

The rise of the chief commercial officer

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As a global leader in the assessment, recruitment and advisement of senior-level executive talent in organizations spanning all industries and functional areas, we have the unique ability to observe critical trends that ultimately influence or dramatically change the landscape for organizational design and management talent. Examples include our thought leadership on the emerging role of the chief sustainability officer (*The emergence of the chief sustainability officer: From compliance manager to business partner*), and another on the unique demands of the role of chief operating officer (*Riding shotgun: The role of COO*). More recently, consultants in our global Marketing and Sales Officers practice have observed and in some instances, have helped to shape, the emergence of the role of chief commercial officer.

The world of business changes fast, and companies must regularly change their organizational foci and designs to adapt. The 1980s and 1990s saw a rise in operational efficiency and cost containment, giving rise to such management tools as Six Sigma, lean, strategic sourcing, and others. The 2002 Sarbanes-Oxley Act brought on a new era of fiduciary control. More recently, the markets, and as a result CEOs, have turned their focus to growth. Not surprisingly however, organizations worldwide have come to acknowledge that in the long run, you can't cut your way to growth. Truly sustainable top and bottom-line growth can only come through integrated, customer-centric and market-facing business strategy and execution. The integration begins with a structured, informed approach to innovation, continues in the development of value-creating offerings, and ultimately ensures value delivery through superior commercialization skills.

In our conversations with senior executives, they often tell us that the toughest challenge in building a sustainable growth platform lies in making sure that all the working parts in this often complex system work together harmoniously and synergistically. We have found that few organizations inherently have the incentives, processes, or, most importantly, the leadership to enable them to harness the full power of their internal assets and drive sustained commercial success. As result, too many great ideas fail to translate into top and margin line success; instead, they succumb to organizational inertia, functional silos, or lack of executive attention.

As a result, we've seen a dramatic increase in organizations identifying the need for a single executive leader, at the right hand of the CEO, whose sole job is to drive growth and to ensure integrated commercial success – the chief commercial officer (CCO). While the role of the CCO is still emerging, the trend is clear. Our research shows that more than 200 CCOs have been appointed worldwide since the title first appeared a decade ago in the corporate community. However, the rate appears to be increasing dramatically, with well over half of all CCOs being named in the last three years and over 50 of those appointments in 2008 alone. Globally, Europe has led the way thus far, though North American corporations are quickly catching on, given the continued challenge of integrated growth and the promise and proof of the CCO concept.

CCOs can be found across a wide range of industries, with a slight majority in technology oriented organizations (*figure 1*), where product development is a key driver and is often informed by rapidly changing industry dynamics and a high demand for robust customer relationships.

Skill requirements for the role of chief commercial officer

As the role of the CCO centers on developing and driving an integrated commercialization vision and engine for the enterprise, the role of CCO requires a unique blend of skills and perspectives. They include:

- the business strategy and acumen of a senior line executive with P&L experience
- the technical expertise of a product development and innovation leader
- the market understanding and insight of a top marketer
- the customer relationship focus and deal savvy of a sales leader

In effect, the CCO is a highly experienced executive who understands the workings of every potential lever of growth open to the company and who has the integrative ability to drive the portfolio of functional capabilities to produce maximum results. As such, a CCO must be an exceptionally strong leader who is equally adept at setting corporate strategy and ensuring the implementation success of the initiatives, processes, incentives and resources required to deliver the desired in-market results.

The typical CCO must be capable of and highly motivated to harness the inherent assets of the organization and lead an integrated effort to capitalize on them to achieve commercial success. They often hail from backgrounds in marketing and/or sales management and have risen to roles that incorporate P&L ownership of a business or division. Above all, they have had significant experience interfacing with customers either in sales roles or as influential participants in the customer relationship management and/or selling process.



figure 1

CCO appointments by industry globally (2000–2008)

source: Heidrick & Struggles research, number of appointments totalling 250

While the core skills remain the same, the balance of skills tends to vary a bit depending on the company and industry. We see many CCO positions arising in companies whose life-blood is innovation – technology and life sciences, for instance. These companies have typically had strong R&D efforts and robust new-product pipelines, but the challenge has often been how to successfully commercialize those efforts. Here, the goal of the CCO is to assess the potential in-market response and quantify the ROI of new concepts, and to lead a fully integrated product development, marketing and sales effort to efficiently achieve the commercial potential. Moreover, in an environment in which marketers are deriving great benefit from the use of such tools as ROI/milestone-based product development, profit-pool analysis, sophisticated segmentation, and market, pricing and profitability analytics, it is critical that the efforts of both sales and marketing be strategically linked.

It is not surprising that in many cases, the new CCO has a strong marketing foundation. Top marketers have long understood the critical importance of marketing, branding and customer issues. Several consumer-oriented companies have made recent efforts to centralize commercial authority in one person to enhance their ability to develop a powerful go-to-market strategy for their global brands and businesses.

Given the ever-growing complexity of the ever-more intertwined tasks of sales and marketing, B2B companies are also finding that a CCO who can effectively oversee the process has become an essential part of this key executive's role. Because of the continued proliferation of both online and offline sales channels and the need to manage the customer relationship at multiple touch points, sales is no longer the direct relationship game it once was; rather, sales leaders have become more analytical and consultative, focusing less on 'selling' and more on generating top-level value creation and 'win-win' deals while coordinating the customer contact portfolio.

Challenges ahead

The variety of starting points from which this role has evolved, however, suggests a potential pitfall for the new CCO. Different industries have different cultures: Consumer goods companies have long been marketing driven, just as industrial companies are typically sales-oriented, and technology and life sciences companies have strong product development cultures. Once put in charge of the entire commercial spectrum, CCOs must negotiate the politics of these strong cultures, maintaining appropriate balance, and integrating them into a smoothly functioning whole. Doing so requires a unique individual who can wear many hats confidently, who looks at the commercialization process holistically, who has experience with and thrives on the responsibility of a GM role, and who has the capacity for long-term strategic planning.

The best-in-breed CCOs are quickly becoming a 'secret weapon,' creating significant competitive advantage because of their purview and control of the entire commercial process. Those we admire most are skilled at deepening their organization's capacity to discover untapped market opportunities and can ensure that a sustainable value proposition is developed for both their established brands and new products.

They know which marketing levers must be pulled and are adept at leveraging customer relationship managers to create a powerful strategic and executional alignment of sales and marketing. Finally, they are able to help craft and drive the commercial agenda not just for the next quarter or the next year, but for the next three to five years, and more.

That may sound like a tall order, but the role of the CCO is clearly filling a need in today's complex, globally competitive, growth-oriented marketplace. We expect that the visibility and success of this role will only increase as its value becomes more apparent worldwide. ■

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