Ephor Group Article:

The Role of the Chief Strategy Officer

Question: Why do most small business owners fail at strategy?

It is well documented that small businesses do fail at strategy: according to the SBA approximately 600,000 small businesses are created every year and **less than 1% make it to ten years and $10M in revenues**.

Failure is often because of resource constraints (capital and talent), lack of a defined business model and processes, and a shortage of strategic alternatives, or simply put: inappropriate positioning.

A "**Chief Strategy Officer**" (CSO) can create and enhance all the elements of a relevant strategy resulting in additional strategic alternatives, scenario planning, insuring that there is indeed a direct connection of the strategy elements to the daily execution of the business, and finally the financial forecasting mechanism.

Simply stated: while the CEO makes the ultimate decisions; a CSO explores alternatives and creates options.

The role of the CSO is not one of "business planning;" as that task is the role of the CFO; while the job of budgeting/forecasting is the role of operating management.

The CSO functions to focus on exploring strategic alternatives and examining potential acquisitions, alliances, and alternative distribution strategies.

CSOs perform primary market research, market intelligence gathering, and market forecasting to ensure that the executive team and Company Board are able to understand implications of various choices in order to make informed decisions. A highly effective CSO facilitates healthy dialogues and facilitating creative tension among executives and the Company's Board.

A CSO is a consultative role; part leader and part doer, an experienced visionary, an experienced executive with the responsibility of ensuring that execution supports the strategy elements. This unique background takes a multitude of different operating experiences, must include being both a creative thinker and influential collaborator.

A small business by its very nature has limited options: either grow organically, increase the financing structure, partner, merge or sell.

As a business grows and becomes profitable it creates options for itself and the stakeholders such as:

a. Financial and Capital Raises

b. Strategic Partnerships, Technology Partnerships

c. Joint Ventures and Alliances

d. Market and/or Product/Service Expansion

e. Becoming Attractive to Strategic Investors

f. Alternative Product Distribution

The CSO activities need not be an internal or dedicated resource, nor even a large fixed cost. Many firms have elected to outsource this role to domain experts, advisory firms, or a dedicated Board member that can bring the experiences, intellectual capital and best of breed processes to the organization.

At Ephor, we have worked with many organizations providing and implementing this function with great success. We strongly urge growth and opportunistic organizations to create this critical function in this changing environment.