Understanding the Role of the Chief Strategy Officer
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Understanding the Role of the Chief Strategy Officer

Nicolas Kachaner and Sam Stewart

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BCG interviewed 48 chief strategy officers (CSOs) of companies from around the world to address four questions.

**What Are the Typical CSO Responsibilities?**
CSO responsibilities fall into three categories—strategy development, resource allocation, and strategy execution—but activities within the categories vary widely.

**Why Are Some CSOs More Effective Than Others?**
Three factors determine a CSO’s success: having a clearly defined role; getting the basics right on planning, growth, and innovation; and building credibility and trust.

**How Should CSOs Work with Line Executives?**
There is no single “right” model, but our analysis revealed four CSO archetypes: portfolio manager, strategy orchestrator, internal consultant, and CEO delegate.

**What Role Should the Strategy Department Play in Developing Future Leaders Within the Business?**
The strategy department is seen as both the entry point for external talent and an environment for accelerating the careers of the most talented young managers.
In our work with chief strategy officers (CSOs), four questions invariably arise: What are the typical CSO responsibilities? Why are some CSOs more effective than others? How should CSOs work with line executives? And, finally, what role should the strategy department play in developing future leaders within the business? We’ve observed that roles and responsibilities vary among companies and industries, but to better quantify the differences—and to definitively answer these questions—we embarked on a series of in-depth interviews with 48 CSOs of companies from around the world, in a wide range of industries: consumer products, industrial goods, financial services, energy, technology, media, and telecommunications. Just over half of the CSOs we interviewed report to the CEO, although this is less likely to be the case at larger companies and in the financial sector.

Our interviews explored CSO responsibilities, team composition and size, how CSOs work with other parts of the business, and other key success factors.

What Are the Typical CSO Responsibilities?

Our findings revealed that the CSO has the least-defined role among C-suite-level executives. The role is characterized by a high level of ambiguity, constantly evolving relationships with key stakeholders, and regular changes to the scope of work. As one executive we interviewed noted, “The strategy department is in charge of every new project that falls outside the boxes of the traditional organization.”

Broadly speaking, CSO responsibilities fall into three categories—strategy development, resource allocation, and strategy execution—but activities within these three categories vary widely. (See Exhibit 1.) Most CSOs are responsible for identification of growth opportunities (84 percent of the executives we interviewed), strategic planning (82 percent), and M&A and divestments (82 percent). Other common responsibilities include monitoring long-term trends and outlook, gathering competitive intelligence, driving cross-business-unit initiatives, and sustaining business model innovation. Far fewer CSOs are involved with identifying cost improvement opportunities and managing postmerger integration (23 and 20 percent, respectively).

CSO responsibilities vary by industry. For instance, consumer goods companies’ CSOs focus primarily on strategic planning and cross-business-unit strategy, whereas CSOs at industrial goods companies focus more on increasing shareholder value through portfolio management, M&A, and identification of growth opportunities. CSOs in the energy and financial services industries tend to have more-diverse responsibilities.
The size of the CSO’s centralized strategy team varies depending primarily on the size of the company itself, but the centralized team tends to be smaller than strategy teams in the business units. (See Exhibit 2.) Of the CSOs we interviewed, 68 percent reported teams of ten or fewer, with a median size of seven. Responsibilities drive team size, too. CSOs who are accountable for M&A or innovation tend to have larger teams than CSOs without those responsibilities.

Why Are Some CSOs More Effective Than Others?
From our experience and observation, three factors determine the success of a CSO: having a clearly defined role; getting the basics right on planning, growth, and innovation; and building credibility and trust—particularly in the first 100 days. Let’s look at each of these more closely.

**Having a Clearly Defined Role**
The most effective CSOs have a clear role and well-defined objectives. This clarity allows them to stay focused on what matters and to build a supporting team that has the right people and skills. As noted earlier, CSO roles and responsibilities vary greatly. Our analysis of the range of responsibilities revealed four distinct roles:
portfolio managers, strategy orchestrators, internal consultants, and CEO delegates. (See the section “How Should CSOs Work with Line Executives?” for more information on these archetypes.)

**GETTING THE BASICS RIGHT ON PLANNING, GROWTH, AND INNOVATION**

Strategic planning, growth, and business model innovation are the fundamental responsibilities of almost every CSO. Through the planning process, effective CSOs provide top-down guidance to the business units and align the units’ plans with those of the corporate center, a task that all our respondents said they find challenging. Driving growth is also a key aspect of CSO performance. Deciding which markets to target and how to win is especially difficult when it involves going beyond traditional, core businesses. The CSOs we spoke to said that their greatest challenge is executing growth ideas, not generating them. The ability to drive business model innovation—that is, to rethink the value proposition and operating model to capture new opportunities—is also a highly valued aspect of the CSO role.

Even though growth and business model innovation are among the top priorities of the CSOs we spoke with, few CSOs have formal processes for executing on those priorities. As a result, CSOs often find themselves responding reactively rather than...
proactively to opportunities. This can be frustrating for CSOs as well as for their C-suite colleagues.

**Building Credibility and Trust—Particularly in the First 100 Days**

CSO success hinges on the ability to build relationships with the business units and deliver value, rather than being seen simply as “overhead.” Good listening skills are critical. Each business unit is different, and each will have substantive issues. As one CSO noted, “One of the hardest things to relearn is that I don’t have to speak. I have to listen to senior executives so that they open up.” Without strong relationships with the business units, strategic planning can become a bureaucratic, template-driven exercise. Another trap that new CSOs typically fall into is playing the CEO card too early. The CSO’s relationship with the CEO can be an important lever, but it must be used sparingly.

The CSOs we spoke to all agreed that the first 100 days on the job are critical when it comes to building relationships and gaining credibility. Said one, “I have seen that the CEO forms his impressions in the first 100 days and rarely changes them later on.” Most reported that, in hindsight, they should have focused their first months more on building relationships with the business leaders and CEOs.

To stay connected to the strategy resources in the business units, CSOs use a range of levers. These include adding nonbureaucratic team members with strong communication skills; developing a community of business unit strategists through regular meetings, monthly calls, or newsletters; and staying closely involved with daily performance management at the business unit level.

**How Should CSOs Work with Line Executives?**

Operating within a clearly defined role that is well understood by the broader management team is critical to a CSO’s success. Although there is no single “right” model, the CSO’s role should be shaped by how diversified the business units are, the CEO’s leadership style, and the company’s organization model. Our analysis revealed four CSO archetypes, each requiring different capabilities.

**Portfolio Manager (26 Percent of Respondents)**

This role focuses on the long-term horizon and has limited operational involvement in the business units. Key responsibilities include strategic planning, monitoring of the external environment, portfolio management, and M&A. CSOs in this role typically report to the CFO. Portfolio managers tend to have small teams of five to seven people, strong links to finance functions, and access to consistent, value-based metrics that are used across the company. Corporations best suited to this type of CSO role are those that have a diverse portfolio of end-to-end businesses with limited operational synergies, those that favor growth by M&A, and those whose business-unit executives have a high degree of autonomy with respect to strategy.

**Strategy Orchestrator (42 Percent of Respondents)**

This is the most common CSO role. It involves a broad range of activities that must be clearly defined to avoid bureaucracy and duplication of efforts. Key responsibilities include strategic planning, growth initiatives, portfolio management, competi-
tive intelligence, and cross-business-unit projects. Because of the wide range of activities, the CSO in this role needs a mix of skills—everything from financial analysis to operational expertise, along with strong communication and relationship-building skills. Strategy orchestrators typically have large teams with ten or more people and may create a pool of junior team members who can be shared across the various functions within the team. To succeed in this role, the CSO must be seen by the CEO and business unit heads to be adding value by translating long-term plans into near-term projects for business unit consideration. An ongoing challenge is to remain effective and relevant to the business across a broad range of responsibilities. This model is typically seen in diversified companies with potential synergies among business units—such as diversified financial services companies.

**INTERNAL CONSULTANT (16 PERCENT OF RESPONDENTS)**

In this model, the CSO focuses on supporting the business units and their leaders on a wide variety of assignments and projects, managing a pool of strategy resources as a shared service. Cross-business-unit projects, strategy content, and identification of growth opportunities are key responsibilities. CSOs operating in this mode are more likely to report to the CFO than to the CEO. Given the nature of the internal-consultant role, CSOs and their teams need the typical “consulting tool kit” skills: quantitative analysis, the ability to deal with ambiguity and multiple issues, and customer service. This type of CSO usually has a large team of ten or more people organized as a pool of resources, and a larger proportion of junior staff than is included in most other CSO models. Because of these large teams and the variety of assignments, CSOs need to be strong line managers. To succeed with this model, the CSO must be able to work closely with all levels in the business unit organizations, provide high-quality advice and support, and develop a talent pool for future line-management roles. Strong listening skills are critical. The internal-consultant model is best suited to companies with relatively autonomous business units, where the CEO tends not to get involved in business-unit-level strategy development.

**CEO DELEGATE (16 PERCENT OF RESPONDENTS)**

CSOs in this role have a clear mandate from the CEO and often take on a variety of high-level strategic projects, directed on behalf of the CEO but within the operating business units. Typical responsibilities include business transformation, M&A, post-merger integration, cross-business-unit projects, and identification of growth opportunities. CEO delegates tend to have teams of five to ten people, report directly to the CEO, and interact mostly with the CEO, business unit heads, and functional heads. To succeed with this model, CSOs must be able to build trust and transparency with the business unit heads. Also needed are analytical and operational skills, project management skills, the ability to juggle a variety of projects, and fast ramp-up capabilities. The CEO delegate must be able to set up and deliver on measurable project outcomes, generate valuable ideas and projects for CEO review, and manage all stakeholders to ensure strong CEO endorsement. Many people in this role are former consultants who stay on the job for two to four years before moving into another area of the company. This model is best suited to companies whose CEO is intimately involved with the daily business, such as family-owned companies and consumer goods companies that must deliver a consistent customer experience across different markets and channels.
What Role Should the Strategy Department Play in Developing Future Leaders Within the Business?

In many organizations, the strategy department is seen as both the entry point for external talent and an environment for broadening the horizons and accelerating the careers of the most talented young managers. For example, nearly 60 percent of CSOs are external hires, with many coming from a management consulting company or investment bank. Traditional wisdom says that the skills required to succeed in a strategy role form an important part of the skill base of a successful senior executive.

This seems to be a plausible theory, but does it work in practice? The answer is yes, mostly, but with a few significant Caveats. Our interviews highlighted the important role that strategy departments play in attracting talented people from outside the organization. Most of the CSOs we spoke to recruit from a combination of investment banks, top-tier consultancies, and business schools. In general, this model works well, providing both a strong strategy team and an effective platform to bring those people into the organization. Strategy teams tend to have quite high turnover, but in general this is evidence that the model is working.

Where CSOs report a more mixed experience is in developing and accelerating the careers of talented managers who are already within the organization. Companies that do this well are rigorous about selecting managers to “cycle through” the strategy team and then providing targeted training and professional development to the chosen few. Over time, this creates a track record of accelerating the careers of talented people—and attracting the next wave of talent into the department. Unfortunately, however, the reverse is also true. Without a clear mandate to bring in the best people, a structured development program, and a process for cycling them into line roles, the strategy department can rapidly become a dead end for less-talented managers. This negative cycle can be hard to break once it sets in.

It is no surprise that CEOs and CSOs alike commonly ask us what CSOs typically do next. Although only 41 percent of CSOs sit on the executive committee or management board, they do tend to rise in the executive ranks, with 67 percent either becoming the head of a business unit or taking on another role on the executive committee.

Despite being the least-defined C-suite role, and notwithstanding some of the common frustrations surrounding the corporate-planning process, the overwhelming majority of CSOs add a great deal of value, usually by focusing on a small number of critically important functions. From the CEO’s perspective, an effective CSO provides tremendous leverage and insight. And from the CSO’s perspective, the role typically provides a solid foundation for an executive-level line-management position.
About the Authors
Nicolas Kachaner is a senior partner and managing director in the Paris office of The Boston Consulting Group. You may contact him by e-mail at kachaner.nicolas@bcg.com.

Sam Stewart is a partner and managing director in the firm’s Sydney office. You may contact him by e-mail at stewart.sam@bcg.com.

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For Further Contact
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