

The corporate strategy function: improving its value and effectiveness

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Very few functions seem as well-positioned to create value as the corporate strategy function. Even the name, corporate strategy, suggests access to critical information and decision-makers, as well as distinctive contributions to the organization's most important decisions. Yet many corporate strategy managers find that their contributions are limited and they are unable to have significant, tangible impact. The value of the corporate strategy function is questioned as a result, and senior executives are faced with the question "How can I increase the impact of my corporate strategy function?" Our research shows that companies can improve the impact of their corporate strategy function, but choosing to do so requires a significant commitment to address the organization structure, processes and people competencies that limit the function's ability to have impact.

Approach

The authors conducted qualitative interviews of corporate or business unit strategy executives and senior managers from 11 different companies representing the manufacturing, electric/gas utility, petroleum and retail industries in the United States and Canada. The interviews focused on understanding the scope of the function, the nature of its work, and the process, organization, and people characteristics of the function. The interviews were synthesized into a simple, 2 × 2 matrix that characterizes corporate strategy functions and sheds light on how their impact can be increased.

Framework

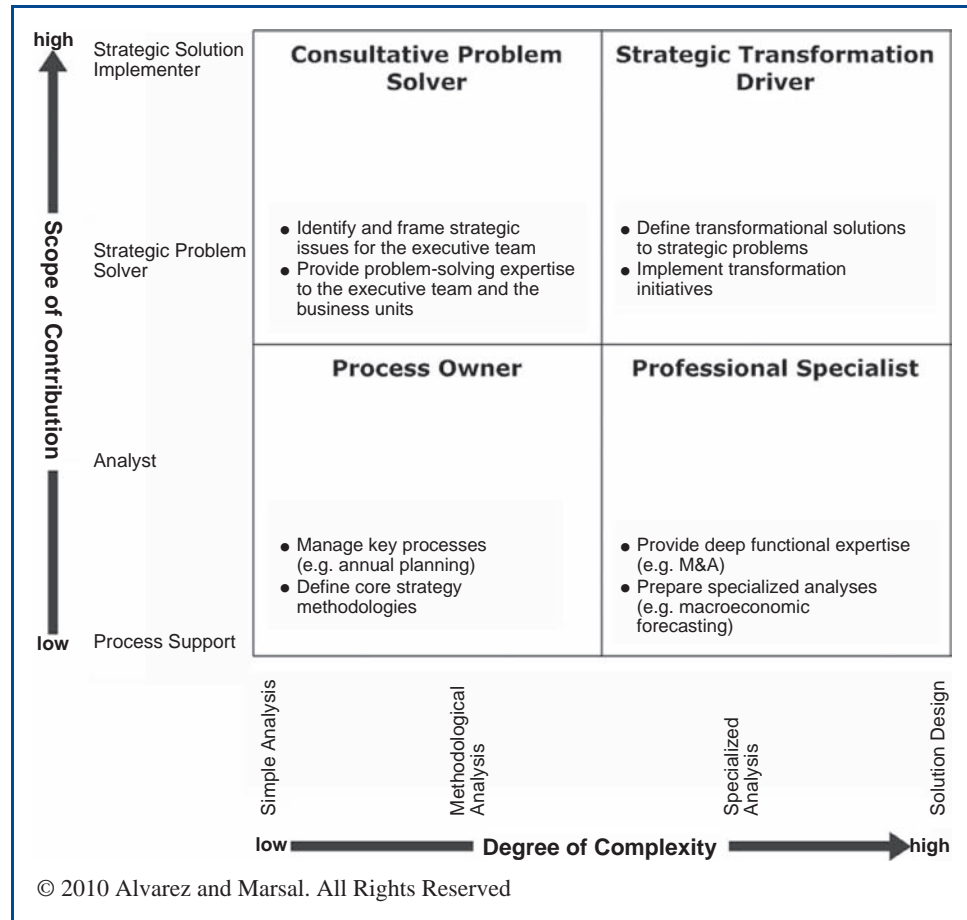
Most strategy functions make a number of contributions that vary in complexity and scope. For example, some strategy functions are limited to corporate planning process management and special projects while others are responsible for strategic problem solving or deep, specialized analyzes (e.g., long-range macroeconomic forecasting). Each of the 11 strategy functions the authors assessed in this research was unique. They made different contributions and allocated their resources differently, experiencing various degrees of success.

In order to characterize and make sense of the strategy functions assessed in this research, the authors developed a framework – a 2 × 2 matrix – and plotted the contributions the functions made on it (see Figure 1). The framework places strategy function contributions on the matrix based on four pieces of information: the complexity of the contribution, the scope of the contribution, the business value or impact the contribution creates, and the effort the function devotes to the contribution.

Corporate strategy contributions

Contributions are the work that the strategy function performs. Examples include managing the annual planning process, developing/maintaining relevant methodologies (e.g. business

Figure 1 Corporate strategy assessment framework



case development, Six Sigma analyses, war gaming), managing special projects, developing long-range forecasts, conducting M&A analyses, etc.

Complexity of contribution

Contributions vary in complexity based on the analytical sophistication associated with the contribution. Simple, repeatable analyses involving little formal training are “low complexity”, while complex design and implementation is categorized as “high complexity”.

Scope of contribution

Contributions vary by scope based on the breadth of contribution and degree of ownership of the contribution’s outcome. Providing process support is “low scope” because it is a narrow, process-based contribution and with a “support” level of ownership. Driving strategic solution implementation is “high scope” because it involves a broad contribution (i.e. strategic solution implementation) and a significant ownership role.

Impact

Impact is a tangible business value that the contribution directly creates reflected by the size of the bubble on the 2 x 2. Project Management Office (PMO) support for the corporate planning process is a relatively low impact contribution because, though important, little impact can be directly attributed to it and it has a small bubble. Corporate transformation programs (e.g., cost reduction) have a direct and significant impact so the bubble for

corporate transformation is relatively large. In general, the strategy function's impact increases as the complexity and scope of its contributions increase.

Effort

Effort is the percentage of time the function spends on each of its contributions. The color of the bubble is used to indicate the level of effort the function devotes to the contribution.

Assessing a corporate strategy function involves four steps:

1. Identify the contributions, achieved by interviewing strategy managers and their internal customers.
2. Assess impact that can be directly attributed to the contributions. Impact need not be precisely measured. A "high, medium, low" assessment is sufficient, but it is important to assess on the bases of tangible and directly attributable impact.
3. Assess the level of effort associated with each contribution. Interviews with strategy managers and staff will provide this information.
4. Plot the contributions on the 2 × 2 matrix.

Plotting the function's contributions on the 2 × 2 can clarify the role of the strategy function. Strategy functions that mostly make contributions of low complexity and narrow scope are typically "process owners". These organizations facilitate key processes (e.g., developing a corporation's annual plan). Organizations that mostly make highly complex contributions with relatively low scope are "professional specialists". These organizations drive critical analyses that depend on specific expertise (e.g., economic forecasts). Strategy functions with a high scope of contribution, but relatively low level of complexity are "consultative problem solvers". This group extends beyond the facilitative contribution of "process owners" by identifying and solving problems the organization faces. These problems typically occur as "special projects" that require strategic analysis and result in a recommendation for a significant course of action. Strategy functions with a broad scope and provide highly complex contributions are "strategic transformation drivers". Strategy functions that provide end-to-end merger and acquisition support – from target identification through operational integration – are examples of this role.

Case studies

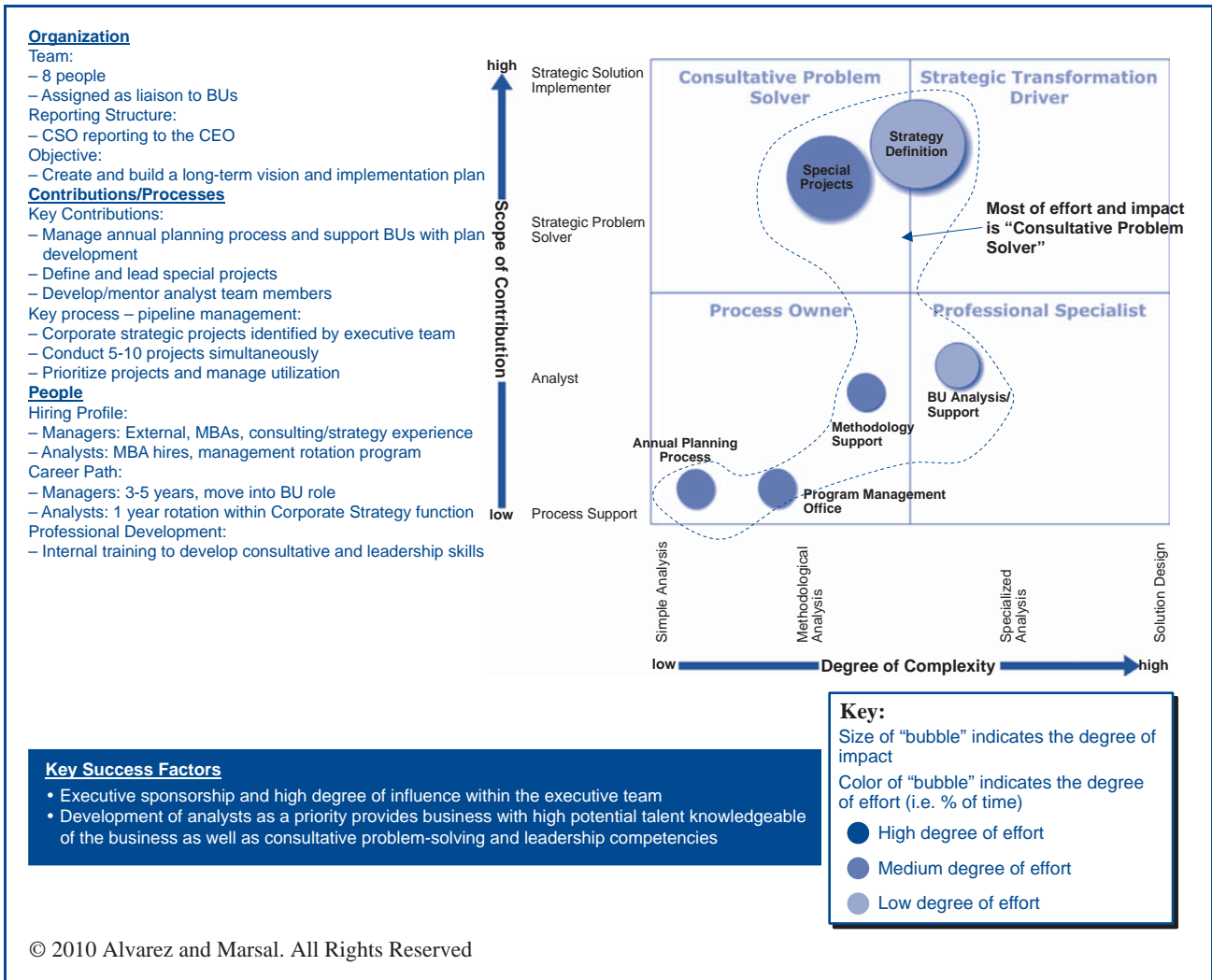
Manufacturing – "Consultative Problem Solver"

A large multinational manufacturer of diverse products implemented a corporate strategy function with the responsibility to manage the annual corporate planning process, develop and maintain key internal strategic methodologies (e.g., business case development, war gaming, etc.), lead business unit strategic analysis in some situations, deliver "special projects" that address a variety of strategy issues, and contribute to the definition of the corporation's overall strategy. Our analysis showed that the bulk of the function's efforts are dedicated to special projects and managing the corporate planning process. The greatest impact comes from successful completion of special projects. This strategy function is an example of a successful "Consultative Problem Solver" (see Figure 2).

The strategy function's success as a Consultative Problem Solver is largely the result of two factors. First, the organization is led by an executive who holds a position on the company's executive committee, which gives the strategy function visibility into the company's most important issues and relationships with peer executives who can benefit from strategy support. Second, the organization is part of a comprehensive talent development concept that rotates

"Organizations that mostly make highly complex contributions with relatively low scope are 'professional specialists'."

Figure 2 Manufacturing case study



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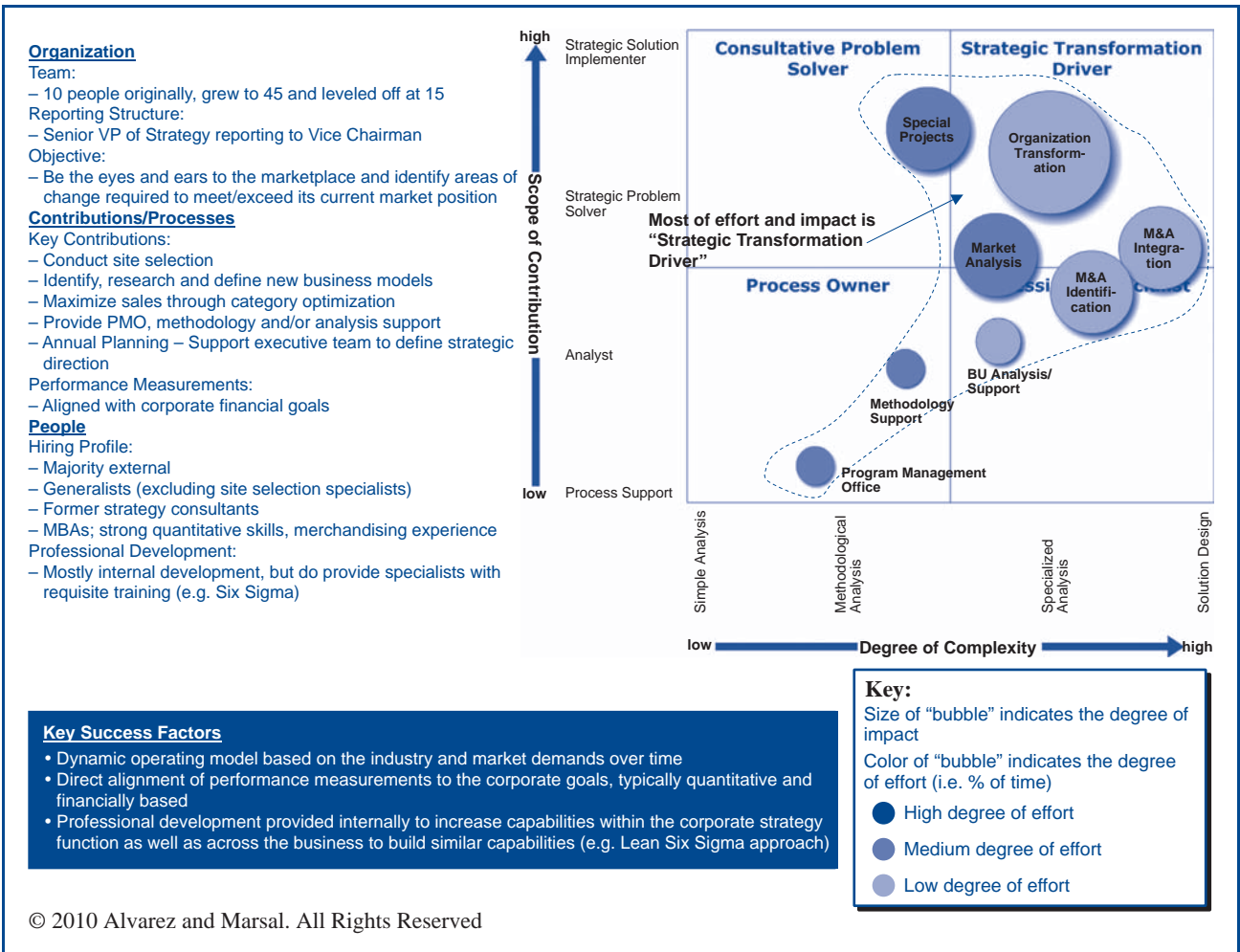
“high potential” professionals through the strategy function to develop their problem solving skills and give them a “big picture” experience. Also, while these professionals are part of the strategy function, they benefit from training similar to that offered to consultants at elite management consultancies. This investment in competency development ensures the strategy function is capable of solving complex, ambiguous problems.

Retail – strategic transformation driver

A “big box” retailer of diverse merchandise including groceries, apparel, household goods and health/beauty products created a corporate strategy function based on the recognition that the company’s success depends on a clear understanding of customer needs and broader industry trends, carefully nurturing a brand image, and relentless pursuit of excellence in merchandising, supply chain and store operations. Executive management felt that a corporate strategy function could be an important provider of these keys to success (see Figure 3).

In this case, the corporate strategy function was given a broad scope that included “special projects”, M&A, specialty analytics (e.g., retail site identification/analysis, Six Sigma) and market analysis. Its greatest contributions included driving aspects of a significant corporate transformation, turning around underperforming merchandising categories and implementing the company’s Six Sigma initiative.

Figure 3 Retail case study



The group’s success as a strategic transformation driver was largely due to its senior executive sponsorship and its leader’s ability to manage a diverse team that included both functional specialists and “generalist problem solvers”. A key lesson from this case, though, is that successful corporate strategy functions, particularly those providing the “strategic transformation driver” role, transform their role as necessary to meet their organization’s needs. In this case the organization needed the capability to drive a significant transformation and to develop a problem solving capability (i.e. Six Sigma). When that need was fulfilled, the strategy function redefined itself as a consultative problem solver.

Assessing the corporate strategy function

Using the 2 x 2 matrix to characterize a corporate strategy function answers important questions: What type of strategy function is in place? How coherent is the organization’s purpose? Does it allocate its resources effectively?

What type of strategy function is in place?

Identifying the contributions and assessing their impact and the effort invested to provide them on the 2 x 2 makes the type of strategy function clear and enables the next level of question. Is this the strategy function the company intended? Is this function consistent with the organization’s expectations? Is the function positioned to succeed?

How coherent is the organization's effort?

One of the important observations made while plotting contributions on the 2 × 2 concerns the coherence of the contributions. How many contributions is the function expected to make? Are they clustered in the 2 × 2 (suggesting contributions with closely related impact and scope)? Does any single contribution seem to overwhelm others? This coherence can be assessed relative to the organization's mission to identify even more important questions. Is the organization making the contributions intended in its mission (e.g., is the organization actually behaving as the consultative problem solver it was intended to be?). Is the organization being distracted by contributions outside its intended mission? Does a single "professional specialist" contribution amongst a number of consultative problem solving contributions stand out or is the organization being distracted by unrelated contributions?)

Are resources allocated effectively?

Another observation from the 2 × 2 concerns the relationship between the allocation of resources and the impact of the contributions the function makes. In general, organizations should allocate resources to those contributions that have the most tangible, directly attributable impact. Does the organization invest most of its resources in the contributions with the highest value?

Improving impact

The value of the framework is its utility in answering the question, "How can my company's strategy function have more impact?" The framework suggests that impact increases as the function's role moves "up and to the right" in the 2 × 2 matrix.

Increasing complexity

Moving to the right of the framework means increasing the complexity of the contributions of the strategy function by expanding the organization's specialist skills. Our research shows there are three implications of this choice. First, the organizational model needs to be tuned to the needs of a specialist community. Performance measures need to be tied to corporate goals, but accountability established for specific relevant and specific outcomes. Also, the organization needs to be constructed in a way that enables a diverse team with very distinct capabilities making very distinct contributions. Second, processes need to evolve. A mechanism to continuously improve proprietary processes (e.g., economic forecasting) and sophisticated processes that support specialist contributions (e.g., knowledge management) need to be implemented. Finally, a mechanism to attract, develop and retain deep specialists and provide them with a satisfactory career path is essential (see Figure 4).

Increasing scope

Moving up in the framework means increasing the scope of the organization's contributions. Our research showed that strategy functions accomplish this by becoming an "internal consultancy" with an ability to solve challenging, strategic problems and implement solutions. Moving up the matrix means that the balance of the contributions that the function makes shifts from process support to "special project" delivery. This shift also has organization, process and people implications. From an organizational perspective, the strategy function must establish strong influence with the executive level. Performance measures must be aligned with corporate goals. From a process perspective, the strategy function must develop processes that are common to consultancies. They need processes to develop and manage internal clients, processes to manage the "pipeline" of work, and processes to monitor and manage the utilization of the team. Finally, from a people perspective, the function needs to provide training programs to develop the problem solving and client relationship skills of its team members. Also, the function needs to generate a career path, typically a job rotation program, that attracts top talent and provides a career growth opportunity that leverages their corporate strategy experiences (see Figure 5).

Figure 4 Increasing complexity of contribution

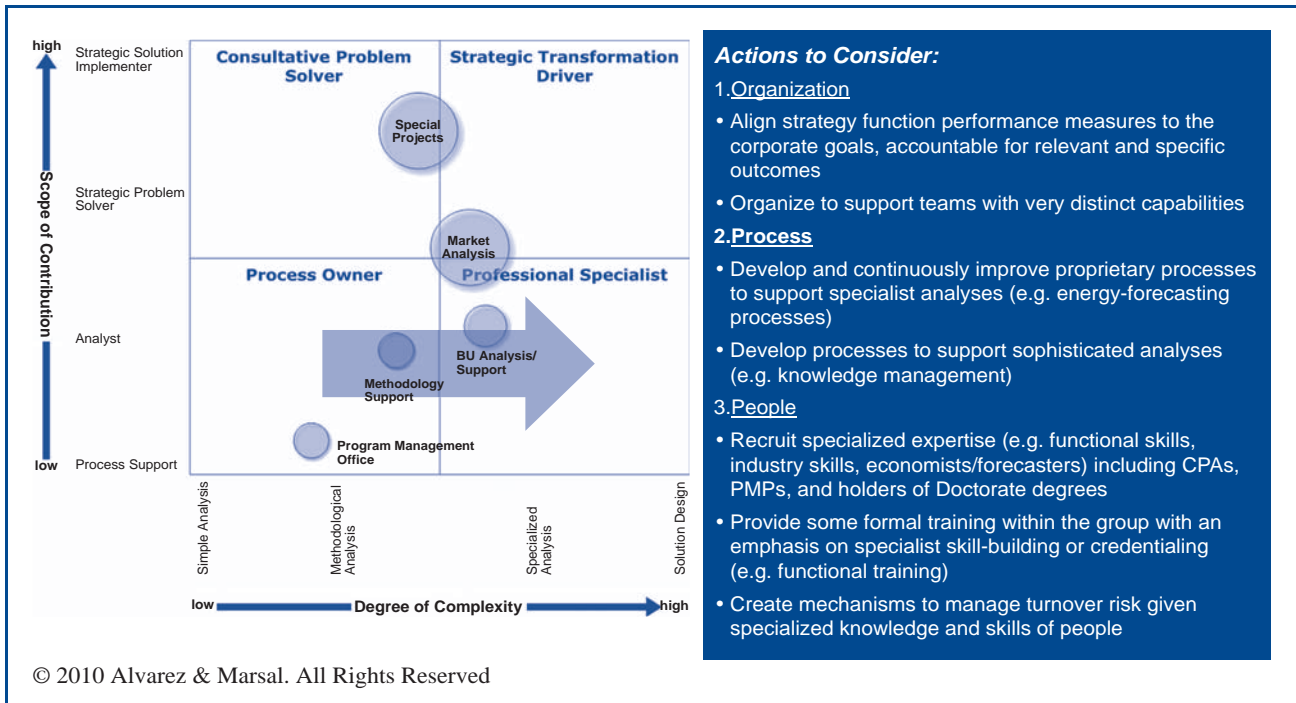
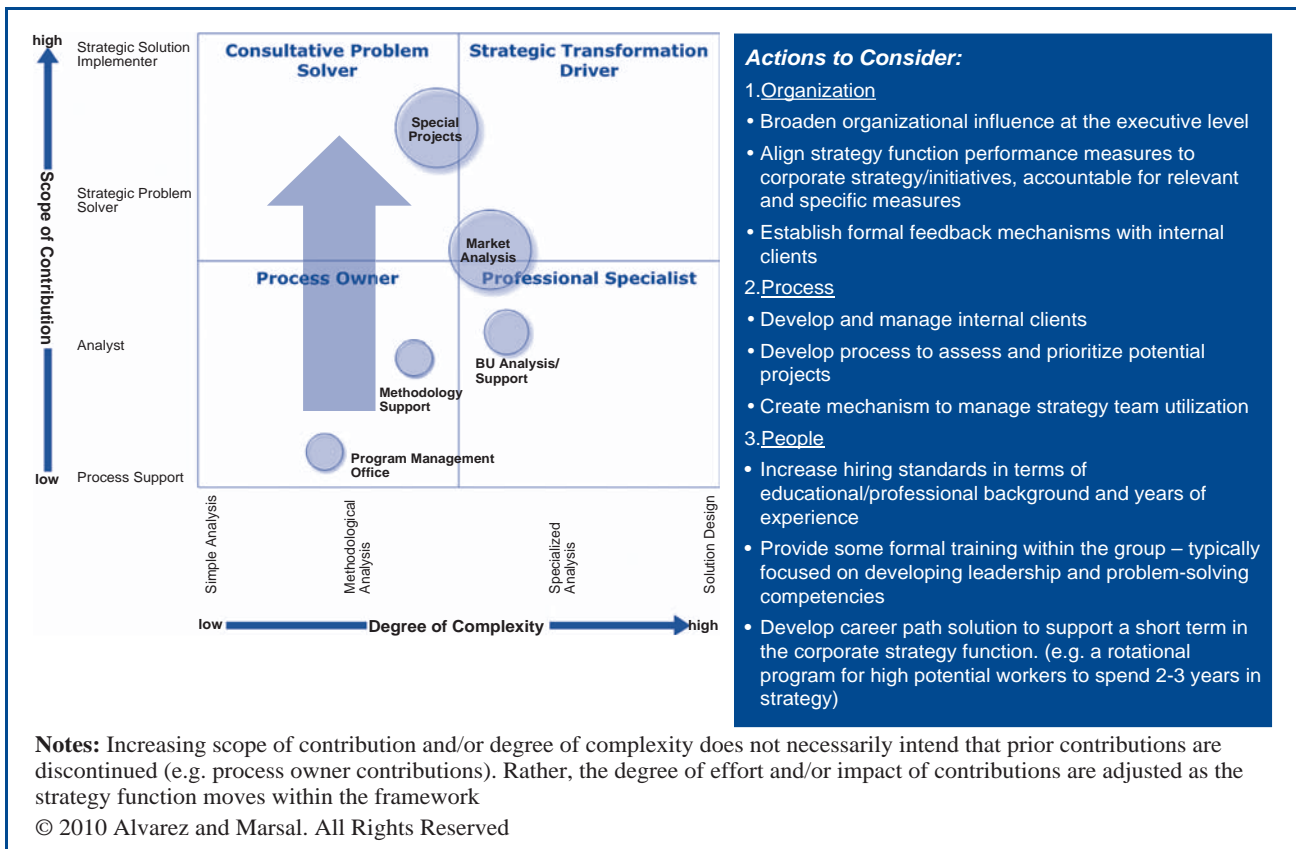


Figure 5 Increasing scope of contribution



Increasing the impact of the corporate strategy function has clear implications: better decisions are made, important initiatives are more likely to succeed, and the strategy function is better able to meet the organization's unique needs.

Conclusion

Corporate planning and strategy functions can create significant value for organizations. Creating this value, though, is challenging and requires a dedicated focus on developing the group's contributions and the organizational characteristics that enable those contributions. Increasing the impact of the strategy and planning function means expanding the scope of the group's contributions and increasing the complexity of those contributions. Taking these steps requires an evaluation, and often re-shaping, of key organization (structure, performance measures), process and people (competencies) characteristics.

While the findings in this paper are based on an assessment of corporate and business unit strategy functions, our experience shows it is reasonable to conclude that the findings are relevant to other staff or analytical functions. Examples include financial planning and analysis, IT strategy and enterprise architecture, and engineering functions.

Keywords:

Corporate strategy function,
Corporate strategy
organization,
Organizational design,
Decision making,
Corporate strategy

Further reading

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