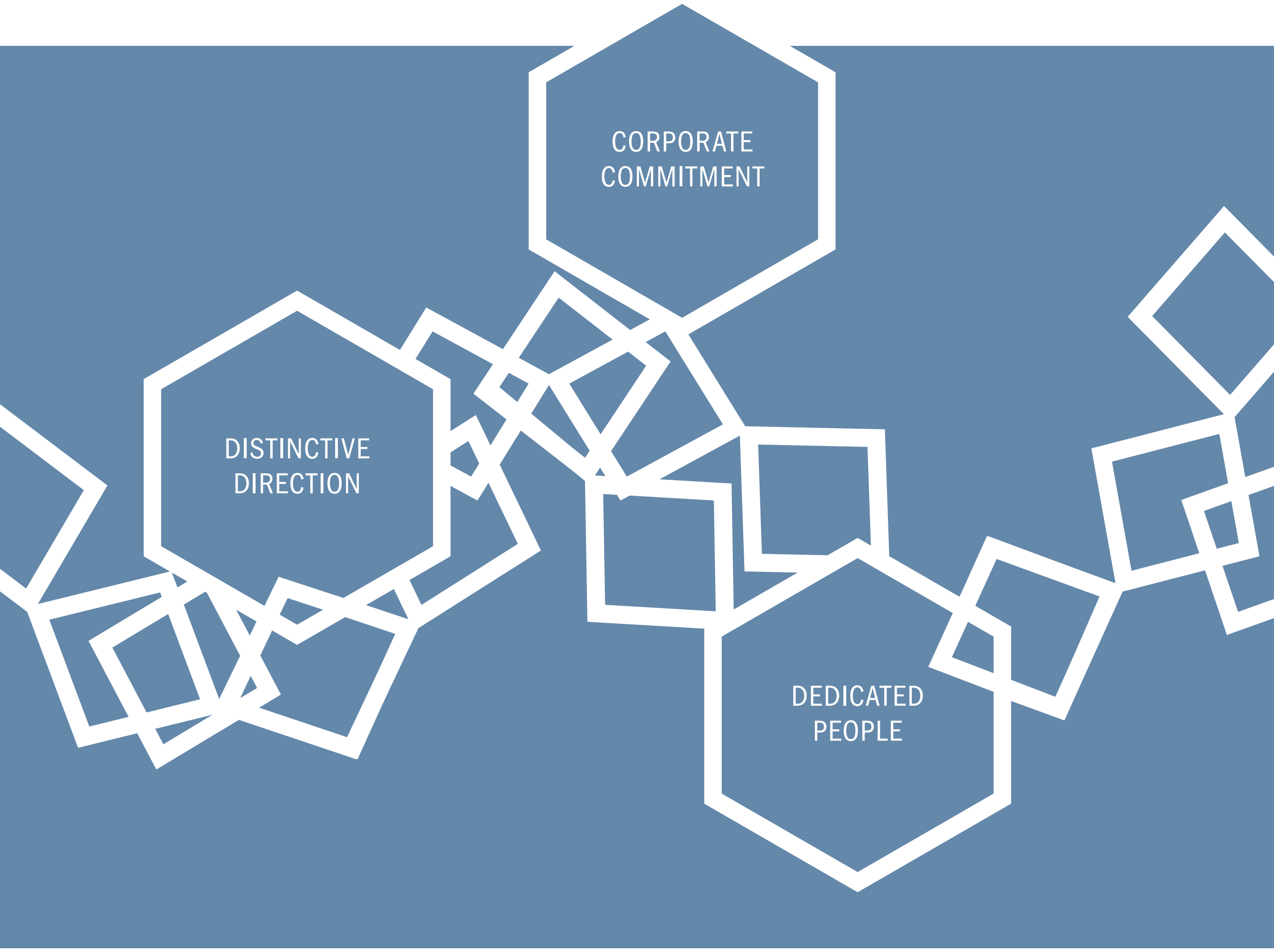
THINK ACT

BEYOND MAINSTREAM



THE STRATEGIST'S CHANGE

How successful CSOs transform their companies – Key findings of the Chief Strategy Officer Survey 2014

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Institute of Management
University of St.Gallen

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THE BIG 3

1 6 FTEs

At European companies, the median number of full-time corporate strategists is six. Strategy departments in the DACH region have fewer employees than three years ago.
p. 4

2 70%

More than two thirds of the companies are running a corporate transformation program. Adaptation of business models and organizational change are no longer exceptions, but rather the "new normal."
p. 14

3 43%

Nearly every second implementation of high-performing corporate transformation programs is led by the CSO, which is the case for less than one third of low-performing programs.
p. 15

+ Myth and reality of strategy making
p. 5

Strategy at work. How CSOs contribute to the success of corporate transformations.

In a world where business parameters are constantly changing, where uncertainty and geopolitical instability are on the rise, successful corporate transformation is one of the most critical – and most difficult – tasks for the Chief Strategy Officer (CSO). Adjusting to new conditions, which in an age of digitalization and hyper-competition often has to happen in real time, is akin to open-heart surgery. Strategies have to be developed, support organized, resistance overcome, patterns broken, exemplary behaviors demonstrated, routines rehearsed, successes (or failures) measured – while the operation is in full swing. How does the CSO position himself* in this environment? What role does he adopt? What priorities does he set, how does he interact with other stakeholders? What makes him succeed – and what lets him fail?

These questions stand in the limelight of our fourth CSO Survey, the leading international study of chief strategists and strategy departments. This year, Roland Berger Strategy Consultants and the University of St. Gallen asked nearly 600 companies from more than 15 countries for a self-assessment. About 160 participated in the survey, and this 27% response rate testifies to the high degree of acceptance that the CSO Survey has achieved in its target group.

The current study builds on the standards we established in the previous three editions. For example, we once again targeted the largest, mostly listed European companies. As in the past, we also split the sample into subgroups. The study examined and evaluated various industries (industrial sector, 41% of respondents; services, 19%; financial services, 17%; life sciences, 10%; retail and consumer products, 13%) and regions (DACH = Germany, Austria, Switzerland, 56%; Nordic countries, 14%; Latin Europe, 10%; Benelux, 9%; other, 11%). Further subsamples include firm performance, organization design and firm size.

What's new is the main theme of the study. Last year, our "Masters of Paradoxes" survey looked at the new and sometimes contradictory demands on CSOs in a shifting environment. This year, we wanted to discover how the CSO acts in specific change initiatives. That's why we decided on "The strategist's change – How successful CSOs transform their companies."

By focusing on corporate transformation programs and thus using real-life examples, we were able to define various ideal-typical role interpretations for the first time. We identified the "developer" and the "implementer" as the most common behavioral patterns. However, these should not be understood as a bipolar dichotomy, but rather as a continuum. The developer CSO tends to concentrate on "front-loading," that is idea generation and strategy formulation, whereas the implementer keeps close track of the overall process and never loses sight of the strategy's implementation.

Our analysis of the CSO's role revealed that what is good for the CSO is not necessarily the best thing for his company – an alarming finding that raises the question of whether companies are incentivizing the right behavior. Our other key findings are that strategy departments are smaller than is often presumed, and that transformation programs are more likely to succeed when the CSO takes the overall control, is personally committed to and involved in each step of the process, and works closely and well with the program manager. If the chemistry is off or if the program doesn't fit the people making decisions, the transformation is likely to fail.

In short: our study indicates that a CSO can make the difference in mastering key corporate challenges.

* Or herself; we will use male pronouns throughout for the sake of simplicity.

The ongoing challenge. Though still gaining in importance, CSOs and strategy departments have to deal with continuously decreasing resources.

Much has been written about "the end of strategy." Just look at business and politics: aren't the "muddling through" and "patching" approaches winning out over the long-term planning of strategic direction and of resource allocation? Aren't academics talking about the end of the "competitive advantage" in its traditional sense? Hasn't a "trial and error" process, frequently justified with evolutionary theory, long since gained the upper hand over commitments that determine an organization's long-term direction?

Our survey suggests that there are indeed reasons to believe that traditional, strict strategic planning no longer meets the current requirements for agility and adaptability. Nevertheless, this should not be taken to mean that strategy has outgrown its usefulness. Quite the contrary: in a world characterized by uncertainty and "unknown unknowns," it will become even more important. But as our study finds, corporate strategies will have to be different in the future. They need to be faster, more flexible, focused on the market, highly practical – and bolder.

Strategists have nothing to fear from this change. First of all, any concerns regarding declines in the influence of the CSO and corporate strategy departments are completely unfounded. In fact, in the years since our first survey in 2011, the role of the CSO has become widely established – albeit under various names, such as Director of Business Development, Vice President of Strategic Planning or Senior Manager of Corporate Projects E. Furthermore, their status is apparently continuing to grow. When asked if the importance of the CSO or the strategy department had increased over the past three years, respondents across all industries and regions once again signaled their strong agreement B.

In last year's survey, we were still referring to the CSO as a "relative newcomer to the C suite." Yet the CSO profile is becoming ever more clearly defined: typically, the chief strategist reports to the CEO and assists or advises him on strategic issues at the corporate level. In addition, he is usually the head of the strategy department, which is frequently of a substantial size: 10% of the companies surveyed have staffed over 20 full-time employees in their strategy department. However, the CSO has no monopoly on strategy activities – two thirds of companies have strategists in other organizational units.

In spite of this rise in importance, one main challenge continues to dog the CSO: limited resources. Strategy departments in the DACH region today have a mean of 1.68 and a median of 0.57 FTEs per 1,000 full-time employees – those figures are lower than three years ago. There's more: two thirds of all the companies we surveyed, not counting outliers, had not more than one full-time strategist for every 1,000 employees B!

So the widespread impression of a bloated bureaucracy in HQ-level strategy departments is just one of the many myths that refuse to die A. The median value for a company's strategy department was just 6 FTEs 1
across the overall sample. Departments in financial services and life sciences are large compared to the services industry and retail and consumer products, which have to operate with considerably fewer personnel.

A MYTH AND REALITY
WHAT STRATEGY MAKING REALLY MEANS

BELIEF		FACT
CSOs know their company inside out.	1	Half of CSOs have been with their company for less than two years.
CSOs use their position as a springboard to further their careers.	2	The danger of failure is considerable – one in every seven CSOs does not leave of his own accord.
CSOs are young and inexperienced.	3	The most common age bracket for a CSO is 41 to 50 years old.
CSOs are theorizers.	4	CSOs lead program implementation in one third of companies.
The strategy department is one of the most oversized at every headquarters.	5	Fewer than six full-time strategists is the median for a strategy department.
Strategy departments have a high turnover rate.	6	Nearly two thirds of strategists remain with their department for more than three years.
Adapting business models and implementing organizational change are out of the ordinary.	7	A good two thirds of all companies constantly have a transformation program running.
The quicker a transformation is implemented, the better.	8	On average, successful transformations run for a longer period (36% more than two years).
Transformation programs require parallel organizational structures.	9	Some 40% of all companies manage their transformation programs within the line.
CEOs initiate the strategy cycle.	10	Correct for the most part, although the CSO assumes this responsibility in a third of companies.
Each year means a new strategy.	11	In almost three quarters of companies, a strategy cycle lasts two years or more.
The financial services sector is characterized by short-term thinking.	12	The financial services sector has the longest strategy cycles of all industries.

This resource scarcity is especially remarkable given two facts: (1) strategy departments at particularly successful companies are much more generously sized (with a mean of 3.25 FTEs and a median of 0.84 FTEs per 1,000 full-time employees); (2) the tasks of a CSO are constantly changing. For example, this survey marks the fourth time in a row that the CSO's coordination activities were rated more important. Other tasks related to portfolio management, such as M&A, are also becoming more prominent. In contrast, several tasks are considered (relatively) less important, such as developing new markets and business models or generally activities in corporate development.

To summarize: in the future, the CSO will have to master many different kinds of challenges – as already made evident by the title of last year's study, "Masters of Paradoxes." It is becoming clear that chief strategists have to respond to changing market conditions still more quickly and flexibly (probably with existing resources). Agility and adaptability are two dimensions that will commonly be used to measure a CSO's success. While planning and strategy formulation will remain the core of his activities, changes are on the horizon: digital topics such as innovation, networks, technologies, and big data will grow in importance, playing an even larger role in creating a competitive edge. In areas dramatically affected by digitalization, such as the financial services sector or the services industry, these topics are already of great strategic interest.

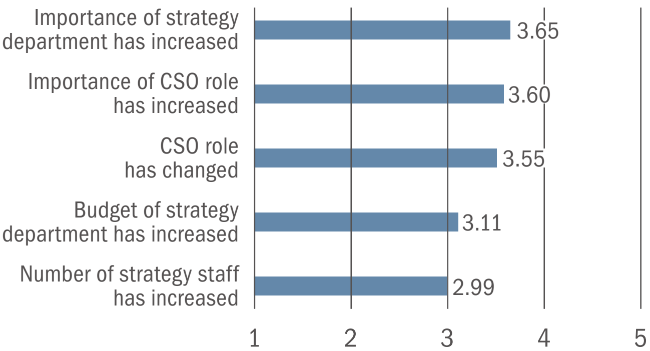
Digitalization is altering the demands placed on the organizational setup. Companies will have to organize themselves in networks and be more flexible. Most CSOs seem to be well equipped for this challenge, as they already work in comparatively informal processes and increasingly fluid structures. The chief strategists of successful companies in particular spend less time on process management, instead positioning themselves as the central coordinator and advisor for all issues of strategic relevance.

Overall, this indicates that our forecast from last year is valid: the role of a CSO is becoming more interesting and more important – but at the same time more complex. In this light, there is no "end of strategy." If strategy means critical reflection on uncertainty, then the times are better than ever for CSOs.

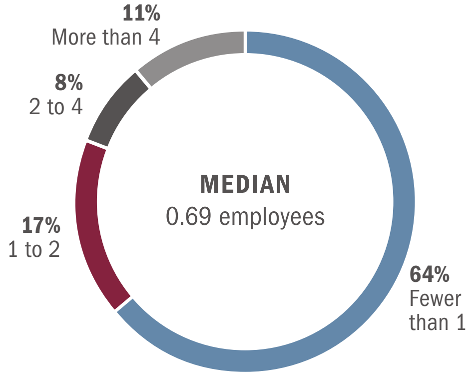
B

RESOURCES OF STRATEGY DEPARTMENTS ARE NOT KEEPING PACE WITH INCREASING IMPORTANCE AND CHANGING DEMANDS

Change of CSO role and strategy department over the past three years



Number of employees in the strategy department per 1,000 FTEs



Mean values; 1 = not important, 5 = very important

Source: Roland Berger, University of St. Gallen (CSO Survey 2014)

Setting the course. Strategy developers and implementers have emerged as the two major role interpretations of CSOs.

Describing a CSO as a strategic planner is too narrow. The strategy value chain stretches from target planning to performance measurement, including other core components and their sub-steps: conducting strategic analysis as well as defining and implementing strategy C. Each step in this process is iterative, meaning it can be repeated once or multiple times, depending on how conditions evolve. What's more, role interpretations and focal areas within the strategy value chain can vary widely.

A look at the individual industries reveals that CSOs in retail and consumer products as well as life sciences assist the CEO especially intensively in strategy formulation. In the industrial sector, by comparison, the emphasis is on the coordination function. The same holds true for the DACH region, where CSOs have an above-average focus on coordinating their companies' strategic activities. However, they place less emphasis on the assistance function, whereas this dominates the work of CSOs in Benelux.

Chief strategists in all these industries and regions have one thing in common: they tend to focus their efforts on the start of the strategy process. Only the financial services sector and the services industry as well as CSOs in the Benelux region pay more attention than most to the entire chain, including implementation.

Independently of the priorities set by each industry and each region, two typical patterns have emerged that are more or less equally widespread: the CSO as developer and the CSO as implementer. In the following, we take a closer look at both role interpretations, which in practice exist along a continuum rather than as strictly separate archetypes.

Strategy developer

The developer sees his role first and foremost as supporting the CEO in corporate strategy development by providing ideas and advice. Since his responsibilities are (self-)limited to these aspects, he will have on average fewer resources at his disposal than the implementer. Specifically, the developer has a median of only five full-time employees and less commonly a dedicated team for transformation programs. There are frequently strategists in other organizational units who do not report directly to him. This structure can make sense, because the developer and his department are much less occupied with issues concerning business-level strategy, concrete planning tasks or operational execution of programs than the implementer.

The developer's strategy activities focus on portfolio management, especially synergy management and divestitures D. Certain tasks in other strategy areas also require his attention, such as development of business models, competitor analysis and investor relations. To foster future key success factors, he relies on speed and agility. Innovation management, real-time strategy, big data, and fast execution are at the top of his agenda. Other areas that will gain in importance are corporate social responsibility, the learning organization, and dynamic capabilities.

The developer's context is not entirely without contradictions. In his role as portfolio manager, he frequently makes major financial decisions. Related transformation programs have a relatively short timeline and usually an immediate effect on earnings. At the same time, the developer is under strong pressure to initiate sustainable cultural change and transform his organization's DNA. Against this backdrop, it becomes clear why he needs soft skills in addition to analytical expertise. Knowledge management, change management approaches as well as internal and external communication are major topics for him. He knows that without corporate commitment – in other words, without allies and without embedding change in the overall organization – the transformation cannot succeed.

All in all, the developer sees himself as an initiator and motivator of fundamental corporate transformation. As he works closely with top management, he enjoys a relatively wide degree of latitude. He uses his skills in power brokering and forging relationships to ensure the success of a program. With this approach, he perceives himself as more successful than his implementer peers. Simplified in short: the developer is a self-confident, communicative, independent thinker who has to cope with enormous pressure to succeed. He is expected to quickly boost earnings and, at the same time, achieve long-term transformation.

Which profile fits this role? A developer is typically an insider who has been with the company for a comparatively long time (35% for more than 6 years). Oftentimes he has already held line responsibility, and it is likely that he has both leadership and international experience. Further assets include expertise in functions such as marketing/sales, finance and general management. If he succeeds, the developer is frequently promoted (e.g. to the executive board) or moved into line management as the head of a business unit. Even though a CSO position of this type doesn't seem to be a direct springboard to the top, it is still an attractive career step.

Strategy implementer

The implementer is involved throughout the entire strategy process, as much at the beginning of the strategy value chain (target planning/strategic analysis) as at the end (implementation/performance measurement). Due to his broader coverage of strategy activities, the implementer has on average more resources at his disposal than the developer: specifically, a median value of eight full-time employees. He is much more likely to have a dedicated though not always larger team for transformation programs. In companies with implementer CSOs, the strategy activities are usually strongly centralized – three out of four of these companies have fewer than six full-time strategists in other organizational units.

A broader focus on business-level strategy as well as on planning and process steps is characteristic of an implementation-oriented strategy function, as is close attention to portfolio topics close to the markets, such as M&A or alliances. The implementer himself covers a wide range of activities D. As one would expect, he assigns a high priority to corporate development tasks, as well as to most process management issues. Yet surprisingly, he also gives greater weight to the CEO assistance function. This is especially true for task areas close to implementation, or topics that are less related to strategy.

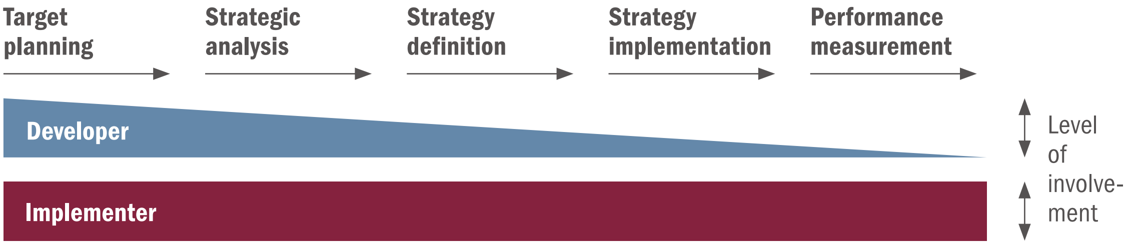
Although an implementer's initiatives tend to run longer on average, his focus needs to be more short-term, since he frequently has to cope with disruptive changes. Because he works in an area where top-line growth and business model design are paramount, he has to respond quickly to technological advances and changes in the market environment. In general, his function is organized more often along the strategy process or product and geographic units. Targets and milestones are highly relevant to success. All this severely restricts the amount of latitude an implementer has compared to a developer.

In addition, implementers have to contend with a staggering amount of work. They are more heavily involved than developers in all transformation program steps (except for the initiation) – even in the early stages such as idea generation or content development – and invest considerably more time. However, this effort pays off: there is impressive, above-average growth in the importance accorded to the implementer CSO and to his strategy department – although staffing and

C

DEVELOPERS AND IMPLEMENTERS SHOW VARIOUS LEVELS OF INVOLVEMENT ALONG THE STRATEGY VALUE CHAIN

Role interpretations of CSOs



D

DEVELOPERS AND IMPLEMENTERS SET DIFFERENT STRATEGIC PRIORITIES

Importance of activities per CSO type

Mean values; 1 = not important, 5 = very important

Source: Roland Berger, University of St. Gallen (CSO Survey 2014)

budgets have barely changed. For him, the contrast between increase in status and resource scarcity is particularly pronounced.

In brief: the implementer is an all-round talent who manages and supervises the strategy processes. He may take over control, but is also a clear team player. He is happy to assume responsibility and comes across as rather modest: the classic hidden champion, who reigns out of the limelight and creates value in an inconspicuous but very efficient way.

Surprisingly, this role is more frequently filled by outsiders. With a median tenure of just one year, the implementer has far less experience with the company than the developer does. Oftentimes he is a strategy specialist with considerably less functional experience or industry expertise. The likelihood of his being promoted or transferred laterally is just 55%, and he carries a substantially higher risk of failure than the developer. In other words, an implementer CSO has an extremely important but rather thankless job.

E

THERE'S A BROAD RANGE OF POSITION TITLES FOR CSOs, WITH "STRATEGY" OUTPACING "DEVELOPMENT" AS THE MOST COMMON PART OF THE NAME

Components of today's CSO titles with size indicating frequency in the surveyed companies

Source: Roland Berger, University of St. Gallen (CSO Survey 2014)

The productivity paradox. Developing strategies is the more visible part of a CSO's role, but implementing them adds more value.

Regardless of whether the CSO is a developer or an implementer, the position is by no means always the career springboard it is generally believed to be. Roughly one third of CSOs are promoted, one third make a lateral move, and one third leave the company – sometimes by choice, sometimes not. One in seven CSOs is let go; only one in fourteen manages the direct leap to top management.

What's particularly astonishing is the difference between career opportunities for developers and implementers (although as already noted, this ideal-typical dichotomy rarely appears in practice; a continuum of various role profiles is more common). This may be due partly to the CSOs' backgrounds F. For example, implementers have not been with the company as long, so they are not as well connected and have less influence. By comparison, they also have little experience in other functions and industries. Nevertheless: for companies, this finding is critical. As we'll see, the CSO's personal commitment at all stages along the strategy value chain is a key factor in the success of corporate transformation programs.

This raises the question: is the CSO function distorted by wrong incentives? In the end, do good ideas count more than executing them in practice? To put it straight, are CSOs measured more by what they promise than by what they accomplish?

Indeed, it seems as though a chief strategist has to decide between what will benefit him personally and what will best serve the company. We call this the "productivity paradox" of the strategy function. Developing a strategy may be the CSO's more visible task, but it is the implementation that is adding more value.

Ultimately, a strategy is good only if it leads to results. All too often the strategy process gets bogged down in the conceptual stage and never comes to completion, even if launched correctly and at the right time. A high-quality strategy should be developed by defining the target state and then working backwards while constantly adjusting to current conditions.

What's more, implementation usually is the more difficult part of strategy work. There are dozens of tools for formulating strategy, but – aside perhaps from John Kotter's eight-step process for leading change – no single one that covers implementation and is established broadly. In addition, many strategy formulation processes lack a front-line perspective. This distance from practice, plus shortcomings in communication with operational management, condemns many strategies to failure before they even properly take shape.

Communicating a vision, establishing patterns of behavior, making resources available, breaking down goals, organizing responsibility – this all takes a massive amount of iterative, time-consuming and laborious process management in a constantly changing environment, but it's immensely important.

For this reason, companies in the future would be well-advised to give the "hard work" of implementation the appreciation and value it deserves. That's the only way for a strategy department to fulfill its function: to guide the company to sustainable success by implementing its strategy quickly, properly and thoroughly.

F SCHOOLS OF STRATEGISTS

WHERE CSO'S COMPLETED THEIR STUDIES

GRADUATES (AT LEAST 2)
PER UNIVERSITY*

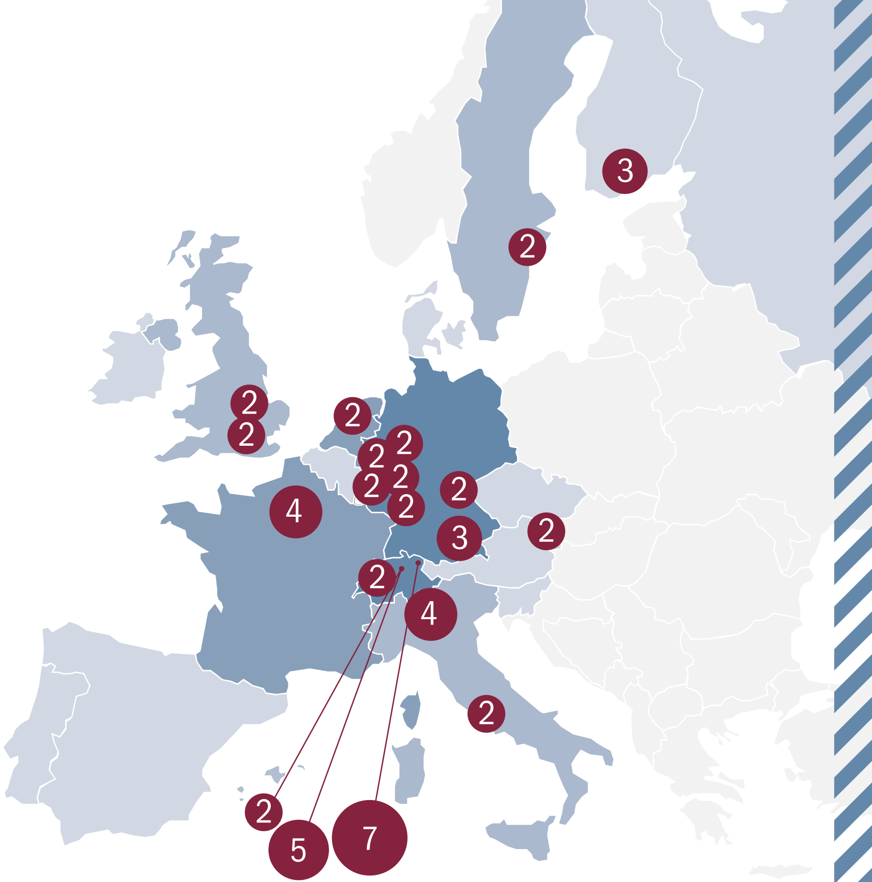
Northern Europe
Aalto (Helsinki) 3
Stockholm School of Economics 2

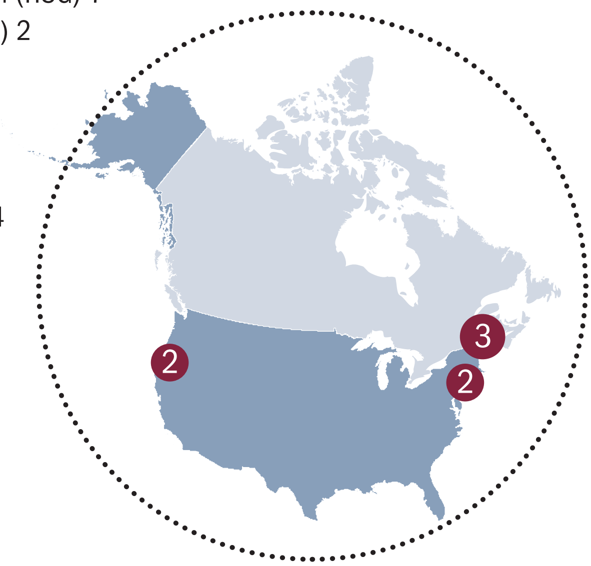
Western Europe
University of Cambridge 2
TU Delft 2
Insead (Fontainebleau) 4
London Business School 2

Central Europe
University of Bayreuth 2
University of Bern 2
University of Cologne 2
Goethe University Frankfurt 2
University of Heidelberg 2
WHU (Koblenz) 2
Philipp University of Marburg 2
LMU Munich 3
University of St. Gallen (HSG) 7
Vienna University (WU) 2
ETH Zurich 5
University of Zurich 2

Southern Europe
SDA Bocconi (Milan) 4
Luiss (Rome) 2

USA
Harvard 2
MIT 3
Stanford 2





GRADUATES PER COUNTRY
(128 IN TOTAL)

- < 5
- ≥ 5
- ≥ 10
- ≥ 15

Source: Roland Berger, University of St. Gallen (CSO Survey 2014)

Enabling change. CSOs are the guiding force of corporate transformations.

This year, our CSO Survey has paid particular attention to the organizational setup, interplay among functions and personal interactions within corporate transformation programs G. A key finding is that the strategy department obviously has a crucial role to play in enabling change. Overall, participants rated involving the strategy department one of the top three success factors, alongside involvement of top management and definition of organizational scope. Notably, for high-performing programs and very successful companies, this rating for the strategy department is even higher.

A detailed examination of how the CSO and his department are involved in the process substantiates the finding that both are crucial to a transformation's success. Across all firms, CSOs consider their primary function to be to initiate programs, develop content and to steer and oversee the entire process. This management role is even more pronounced in successful transformation programs; here, CSO involvement reaches an absolute peak. In other words, having a chief strategist who assumes responsibility for his steering function is key to a successful corporate transformation.

The CSO's most important job is to shape, manage and monitor the entire process without restricting himself to front-loading. In successful programs, the initiation, idea generation, and content development stages combined account for less than 40% of the total process, and the CSO takes a much more active role in all stages along the strategy value chain H. In contrast, poor program performance seems to correlate with scenarios in which the CSO is only marginally involved in the implementation. The diagnosis is clear: comprehensive and overarching program management adds value. Nevertheless, there is still a lot of work to be done in applying this principle to everyday business – only in financial services do CSOs come close to the ideal of an equal level of involvement in all steps of the process.

It is equally clear what capacities a CSO must bring to the table for a successful transformation. The first is simple: knowledge is king. Ultimately, expertise, skills, and experience are the most important assets a CSO can contribute to a transformation. This is particularly true for high-performing programs and companies.

The second and third ingredients for success have to do with working time and personal responsibility. Indeed, one of the hallmarks of a successful program is a CSO who dedicates a lot of energy to the project and holds himself personally accountable. At the end of the day, direct engagement is key. Successful CSOs do not necessarily have to take the lead (at least not all alone), but, as the CEO's representative, they should drive change from a pivotal position and thus become the guiding force of corporate transformation.

The need for leadership again comes to the fore when addressing the question of what a transformation ought to contain, the personnel it requires, and how it should be embedded within the organization. Our analysis suggests the importance of a clear strategic focus, for which the CSO is largely responsible. If the strategy department plays a pivotal role in the transformation process, then top management involvement is also greater, the scope clearer, the relation to the existing company strategy closer, internal and external communication deeper and the use of (even external) knowledge and existing tools more intensive. At the same time, there is evidence of a higher level of ambition in all strategic aspects (corporate commitment, focus on objectives, communication).

In regard to staffing, the significant leadership demands do not necessarily mean a large number of per-

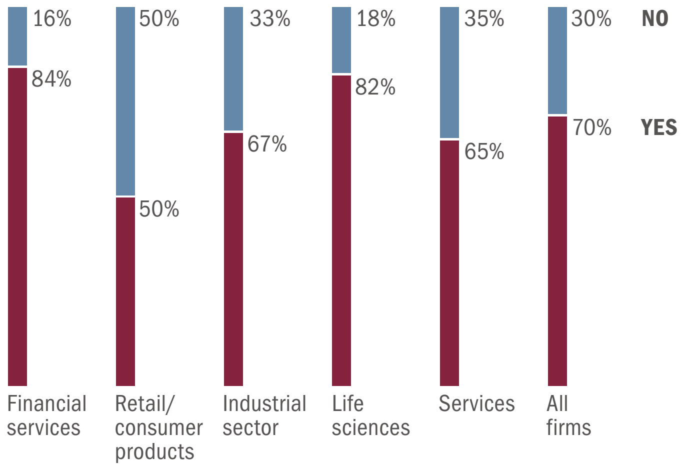
G A NEW CORPORATE REALITY

HOW TRANSFORMATION PROGRAMS DETERMINE THE STRATEGY (AND THE STRATEGISTS') AGENDA

OMNIPRESENCE

2 Adapting business models and implementing organizational change have become everyday activities. More than two thirds of all companies are currently running a transformation program. Two thirds of these programs will last for over a year. Their omnipresence is particularly notable in financial services and life sciences, in large companies and in the Nordic countries.

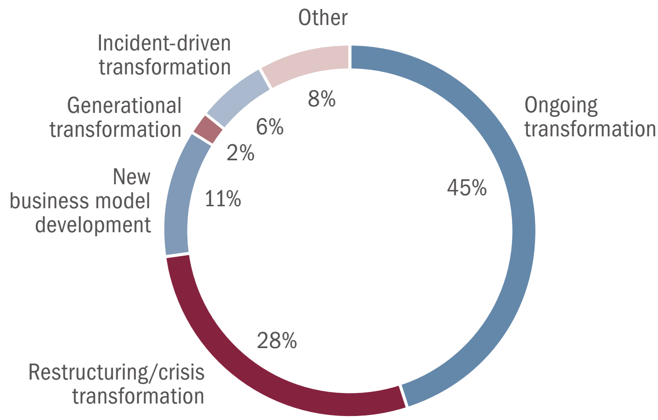
IS A TRANSFORMATION PROGRAM ONGOING?



DIVERSITY

Almost three quarters of all transformations fall into two categories: ongoing transformations and disruptive restructuring/crisis transformations. The proportion of ongoing transformations is particularly high in centralized companies. Latin Europe relies almost exclusively on short-term restructuring programs with equal focus on top-line and bottom-line effects. For the overall sample, bottom-line performance leaps to the top of the agenda far ahead of cultural change and top-line growth.

WHAT TYPES OF PROGRAMS ARE PREVALENT?

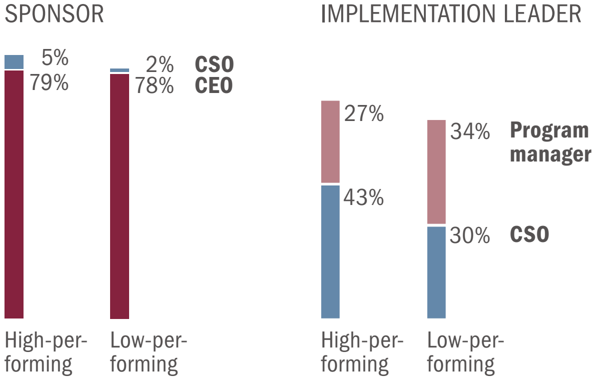


Source: Roland Berger, University of St. Gallen (CSO Survey 2014)

3 INVOLVEMENT

Transformation programs generally have a large number of stakeholders, and are sponsored by the CEO in three out of four cases. Responsibility for implementation is distributed equally among CSOs, program managers and other executives. Here, the involvement of the CSO correlates positively with the success of the program, with CSO involvement particularly prevalent in decentralized companies and Latin Europe.

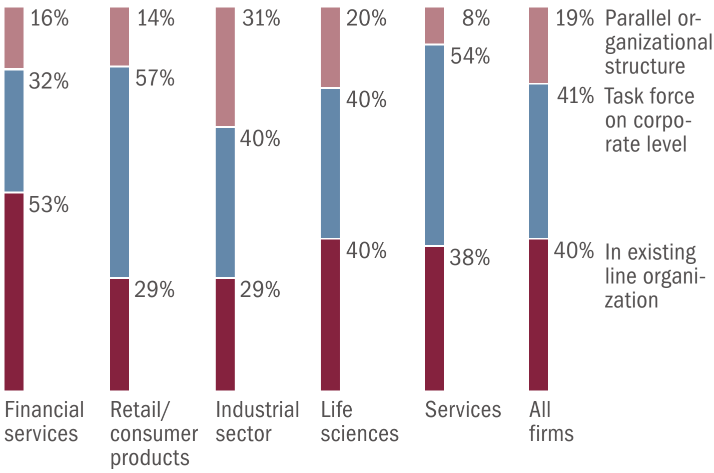
HOW ARE SUCCESSFUL TRANSFORMATIONS GOVERNED?



SETUP

In not less than 40% of all companies, the additional tasks are executed through the existing line organization. This streamlined form is particularly prevalent in financial services, centralized companies, and the Nordic countries. Almost two thirds of the companies have dedicated resources for implementation, generally in the form of task forces or parallel organizational structures. This is particularly common in decentralized organizations as well as the Benelux countries.

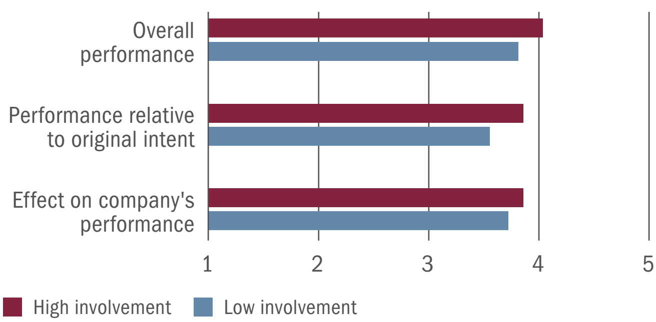
HOW ARE PROGRAMS ORGANIZED?



ASPIRATION

Key to the success of transformation programs are corporate commitment (CEO, employees) and clearly defined objectives. Successful programs also stand out by displaying an above-average level of ambition in all other aspects; focusing on one or two key elements is too limited. On average, CSOs are very satisfied with the program outcome, even if it often falls slightly short of expectations.

HOW IS PROGRAM PERFORMANCE INFLUENCED BY STRATEGY DEPARTMENT INVOLVEMENT?

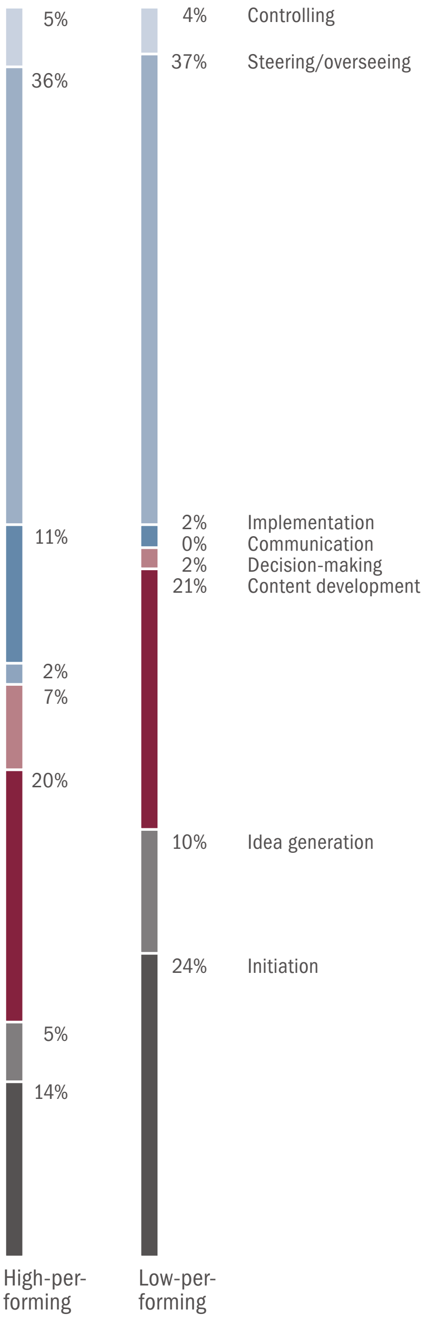


Mean values; 1 = to no extent, 5 = to a great extent

H

INVOLVEMENT IN IMPLEMENTATION CORRELATES WITH PROGRAM PERFORMANCE

Main activities of CSOs in corporate transformations



Source: Roland Berger, University of St. Gallen (CSO Survey 2014)

sonnel. While the median is four full-time and eight part-time employees, having dedicated program personnel is much more important than the total headcount. 70% of successful programs have their own implementation team and, in more than 50% of cases, are implemented by a task force at the corporate level.

Still, the most successful companies often opt for another route. Here, only 61% have a dedicated implementation team and, in 39% of cases, execute the transformation program as an extra task within the line. At 24%, parallel organizational structures are also more common here. One explanation might be that high-performing firms implement different types of programs. However, it also points to another important and somewhat paradoxical finding: having a program manager may even correlate negatively with program performance and the company's financial success.

How can this apparent contradiction be explained? In general, it seems that CSOs and program managers somewhat compete against each other. A successful CSO typically focuses on managing disruptive transformation within the line organization, using dedicated resources, considerable personal commitment, and a clear focus on steering and oversight – typically, all from a growth perspective. In contrast, a program manager's priority by definition is ongoing transformation and constant change. In reality, this difference in emphasis means: the lower the involvement of the strategy department and the more developed the parallel organizational structures, the more prominent the role played by the program manager and his team – and the greater the danger of a diffusion of responsibility.

Particularly in the case of less successful programs, the program manager may have an overall impeding effect. In such cases, his role in implementation is disproportionately large and a lot of time is spent on internal stakeholder management. In short, a lack of leadership runs the risk of the transformation becoming a rigid and formulaic process. The balance between leadership and corporate commitment begins to falter. For this very reason, it is so important to appoint the right person particularly in ongoing transformations outside of the existing line organization. The

CSO needs to manage the program top down and, at the same time, work closely alongside the program manager in a spirit of "coopetition." For his part, the program manager must embed the program in the organizational structure without allowing it to lose momentum. If the program and the people managing it do not match up, then it is highly likely that the transformation – and hence the CSO – will not succeed.

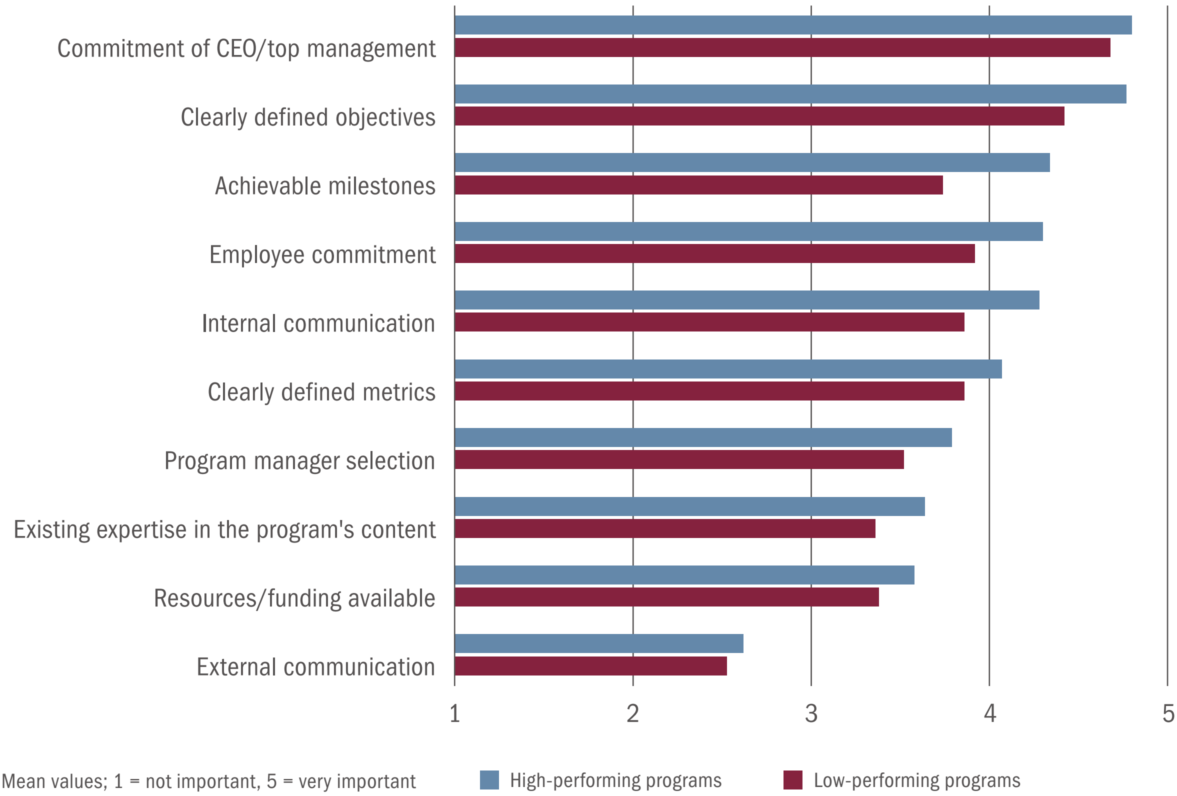
As a consequence, change initiatives call for a strategic perspective; it is not simply a matter of the amount of resources and people available for the program. Leadership and implementation capabilities are the decisive factors. Then there are the soft aspects of corporate transformation to consider. High-performing programs and companies set themselves apart by applying change management approaches. In other words, companies place great emphasis (though not their primary focus) on leadership and inspiring a change in behavior and culture.

This comprehensive job description emphasizes the importance of the CSO in influencing a company's agility and adaptability – and shows just how great are the demands placed on him. As the guiding force, the CSO coordinates corporate reorganization across processes and functions. Any CEO aiming at successfully implementing strategic change initiatives on the corporate level should be saying: Not without my CSO!

I

CORPORATE COMMITMENT, DISTINCTIVE DIRECTION AND DEDICATED PEOPLE MAKE TRANSFORMATION PROGRAMS A SUCCESS

Ratings of mission critical factors by CSOs



Mean values; 1 = not important, 5 = very important

Source: Roland Berger, University of St. Gallen (CSO Survey 2014)

Safeguarding success. Full corporate commitment, clearly defined ambitions and dedicated resources are a CSO's best friends in transforming a company.

We have seen that the involvement and commitment of the CSO are key to a corporate transformation's success. Looking at it the other way, though, what helps the CSO lead a transformation program to success? The following points are particularly salient I:

Corporate commitment. No program can succeed without buy-in from top management and the commitment of employees.

Distinctive direction. Clearly defined objectives and metrics as well as ambitious but achievable milestones provide the program with direction.

Dedicated people. To assume his role as the guiding force, the CSO needs a dedicated, well-chosen team for the implementation (though it does not have to be large) and solid funding as resources.

For ongoing transformations, the CSO also needs a carefully selected program manager to free him up to focus on his core tasks.

For now, the ultimate success factor remains an aspiration: only 9% of CSOs consider themselves to be the lead in strategy implementation, and as a result the issue is of only moderate importance on their agendas. In transformation programs, front-loading and management activities take precedence and push the aspect of value-adding implementation even further down the list of priorities. Still, our analysis has shown that if the CSO is heavily involved in the implementation, then the program is generally also successful – especially if the CSO takes a similarly prominent role in decision-making, communication, steering, and monitoring activities. For disruptive transformation, the demands in all these areas are even more pronounced. In a nutshell: It's the implementation, stupid!

Only a handful of CSOs fully match this all-round profile. Particularly when transformation programs are executed in secondary organizations, CSOs have thus far made little effort to take the lead in implementation. There is obviously a tendency to leave this field to others, for instance the task force. On the other hand, notably in decentralized companies as well as in the financial services sector and the services industry, CSOs already assume a leading role in execution, thus accomplishing the mission of an implementer. All other chief strategists are advised to pay more attention to this highly valuable stage along the strategy value chain and follow a simple motto: Dare to implement! ◆

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Roland Berger Strategy Consultants, founded in 1967, is the only leading global consultancy with German heritage and of European origin. With 2,400 employees working from 36 countries, we have successful operations in all major international markets. Our 50 offices are located in the key global business hubs. The consultancy is an independent partnership owned exclusively by 220 Partners. **WWW.ROLANDBERGER.COM**

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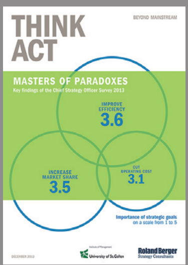
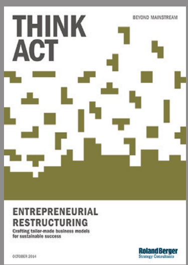
The University of St. Gallen (HSG) is a School of Management, Economics, Law, Social Sciences and International Affairs with more than 7,000 students and 160 international partner universities. Founded in 1954, the HSG's Institute of Management (Institut für Betriebswirtschaft, IfB) focuses on research, teaching, and executive education in the areas of strategic management and organization theory. **WWW.IFB.UNISG.CH**

Further reading



MASTERS OF PARADOXES

CSOs need to formulate a strategy that strengthens business agility without taking unnecessary or incalculable risks. This was one of the key findings of last year's Chief Strategy Officer Survey conducted by Roland Berger and the University of St. Gallen.



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