well and employees understand goals, organizations perform well.

Strategic communication reveals to those around you that you are committed to them. This commitment leads to trust, which in turn leads to innovative efforts.

> Trust and commitment result in enthusiastic cooperative and innovative efforts beyond that gained from simple financial incentives or contracts. . . . Only trust can assure people that they will not be overly penalized for new ideas that fail or that they are free to try improvisations leading to competitive innovations.[19]

Your followers are less likely to take the risk, peers are less likely to support your efforts, and your leaders are less likely to advocate innovative ideas or take steps to bring those ideas to fruition unless there is trust. The anxiety associated with lack of trust causes wasted effort to protect oneself during transactions. Strategic communication fails when participants lack commitment, leading to the conclusion that processes leading towards trust and commitment, as well as trust itself, are critical to growing strategic leaders. There is an element of reliance in this covenant because of the sense of loyalty when risk is involved, and the commitment of the parties to that effort is enhanced by greater trust. There are a number of behaviors that executives can make use of in order to foster strategic communications within the organization:[20]

1. Talk Straight—Be honest, confront reality, and address the tough issues.
2. Demonstrate Respect—Create transparency, be authentic, and genuinely care for others.
3. Practice Accountability—Hold yourself and others accountable.
4. Show Loyalty—Don’t break confidences and acknowledge others’ contributions.
5. Deliver Results—Keep commitments and get the right things done.
6. Get Better—Continuously improve.

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7. Clarify Expectations—Listen first, understand, and diagnose. Be clear and consistent.
8. Extend Trust—Demonstrate a propensity to trust others.

Shaping Organizational Strategy Through Knowledge Sharing

It takes years for the best people to acquire their knowledge, but seconds to walk out the door and take their knowledge with them. In most cases, CEOs are forced to leave. How do you keep an executive from leaving without taking the corporate knowledge with him? Since organizations cannot force executives to stay and in some cases you do not want them to, they must consider knowledge sharing.

> In today's economy, competitive success is increasingly based on possessing knowledge and intellectual capital rather than financial or other 'hard' assets. A firm's knowledge and its ability to produce knowledge is at the core of a theory of the firm. Nevertheless, the sharing of expertise within organizations remains a challenge for managers.[21]

But who has the specific responsibility for knowledge sharing within the organization? In most organizations people are overloaded with tasks; they have only limited time that they can devote to knowledge sharing. So saying that "everybody" needs to contribute often means that "nobody" feels particularly responsible. Organizations need designated resources, someone with specific skills or who has had additional training, to make all the parts of a knowledge sharing system work.

Chief strategy officers must turn their subject matter experts into knowledge coaches. Knowledge coaches use learn-by-doing techniques—guided practice, observation, problem solving, and experimentation—to help novices absorb long-acquired business wisdom. "Knowledge coaching not only spurs transfer and retention of vital wisdom; it yields breakthrough product ideas and more efficient business processes."[22] This goes to the heart of what makes the learning organization successful. The end result is that those engaged in this process won't just rely on their own expertise. They supplement their know-how by tapping into informal networks of personal contacts to gain information and make decisions while fostering trust. How can organizations tap into this network? By ensuring that the CEO has an executive near at hand to share the load and maintain—or regain—control of a process that constantly threatens to become chaotic.

> The COO or the CFO may seem like obvious resources to tap, but there are risks in delegating the oversight of strategy to either. Nearly three decades ago, one executive arguing for the creation of a new top strategy role explained why it should not be folded into the COO's duties. As he put it, 'a fundamental conflict between what is easy to execute and what is *right* to execute often leads the chief operating officer away from the tougher decision.' One could easily envision similar conflicts of interest for the CFO.[23]

Adding Value to the Organization

Strategy formulation is an activity that draws heavily on the creativity of the human mind and there are no prescriptive formulae that give the "right" answer. Strategic action is intended to achieve strategic fit between the organization and its environment. (It is easier to sell something that people want than to sell something that they do not want.) This can be translated into the strategic question of why some organizations perform better than others. The answer is that the right leadership involvement and commitment adds value to the organizational strategy process.

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> The most important thing when implementing a strategy is the top management's commitment to the strategic direction itself. This is undoubtedly a prerequisite for strategy implementation. Therefore, top managers must demonstrate their willingness to give energy and loyalty to the implementation process. This demonstrable commitment becomes, at the same time, a positive signal for all the affected organizational members.[24]

Few things work perfectly. It's unlikely that any strategy will achieve the desired results without someone to keep the entire organization engaged. Strategy needs to be continuously developed and iteratively improved. Chief strategy officers come from a variety of backgrounds and may be known by other titles, but what they have in common is that they are not pure strategists, planning and thinking in isolation. Typically, they are star players with deep operational experience and, in most cases, a background in the same organization.

> CEOs are formally handing the reins of strategy execution to individuals known by a variety of titles but with increasing frequency as 'chief strategy officers.' Companies are adding Chief Strategy Officers to their management teams (or at least considering doing so) for several reasons—changes to the business landscape such as complex organizational structures, rapid globalization, new regulations, the struggle to innovate. These challenges make it ever more difficult for CEOs to be on top of everything, even an area as important as strategy execution.[25]

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