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## ARTICLE LEADERSHIP

# Unite Your Senior Team

**How Swisscom's leaders aligned around a growth strategy**  
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# UNITE YOUR SENIOR TEAM

How Swisscom's leaders aligned  
around a growth strategy



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**In** 2016, BERN-BASED SWISSCOM seemed trapped in a mature industry. The global telecom sector was flatlining, with revenue inching up a mere 1% per year and profits and prices under siege. Despite Swisscom's long track record of innovation—it pioneered international direct-dial telephone service in the 1960s and 2G mobile services in the 1990s, and was instrumental in Switzerland's having achieved the world's highest rate of broadband installation—stasis had set in at the \$12 billion company. CEO Urs Schaeppi and his senior leaders knew the firm needed



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to refine its long-term growth strategy for a world transformed by digital technology, but they were divided by disagreement about the best path forward. Some executives were comfortable with slow growth and higher profits through efficiencies; others believed the company needed to move boldly into new markets. “There is limited perception of a shared or common agenda,” one leader noted. Further complicating the strategy choices were Swisscom’s culture and decision-making style. “It’s a real Swiss democracy,” said one executive, referring to the customary Swiss deference to a majority view. “We don’t deal well with conflict,” said another.

That state of affairs is all too common at large, successful enterprises. In the 1995 HBR article that laid the foundation for *The Innovator’s Dilemma*, Clayton Christensen and Joseph Bower noted that in confronting disruptive change, the heart of the challenge is a human one. Leaders understand that they must allocate human and financial resources to new-growth efforts or face a future in which start-ups and other rivals overtake them. Yet they are often paralyzed by the status quo and disagreement about the future.

The problem of alignment is so persistent that a body of research has emerged to describe it. For example, a recent MIT Sloan School survey of more than 4,000 managers found that only 28% could correctly list three of their firms’ top strategic priorities. Many companies are caught in a vicious cycle that often results in a strategy-execution gap. “Our world is changing, and our strategy must change too,” leaders exhort. Advisers are hired, data is gathered, numbers are crunched, and decisions are made. But the seeming consensus doesn’t translate into action. So the process repeats, but the apparent alignment isn’t deep enough to drive real change.

Recognizing the perils of divided leadership, Schaeppi formed a small strategic transformation team, led by one of



#### IDEA IN BRIEF

#### THE CHALLENGE

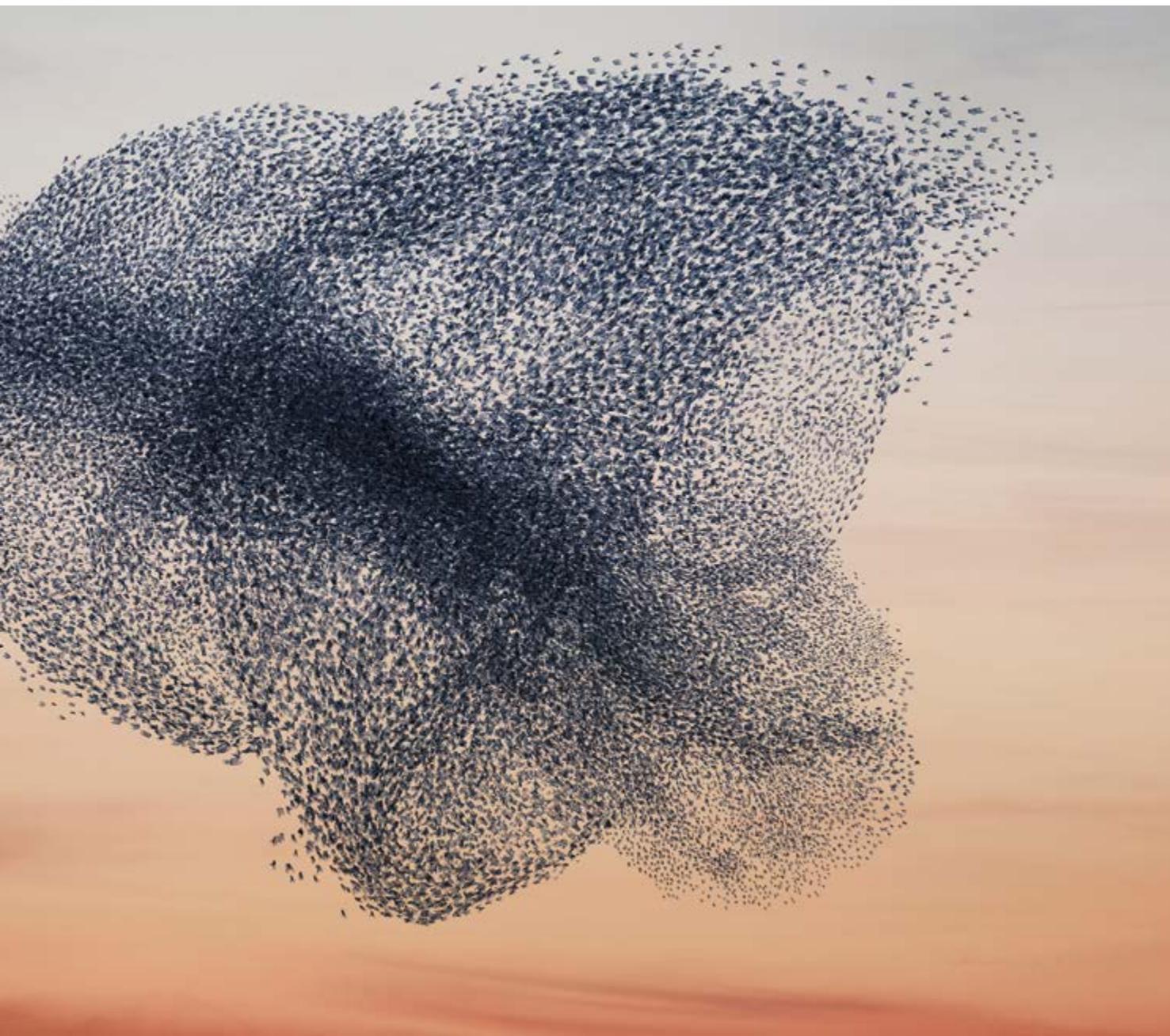
*To remain competitive, firms must develop transformational new-growth strategies. But leadership teams are rarely aligned on what degree of growth is needed and what markets and types of innovations to invest in.*

#### THE APPROACH

*Faced with stagnation or decline in a mature industry, leaders at the global telecom Swisscom engaged in a unique program involving structured dialogues and interactive exercises to reveal misalignments and help the team converge on common growth goals and strategy.*

#### THE OUTCOME

*Following the program, Swisscom embarked on a clear long-term growth strategy, launching a set of innovative ventures, creating a VC-like group to oversee related investments, and locking in a schedule of annually increasing funding.*



us, Markus Messerer, along with an internal change manager from Swisscom. Bernard Kümmerli, from Innosight, served as adviser to the team. That group worked closely with the 10-member group executive board, which we'll call "the leadership team." Because Swisscom's traditional strategic-planning process focused on short- and medium-term plans, Schaeppi decided to try a new approach. It comprised a trilogy of leadership dialogues enhanced with

data visualization that aimed to establish a foundation of common understanding, expose misalignment, and catalyze decision making through physical exercises. By the end of the process, the leadership team had converged on the "North Star" vision of Swisscom for 2025 and allocated resources for growth opportunities such as data security, the internet of things, and vertical markets including financial tech and transportation.

# THE IMPORTANCE OF PRECISE ASSUMPTIONS

Setting long-term growth and performance aspirations is an exercise in uncertainty. How do we know that *this* part of the core business will go into steep decline and *that* part won't? Why will this innovation succeed and that one fail? How can we be sure we haven't overlooked other, more promising ideas? These questions are impossible to answer definitively; after all, conclusive data is available only about the past.

In the absence of data about the future, leaders must be precise in the assumptions that underlie their strategic plans. Good assumptions are specific, time-bounded, and easily tracked and

measured over time. Imagine a large global bank whose HR leadership team is contemplating its future workforce. "Our staff will get younger" is a nebulous assumption that is generally true but too broad to be useful in strategic planning. A more precise assumption would be "In 2023, the share of employees who are younger than 30 will be 26%, versus 21% today." That is specific enough to be measured and adjusted accordingly.

Clarifying assumptions in this way helps to combat "the ambiguity effect"—the tendency for people to choose options for which the outcome is known over those whose outcomes are unknown—and lays the foundation for ever sharper and more-useful planning.

The techniques used at Swisscom are based on thinking from fields including neuroscience, behavioral psychology, and the study of how physical movement and artifacts affect creative thinking. The method is generalizable and has had impact in industries ranging from medical devices to legal services, in multiple geographies. This article outlines the key elements of the approach, starting with the need to lay a strong foundation for discussion.

## Establish Common Ground

Breaking the cycle of misalignment begins with the basics: defining your terms. The 20th-century philosopher Ludwig Wittgenstein noted that you cannot truly enter any world for which you don't have the language. Entering the world of future strategy requires that executives have common definitions and assumptions around three key questions.

**What business are you in?** A critical starting point at Swisscom was answering the question, What does it mean to be a telecommunications company? Leaders often have very different perceptions of the boundaries of their business, especially as industry borders blur. In the past, telecom was a circumscribed and predictable business in which a firm installed network assets and monetized them over years or decades. Swisscom was now operating in a world in which content and connectivity were converging and transformative technologies—from the cloud to virtual reality to the internet of things—were changing the game. Some Swisscom leaders had trouble thinking of telecom as extending beyond traditional lines of business such as voice and data services. Others viewed the industry as part of the much broader business of "productivity solutions," with many new opportunities on the table. The narrower view could consign Swisscom to stagnation, so at the outset, the leadership team decided that its strategy must extend the company beyond the core.

Where and how should it expand? Before debating that topic, Swisscom needed a common language for discussing innovation.

**What is your innovation typology?** As is commonly the case, executives at Swisscom had differing understandings of the various categories of innovation. For example, some believed that "disruptive innovation" referred broadly to start-ups' taking market share from industry leaders, while others had more-specific definitions, such as "innovations that expand access to nonusers." Even the term "strategic transformation" was interpreted in a variety of ways.

To help establish a shared language, the leadership team embraced a new lexicon: *Core innovation* makes existing products better and reduces the cost of making or distributing existing products; *adjacent innovation* and *transformative innovation* (including disruptive innovation) drive growth in new markets, customer segments, and business models.



The leadership team then used the definitions to examine potential growth opportunities. For each new-growth category, a subteam researched opportunities that fit with the broadened view of telecom as a “productivity solutions” business. Subteams looked at artificial intelligence, transportation platforms, data security, 5G networks, cloud applications, telematics, and blockchain-based financial services. They assessed market size, identified potential acquisition targets, and reviewed the competitive landscape.

**What’s your growth gap?** A crucial step in planning for the future is to determine a firm’s growth gap—the difference between revenue (or earnings) ambitions and what the current business is likely to deliver without major change.

This is so critical, and is influenced by so many variables (competition, cost of inputs, marketplace demand, the performance of new ventures, and so on), that it is best presented in interactive data visualizations. Research has shown that using such visualizations increases confidence in decisions, leading to better outcomes.

To help the leadership team understand the 2025 growth gap, the strategic transformation team deployed a visualization tool called a waterfall chart that showed the size of the gap and how various scenarios and changes to underlying assumptions would affect it. (Essentially, the tool presents in visual form data that finance teams routinely generate during scenario-planning exercises.) The goal was not to force the leadership team to make firm projections for future growth but rather to be exact about its assumptions. (See the sidebar “The Importance of Precise Assumptions.”)

The waterfall demonstration was put to constant use throughout the strategy discussions, revealing in real time how estimates of future earnings performance can change depending on assumptions about operational efficiency, new regulations, technology trends, and various combinations of new-growth initiatives and technology platforms. For example, Swisscom found that 5G technologies and advanced mobile services could be a big lever for future performance.

The biggest eye-opener for the leadership team was the cost of lost opportunities. Without a focus on new growth, the gap between potential and unrealized revenues for 2025 ballooned to billions of Swiss francs (which are about equal to the U.S. dollar). This alarming display on the waterfall chart underscored the urgent need for alignment.

## Expose Misalignments

The second step of the process was geared toward uncovering misalignments on the leadership team. All 10 members had common demographics and backgrounds, and so it would seem that alignment would come naturally. However, even in such a homogeneous team culture, managers often defer to their superiors and even to colleagues at their own level, leaving disagreements simmering under the surface.

Reinforcing such deference is a set of cognitive biases that inhibit good decision making. A powerful one is groupthink, which keeps people from voicing views that might rock the boat. Often, too, members assume that someone else will speak up, or they worry that commenting will commit them to tasks they’d rather not perform. As a result, they sit quietly without truly agreeing or even participating, a pernicious effect known as social loafing. Add up these and other biases, and many groups succumb to the illusion of unanimity, where silence or weak agreement masks conflict.

Our goal was not to eliminate such conflict but rather to bring it into the open through structured discussions designed to expose the reasons behind differing points of view. Research by Elizabeth Mannix and Karen Jehn shows that controlled conflict can result in more-productive discussion. Their study found that groups that were most successful at fending off both groupthink and heated arguments reduced “relationship conflict,” or personal dislikes, while gradually increasing “process conflict” (for example, examining the choices of leaders and how resources will be allocated). In addition, they maintained consistent levels of “task conflict,” such as debating how an objective should be accomplished.

To encourage productive dialogue, the strategic transformation team identified disagreements beforehand (using e-surveys) to make sure that people weren’t taken by surprise, which could derail discussions and make consensus harder to attain. Before one session, for example, the team members stated their views of what the firm’s strategic aspirations should be, the potential of several growth ventures, the impact of emerging technology, and the firm’s ability to drive sustainable differentiation in the core business. All 10 members then reviewed the survey results, which revealed even more misalignment than they had expected. This created curiosity about the exercise to come.



**ABOUT THE ART:*****Photographs of a Man-Altered Skyscape***

*Alain Delorme's "murmurations" of plastic bags illuminate the problem of global pollution. September 2013*



Leadership

Members of the leadership team were then sorted into two groups: six Optimists (who were asked to explain what would have to be true for everything to work out) and four Pessimists (who were asked to describe how things could go wrong). Labeling the two groups in this exaggerated way helped diffuse tension and bring humor to the situation. “You’re such an Optimist,” one member said. “You’re such a Pessimist,” another shot back. Members then stood up one by one to defend their positions, especially on growth versus retrenchment. One rule was strictly enforced: No one could take a pass. Each executive was required to state his case, ensuring that all views were transparent. This was hard for everyone, given the polite Swiss culture, but it was essential if the leadership team was to avoid discovering later that fundamental disagreements were simmering under the surface. The exercise revealed just how wide the range of views was, with Optimists arguing for major investments in growth and Pessimists championing strategic cost cutting.

To capture the opposing positions, the rival groups created wall-sized posters summarizing their reasons for optimism or pessimism. After each presented its side, the strategic transformation team asked whether any minds had been changed and whether anyone now wished to switch groups. No one did. That wasn’t a surprise: Simply surfacing disagreements rarely changes people’s minds.

The next session, therefore, would focus on getting people to modify their positions in order to reach alignment.

## Get Physical

A facilitated roundtable discussion to seek consensus is typically the next step. But such exercises aren’t usually effective at creating alignment, as they often lead to seeming agreement but no resulting change. So the strategic transformation team did something that may sound a bit weird: It asked the leadership team to physically engage. It took some convincing before everyone agreed to participate. But this was a crucial step in building alignment. (See the sidebar “Overcoming Resistance.”)

A substantial body of research suggests that physically enacting difficult ideas can be a more effective way to bring them to life and encourage discussion than following conventional meeting etiquette of sitting, talking, and listening. In his



book *Supersizing the Mind*, British cognitive scientist Andy Clark argues that thinking doesn't happen only in our minds; it also happens "when we crisscross the boundaries of brain, body, and world." The locus of broader understanding involves physical action, he says, as is taught in yoga. Angela Leung and her colleagues at Singapore Management University have built on this theory, conducting experiments examining the effects of physical actions on cognition. They found, for example, that talking with one or both hands or working on puzzles while standing within or outside a large box had distinct effects on creativity and the application of knowledge.

More to the point for corporate leaders, research on the dynamics of small-group discussion has shown that the physical positioning of group members has a significant impact on communication—and that reorganizing the layout of the group can boost energy and improve outcomes.

The strategic transformation team deployed two active exercises designed to move the executives toward alignment:

**Walking the line.** To guide conversation in a concrete way, the facilitators laid a thick strip of tape on the floor, five meters long, curved into a semicircle. The tape was marked with the 2025 performance predictions each leadership team member had reported in a premeeting survey, ranging from a 2% decline on one end to a 30% increase on the other. Everyone stood on their marks on the tape.

The facilitators then instructed members to try to persuade people around them to jump to their marks. The arguments from both Optimists and Pessimists were loud, uncomfortable, at times fun, and filled with moments of surprise, hope, anger, and fear. But as the members aired their views, they shuffled positions and the optimistic views about new businesses and future growth began to hold sway.

A consensus emerged that Swisscom couldn't achieve its full potential through efficiency improvements alone (favored by the original Pessimists) or through growth-focused innovation alone (the Optimists' preference). It needed to do both. The breakthrough happened when it became clear that digital technologies could fundamentally improve the cost structure, freeing up substantial capital for new-growth areas as well as quality improvements and differentiation in the core.

With those consensus insights, members repositioned themselves a final time, "walking the line" in one direction or another. After all the arguments played out, everyone was

surprised to be standing near the same point: a double-digit performance increase by 2025. It was a shockingly optimistic view of the future, but it was informed by detailed discussions of numerous potential innovations and acquisitions that could close the growth gap. One member who had started at the lower end of the line came an especially long way, and it was an emotional experience to get there. "It was a moment of joy and relief," he said.

**Casting your vote.** It was time to vote on a plan to achieve the team's vision. Should Swisscom buy (acquire), build, or partner in new disruptive-growth fields in order to forge new organizational capabilities? Since these questions involved allocating finite resources, it was important to reinforce the idea that difficult trade-offs would be required. The facilitators gave each member 100 Swiss francs to distribute into containers representing the three options: buy, build, and partner.

One after the other, the executives went to the front of the room and allocated their coins. These were complex decisions: They had to take into account historic investments, such as the failure of some deals to create value, and the fact that a recent scan of VC-backed start-ups had revealed few promising deals out there. The final tally answered the central strategic question: The leadership team decided to build, namely by investing in new capabilities and assets through entrepreneurial initiatives.

Throughout the sessions, the waterfall chart had been projected on a giant screen showing the growth gap in bright red, a persistent reminder that incremental improvements and half measures wouldn't make much of a difference. But once the leadership team began exploring the revenue potential of building new capabilities connected to growth initiatives, the red zone began to disappear.

In this way, the aligned strategy came into view for the first time. The preliminary debates about technology, efficiency, regulation, and growth potential helped the group settle on specific choices that would leverage Swisscom's core capabilities. The leadership team voted to invest in cybersecurity, cloud applications, business process outsourcing, blockchain, and automotive telematics. Some of these initiatives had the potential to become digital platforms that could scale globally.

By the end of the process, the leadership team had decided to set up separate entities with dedicated resources, locking in a schedule of funding that increased every year.

## OVERCOMING RESISTANCE

It boosted investment in select growth areas fivefold, on the order of hundreds of millions of Swiss francs. Swisscom had successfully aligned behind its key priorities and embarked on a clear long-term growth strategy.

### The Path Forward

After the dialogues, the group executive board assembled the company's top 100 managers to unveil the narrative of Swisscom 2025 and set out the path forward. There were four major elements of the plan:

**A compelling story.** The board established a clear narrative to guide all communication inside and outside the organization, engaging and building alignment among all 20,000 employees. Central to the narrative was the 2025 growth ambition for Swisscom in core, adjacent, and transformative innovation and the view of the business beyond traditional telecom.

**Accountable governance.** It established a VC-like venture decision board, with power to oversee the new-growth investment. The board was charged with allocating resources rapidly, but only when measurable milestones were achieved.

**Separate management.** It created a separate management team for the new-growth ventures. This included working with existing business units to establish an M&A strategy with dedicated funding to support the growth plan.

**New metrics and incentives.** It adopted new metrics for measuring the success of the transformation strategy, including measures of customer centricity and business agility, and reworking the incentive scheme of the entire corporation to make transformation the priority.

Within a few months of the dialogues, Swisscom began venturing outside its core with entrepreneurial spirit. In September 2017, it launched Swisscom Blockchain, a start-up based in Zurich, owned 70% by Swisscom and 30% by leaders recruited to run the new venture. In November 2017, it launched Open Banking Hub, a global platform accessed through mobile phones that allows firms of all sizes to exchange secure financial information. In May 2018, it launched AutoSense, an open telematics platform for drivers and companies managing fleets of connected cars. All this has enabled Schaeppi to tell the story of Swisscom as a long-term growth company for a digital world.

One of the cornerstones of Innosight's strategic alignment approach is to "get physical." Sometimes, however, senior executives are reluctant to participate in such unconventional activities. Occasionally facilitators are met with eye rolls, but more often the reaction is mild puzzlement rather than fierce resistance. Innosight has found that a good way to get broad buy-in is to first discuss the exercises

with a few key people to get them on board, and then ask them to help pull the others along. Having the team members talk with executives from other companies who have gone through the experience is also helpful. And facilitators should stress that the exercise is grounded in solid behavioral and group-dynamics research. Sometimes it's necessary to simply ask squeamish executives, "What have you got to lose?" After all, what they are currently doing is not working.

### The Leader's Choice

Disruptive change poses existential challenges to leadership teams, raising foundational questions about aspirations, identity, and the very soul of a company. So it is no surprise that teams struggle to reach consensus on a path to the future. The approach described here provides a novel and practical road map for achieving leadership alignment. It also offers tools for surfacing misalignment, a process often fraught with emotion.

Even when teams seem to be aligned, they are often divided in underlying ways. Bringing those divisions to the surface is the first step in creating an enduring alignment and a powerful new-growth strategy.  **HBR Reprint R1806D**

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