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Reflections of a Chief Strategy Officer in a Diversified Conglomerate

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After a lifetime as an academic, I was hired as Chief Strategy Officer ("CSO") at Tata, a colossal $100 billion group with more than a hundred companies and 650,000 employees worldwide. At first sight, the job of being strategy head for the Tata Group may seem rather different from my academic role, with implementation responsibility and ability being the key difference. But, it did not require much of an adjustment for two reasons.

First, I was not the typical academic. For twenty years, as an external consultant, I had been working with top executives and helping them think through their strategy. This had taken me to around 60 countries working for over 50 Fortune 500 companies as well as many other smaller firms. The only difference was that now all my thought partnership was going to be within one group.

Second, my job was not to be responsible for execution. In fact, that is why Cyrus Mistry, the Chairman, had asked the headhunter to explicitly consider only academics rather than ex-consultants or former corporate executives. An academic, he believed was less likely to be tempted to interfere with the strategy or the running of the independent Tata companies. The latter was the responsibility of the CEOs and the boards of the individual companies. Good corporate governance required us at the Group Centre to ensure that minority rights were not being trampled in any oversight that we had as promoters.

In our strategy discussions, we thought hard about what the role of group centre should be when our stakes in the operating companies was often less than 50%. We finally concluded that in any diversified conglomerate such as Tata, the group centre can add value in essentially three ways:

1. *Optimizing the portfolio* by deciding which companies to fund, which to exit, and which new areas to enter. This was the most important aspect of my role. Supporting Cyrus, and through him the Tata Sons board, on the portfolio decisions to be made over the coming decade was where the greatest value creation potential lay.

2. *Orchestrating greater synergies* between the companies provided the initiatives would be a win-win for all companies since the minority shareholders for the different companies were not identical. While one could spend considerable energies on this at the group centre, the relative upside was limited compared to the effort required. Rather than convincing all companies of the need to participate, the approach we adopted was to go with a coalition of the willing. With success, other companies would join the initiative over time.

3. *Nurturing the companies* was essential as it was how value was added to existing companies on a regular basis. This is what allowed group companies to use the Tata brand as well as access various stakeholders and enter new countries using group resources. Beyond this, because they were part of the Tata group, a company could access assistance from the group centre experts, myself included. Here I adopted a policy of providing advice to group companies only under one of three scenarios: I was on the board of the company as the Tata Sons representative, the CEO requested me to come and help, or if Cyrus asked me to go and see what is happening with the individual company.

Of the three value creation opportunities above, the first was where most of the energies went. To make portfolio choices required developing a strategy for the Tata Group and Tata Sons in concert with the Board of Tata Sons. Cyrus and I spent countless hours developing this strategy, taking feedback from the Board, and then revising it. We had adopted a ten-year horizon with explicit goals for 2025 on what the group should look like. Once the Board of Tata Sons bought into that, then we could examine different paths that would get us there and allow us to pursue a long-term stakeholder value creation approach. In summary, I saw the CSO role at Tata as “thinking” rather than “doing”, or more accurately that “thinking” is “doing” in such a position.

In my role, I did get to observe many of the group CEOs closely and their CSOs. The Chief Strategy Officer (CSO) is a curious position. Some companies have them, while in other companies, such a position does not exist. In the latter, when you enquire why there is no chief strategy officer in the organization, the CEO will dismiss the idea that such a position would add any value. As one CEO observed to me, if there is a Chief Strategy Officer, then what do I do? As a result, many CEOs are ambivalent, and some even downright hostile, to having a CSO.

Can CEOs Develop Strategy?

Most CEOs see, and should see, themselves as having the responsibility for formulating the organization's strategy. In fact, it is central to the role definition. Some CEOs feel that having a strategy head would compromise their position in the eyes of the stakeholders. If a strategy was presented by the Chief Strategy Officer, then observers, especially the board of directors, may question whose strategy is this - the CEO or the CSO?

Many CEOs can think strategically about their industry, critically understand their firm's capabilities, as well as keep on top of the changes unfolding in important related domains such as competitors, technology, environment, and public policy that will impact the firm's future fortunes. Some of these CEOs are also disciplined enough to devote the needed time to developing and updating strategy in between fighting the inevitable daily fires that occur in any organization which demand immediate attention. But after applying these two filters, probably only a minority of CEOs have both the ability and motivation to continuously engage in the time consuming process of formulating strategy and keeping it updated.

On the other hand, by and large, CEOs are great executors. They have consistently delivered results previously since this is how they rose into their current position. But, how much experience they have had in formulating strategy depends on their experience prior to becoming CEO. Did they have to formulate strategy or just execute a given strategy?

Recognizing their limitations, especially with respect to the time available, many CEOs outsource strategy to the thriving profession of strategy consultants. However, can one really outsource making strategy? While accepting that in some circumstances there may not be another good option, there are at least two reasons why outsourcing strategy making to consultants is a bad idea.

First, strategy is the essential conversation among the top management team (TMT). It is how the TMT develops a shared view of what are the firms' strengths and weaknesses, competitor strategies, where the opportunities and threats exist, and how the social, political, and technological environment is evolving. As reasonable people can, and often do, disagree, strategy making is a messy process. But it is through these intense and continuous conversations that a common understanding emerges within the TMT. The outcome of this should be a strategy that will deploy the organizations resources towards a mutually agreed goal (vision) in a pre-defined pattern.

Second, implementing strategy requires that the TMT "own" the strategy and are the shills for it. To effectively explain, and convince the organization to execute, the strategy, the TMT must believe that it is their strategy or they will not be effective promoters of it. The responsibility for selling the strategy to the entire organization so that each employee understands their role cannot be abdicated.

Being an Effective CSO

Being a CSO is testing for a number of reasons, but primarily because it is hard to demonstrate differential competence vis-à-vis other members of the TMT, especially the CEO. This is in contrast to those who head specialized functions such as finance (CFO), technology (CTO), information (CIO), operations (COO), or even marketing (CMO). Therefore, to be effective, the CSO must bring some unique experiences, skills, opinions, and/or ability to the table. And hopefully, these are acknowledged by the CEO and the other members of the TMT.

As I have often observed the CEO is a lonely position. An effective CSO will have built a reservoir of trust with the CEO. To have this trust, the CSO must be honest broker of information and not be seen as seeking the CEO's job. The CEO must never feel under threat from the CSO.

A major role of the CSO is to be a sparring partner to the CEO with respect to formulating strategy. By contesting the CEO's thinking, the probability of developing a sound organizational strategy increases. My own observation is that being an effective CSO is challenging for two reasons:

- How do you add value to the organization and the CEO without taking away the limelight from the CEO?
- How to be adequately deferential to the CEO, yet to push the CEO's thinking on strategy?

Failing the above, the CSO ends up simply being an expensive resource making power point slides for the CEO. In which case, it is better to replace the CSO with an Executive Assistant.