

THE POWERFUL CONVERGENCE OF STRATEGY, LEADERSHIP AND COMMUNICATIONS: GETTING IT RIGHT.

As leading business strategist Gary Hamel once famously observed, the real problem with strategy is that while we can all recognize a great one when we see it, no one really knows where it comes from.¹ Perhaps so, but we are now closer to answering that question with the insight of a new study conducted by Forbes.com and FD in conjunction with the Association for Strategic Planning and the Council of Public Relations Firms. This new study of 163 CEOs, senior strategists and communications professionals took one of the most comprehensive and rigorous looks to date at corporate strategy, its creation, implementation and the impacts to its success or failure. This study closely analyzed the interdependence of strategy and communications in getting a strategy right and bringing it to a successful result.

Among the key findings:

- While senior management does not have a common definition of what strategy is at the conceptual level, it does have a very clear definition of what strategy is not, as well as a very clear, pragmatic definition of what types of corporate initiatives are and are not strategic.
- Management tends to be overly optimistic about the success of strategies, but even so recognize that as many as one-third of initiatives fail.
- Communications is unilaterally deemed critical to the success of strategic initiatives.

¹ Mintzberg, Henry, et al. *Strategy Bites Back: It is far more, and less, than you ever imagined.* Prentice-Hall, 2005.

- It goes without saying that a disciplined strategic planning process is essential to success.
- There are five common reasons for failure, and 82 percent of failures are preventable.
- In the current economy, it's not unexpected that the majority of respondents will alter their strategic agendas; however, it's notable that a solid one-third will move forward with their existing plans.
- In the current downturn communications reports it will maintain focus on two key audiences: employees and customers.

WHAT IS STRATEGY ANYWAY?

Perhaps no word is used more often in the C-suite or abused more often throughout the ranks of a company than “strategy.” The world’s leading business strategy academics continue to debate its definition. In our survey, most respondents agreed that a “strategy” has the “ability to change a market, competitive position or business model.” Even that relatively broad definition gathered only two-thirds support among respondents. Other definitions, such as those involving the size of the effort or the involvement of multiple functions and lines of business, garnered only small agreement.

Some other respondents – largely dominated by the communications ranks – felt strongly that a strategy can only be considered one if it is defined by support and advocacy from the C-suite. Perhaps their judgment is influenced by the day-to-day experiences of their job responsibilities, which include engendering support for strategy initiatives within the employee ranks, and the reality that if an initiative isn’t made important by management, it doesn’t become important to employees. Given the diversity of perspectives on strategy, it appears that practitioners are no better than the experts themselves at nailing down the elusive definition.

Nonetheless, practitioners do bring some clarity to strategy through their agreement on what strategy is not. Strategy is not about office politics. It’s not about the pet projects of the C-suite, or hot buttons of the board, or vehicles to further careers. Strategy is defined by projects that drive the business. And for the most part, those projects are ones that stretch beyond the boundaries of the organization and involve revenue generation rather than cost reduction. Respondents were asked to rank 13 common types of initiatives as strategic or non-strategic. The results are shown in the following table that ranks projects from most to least strategic.

Which initiatives would usually be considered strategic in your organization?

1.	New market entry	71%
2.	Acquisitions or divestures	63%
	Business model transformation (e.g., pricing)	

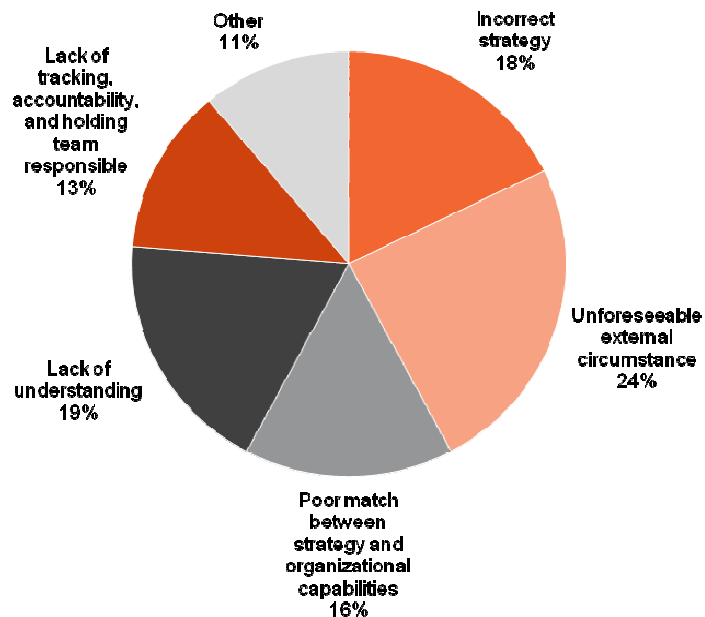
3.		58%
4.	Repositioning or rebranding	57%
5.	New product launch	48%
6.	Reorganization	47%
7.	Sourcing/outourcing	30%
8.	Channel transformation	29%
9.	Recapitalization	24%
10.	Technology platform replacement	23%
11.	Reengineering	23%
12.	Changes to the compensation model	23%
13.	C-level leadership training	17%

Thus strategy, it seems, is externally focused, when viewed from a top-down conceptual level or from a bottom-up project level.

WHAT WORKS, WHAT DOESN'T, AND WHY?

According to our survey, on average about one-third of strategies fail and they fail for five reasons. They fail because of unforeseen external circumstances (24 percent). They fail because of a lack of understanding among those involved in developing the strategy and what they need to do to make it successful (19 percent). They fail because the strategy itself is flawed (18 percent) or because there is a poor match between the strategy and the core competencies of the organization (16 percent). They also sometimes fail because there is a lack of accountability or of holding the team responsible (13 percent).

Why Expectations Not Met (Overall)



Not surprisingly, the most common unforeseen circumstance was the current economic downturn. And when the problem is a bad strategy, it is usually the result of overestimating the potential of the market. When the problem is a lack of understanding, it generally points to internal issues and the underlying causes are complex. Sometimes it is a broad lack of communications. Those reasons cited by respondents in verbatims included lack of communications across the enterprise, between a subsidiary and corporate, and even between management and the board of directors. Communications professionals even reported they were sometimes brought in too late or not given enough information to effectively support initiatives. In near equal measure to the lack of understanding, was the issue of stakeholder buy-in. That is, respondents understood what they were being asked to do, but were not sufficiently convinced of the need to do it. Sometimes this was the result of a merger or acquisition when, not surprisingly, a culture clash stood in the way. Other times, it was a lack of C-level support or downright employee resistance. However, generally it was indicated and a verbatim accurately captured that the “lack of acceptance internally of ideas developed externally” was a root cause.

Correspondingly, the success factors of strategy indicated by many study respondents included such things as alignment across multiple functions to create shared accountability, senior management setting clear expectations along with the right tone and a definition of success, as well as the involvement of the right people and making decision-making transparent.

What is striking about these results is how many ways there are to fail. What is even more striking is that 82 percent of failures are due to reasons that are preventable, e.g., by better analyzing potential market size or better communication. The implication is clear: failure is an option, and many companies don't plan or implement sufficiently to avoid it.

How much do these failures cost the average company? That is much harder to get at. Most companies have around three strategic initiatives going at any given time. And in general, executives admit that one in three initiatives will not succeed. However, this may well understate the true failure rate.

When asked to rate the success of each of the 13 types of initiatives, both strategic and non-strategic, respondents generally believed they were successful. This result is in line with other studies that have shown managers almost always rank their initiatives as successful, even when empirical evidence indicates the opposite. For example, in our survey, respondents reported that two-thirds of acquisitions were successful, even though numerous studies have found that acquisitions generally fail.² Similarly, our respondents reported three-fourths of their new product introductions were successes, although studies put the true success rate of new products (e.g., consumer products) much lower, at around 10 percent. And we had a similar result with new market entry, which respondents judged very successful, even though a Bain study found only 13 percent of entries into adjacent markets were successful, and the rates for non-adjacent markets even lower.³

Does this make participants in the study outliers, either far more successful than run-of-the-mill executives or far less self-critical? Not at all. Those same studies cited above have found that all executives think their acquisitions and new product launches are successful, even when they acknowledge that such initiatives rarely are. Perhaps the economists doing the studies of success or failure are wrong, or perhaps senior managers

² Carroll and Mui, *Billion-Dollar Lessons, Portfolio* (Penguin,) 2008, p. 215.

³ *Ibid*, p. 117.

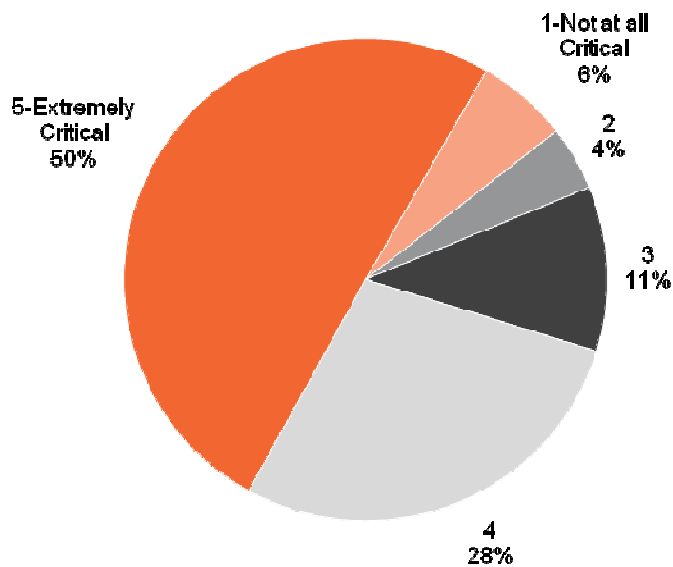
operate in such difficult and ever-changing conditions that they have subconsciously adopted the motto of the great Hall of Fame pitcher Christy Mathewson: “You must have an alibi to show why you lost. If you haven’t one, you must fake one. Your self-confidence must be maintained.”

Generally, while survey respondents believe their strategic initiatives tend to be successful, when compared to other studies, it is possible the true failure rate may be twice as high as reported in the survey and the costs of strategic mistakes greater. This makes it that much more important to understand why the initiatives that exceeded expectations were successful.

Not surprisingly, the biggest single factor was getting the strategy and planning right. More than half the time, doing the homework up front was the single element that drove success. More than 80 percent of those surveyed felt a disciplined strategic planning process was critical, very critical or extremely critical to success. However, two other factors also played a major role in success – getting the understanding and commitment of stakeholders, as well as anticipating the potential obstacles and preparing accordingly. In particular, a significant portion (21 percent) of the CEOs surveyed felt that the key to success was anticipating inevitable obstacles and being prepared.

Similarly, the importance of communications to the overall success of strategic initiatives was unilateral among respondents with CEOs (90 percent), strategists (86 percent) and corporate communicators (96 percent) agreeing that communications is critical, very critical or extremely critical to strategy development, execution and ultimate success.

Importance of Communications (Overall)



But there is a disconnect within this study regarding the exact role and target contribution of communications.

In particular, strategists and corporate communicators tend to see the world differently. Strategists are frustrated that their carefully designed and thought out strategies stumble because of what they see as “implementation”

problems, and communicators cite challenges with strategies that are formed without benefit of their input – such as a broader organizational perspective and feedback, and systematic buy-in through improved communications among the levels of employees.

This study clearly indicates that strategists and CEOs believe that communicators should be part of the strategic planning process; the findings are consistent with the results of a previous study revealing that communicators reporting to the C-suite were significantly more likely to be included in organizational strategic planning and senior level meetings of all types.⁴ With regards to what communicators should offer as part of the strategic planning process, half of respondents among all three groups of our study agreed the communications function should provide upfront input into strategic planning. CEOs (51 percent) and strategists (47 percent) thought communicators should act as an integral and active component of strategic planning. More than half of strategy officers (55 percent) and communicators (58 percent) perceived communicators as a resource that the strategists should use. However, by and large, communicators placed their role in this advisory capacity and not beyond. They had less conviction (39 percent) compared to CEOs (51 percent) and strategists (47 percent) in thinking that they should act as an integral and active component of strategy development and execution. As the previous study concluded, “Gaining access to the top is not the issue it was just a few years ago. Today, the issue is what one does with that access.”⁵

Indeed, this survey was designed to capture all three of these viewpoints, hoping that the three different perspectives would provide a richer and more complete understanding of the intersection of strategy, leadership and communications.

DIFFERENCES ARE TELLING

What we found, to our surprise, is that in the vast majority of their views, these three different groups are in strong agreement. They agree on the definition of strategy, what is and isn't strategic, how strategic projects are and should be managed, etc. However, there are differences, and some of these differences appear important, especially given the key success factors identified above.

- Difference 1: There is an optimism gap among the three groups. In general, strategists are the most optimistic, communicators the least, and CEOs somewhere in-between. In some cases, these differences are striking. Strategists believe that changing compensation models almost always works (93 percent). CEOs and communicators are far less convinced (59 percent and 56 percent, respectively). CEOs are relatively bullish on technology platform replacement (76 percent), not so with strategists (53 percent) or communicators (22 percent). And strategists rank very high on programs such as leadership training (89 percent), while communicators are surprisingly skeptical (20 percent). This may be as simple as the optimism of the designers (strategists) vs. the engineers who must make the machine work (communicators), but it suggests in-built biases that both sides need to be aware of as they work together.
- Difference 2: There is a disagreement and inconsistencies about the role of the communications function and, as a result, it is being

⁴Swerling, Jerry et al. Fifth Annual Public Relations Generally Accepted Practices (G.A.P.) Study. Strategic Public Relations Center, University of Southern California, Annenberg School of Communications. (2007 DATA).

⁵ Ibid.

underutilized. Communicators believe their contribution is around implementation and that they are primarily a sounding board, while CEOs and strategists would like to see them act as an “integral and active component” of the strategic process throughout. In the verbatim portion of the survey, one CEO suggested, “There is no strategy without communications.” With that said, only 34 percent of CEOs view communications as a “resource” for strategists. Yet 55 percent of strategists and 58 percent of communicators view communications as a resource. Our data also suggests that communicators do not participate in strategic task forces as often as strategic planners (53 percent vs. 69 percent), pointing to another disconnect between intent and actual day-to-day practice.

- Difference 3: CEOs, strategists and communicators are not aligned on why strategic initiatives fail. CEOs are far more inclined to blame unforeseen circumstances, while strategists are more likely to blame the strategy itself. When the problem is an incorrect strategy, by far the biggest problem seen is an overestimation of market potential, although incorrect economic modeling and unanticipated competitive responses are also factors. When the problem is a poor match between the strategy and the capabilities of the organization (16 percent), the biggest problem is almost always that the strategy required core competencies that the organization lacked (81 percent). When the problem is a lack of understanding, CEOs and strategists overwhelmingly believe the problem is communications-related, while communicators suggest their earlier involvement in the process would improve the effectiveness of communications efforts. The underlying differences in how CEOs, strategists and communicators view the role of communications may be at the center of this lack of alignment. However, all agree on one thing: when strategies succeed or fail, senior management, not a functional area, is responsible.

WRAP UP

We love the title of one of the references for this paper that says strategy is “far more and far less than you think.” So, our survey seems to suggest, at one level strategy is very simple: it’s about good strategy and execution. At another, it is very, very complex. Perhaps one of our respondents said it best. When asked to comment on reasons for success, she or he said, “The answer requires a small book, not a box.”

However, we think there are some encouraging findings from this survey and some indicative directions for senior managers. There is widespread agreement inside the corporation around what strategy is and why strategies succeed or fail. For the most part, success seems to be controllable, and in one of the key controllable areas – improved communication – there is overwhelming agreement that communicators need to play a more integral role. So, net/net, are CEOs, strategists and communicators on the same page with strategy? By and large yes, but there are areas where there is work to be done in the way these three groups work together to maximize their collaboration.