

[From :*The Financial Times Handbook of Management, Third Edition*
(Prentice Hall: 2004) 851-855]

Creating Strategic Dialogue

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Strategy creation is a corporate imperative. Yet the optimal way to formulate strategy has proved elusive. A growing number of companies are discovering the power of strategic dialogue.

For more than 40 years the largest corporations have been experimenting with strategic planning, searching for the most effective way to carry out this indispensable corporate function. In the early phases of experimentation, companies developed strategic planning departments, only to disband them when they turned out to be the wrong way to do strategy. Other companies flocked to the big consulting firms for help on strategy, but this avenue too proved less than optimal.

More recently, companies have assigned responsibility for strategy to the operating executives responsible for each business, based on the sound insight that 'that's what we pay them for!' While responsibility for strategy has now been assigned where it truly belongs, there is a problem of implementation. Developing strategy is a special skill and most companies still lack specialized techniques to enable their executives to carry out that responsibility most effectively. Instead they rely on business as usual approaches that fall short when companies have to deal with important changes outside the usual comfort zone. Strategic Dialogue is a specialized technique for companies who wish to rely on their own executives to develop strategies that address important trends or changes in the business environment and the society at large.

What is Strategic Dialogue?

The purpose of Strategic Dialogue is to work through the consequences for a company of one or more major trends or changes. While identifying a

trend or change is relatively easy, it is far more difficult to determine its consequences — the strategic challenges and opportunities it creates — and what to do about it.

This specialized form of dialogue fills an important hidden gap in business decision-making. The gap occurs when companies must respond to changes that move it outside its comfort zone (e.g. a crisis of confidence or mistrust, or a threatening shift in the economy or technology). This gap goes unrecognized because of the widely held assumption that while special methods may be needed to *identify* important changes, no special methods are needed to figure out the best response to them.

Unfortunately, this assumption is not valid for changes that challenge normal ways of operating, basic assumptions or culture. When change falls outside a company's comfort zone, business as usual decision-making can lead to the worst possible blunders. Consider the following, for example:

- **American Airlines**, facing bankruptcy if employees prove unwilling to make wage concessions, secretly favors executives with special incentives to remain with the company. Result: the company placed in greater jeopardy; the CEO forced to resign.
- **Monsanto**, investing heavily in genetically modified products, relies on industry insiders and fails to anticipate the tremendous international opposition that follows. Result: The company in jeopardy and reorganized; CEO leaves.
- **The Red Cross**, reallocating donations received for 9/11 to other needs in accordance with its usual procedure, fails to be responsive to public expectations. Result: Tremendous public criticism and loss of credibility; CEO forced out.

In responding to changes outside the comfort zone, companies need special methods to:

- Identify key certainties and uncertainties

- Make sure they fully understand the change and its implications
- Question familiar and comfortable responses
- Expand the range of available options
- Weigh the potential intensity of emotional reaction to the company's decisions on the part of a wide range of stakeholders
- Bring a wide diversity of points of view to bear
- Create a strong sense of ownership for the decisions the company adopts
- Do all of this quickly.

Strategic dialogue is a method to accomplish these tasks with the company's own executives, and without relying on outside consultants. This is a point of critical importance. When companies turn to outside consultants, it is the consultants who do most of the learning. Too often this produces "solutions" that are not owned by key executives, are limited by the consultants' repertoire, cannot be implemented quickly or effectively and may not be sustainable.

When facing challenges that demand genuine innovations, companies need a systematic way to engage key employees and stakeholders in working through the critical choices. An effective Strategic Dialogue programme is designed to do just that, providing companies with the tools that enable them to create their own solutions.

How Strategic Dialogue works

To be effective, a Strategic Dialogue programme should be customized to a company's particular requirements, drawing on a portfolio of techniques. These include:

- Formulating special **micro-scenarios for action**. Each scenario elaborates one possible response to the change and one set of choices the company might make, spelling out the scenario's key elements and pros and cons

- **Structured dialogues** with a wide range of key company employees, other important stakeholders and selected outside experts. These dialogues are designed to:
 - **Expand the range of options** by including a wider array of participants in the dialogue, especially those who bring to bear the perspective of knowledgeable and objective outsiders
 - **Uncover the “archeology of assumptions”** – a process for bringing layers of hidden assumptions into the open and critically examining them
 - Ensure that **relevant factual information** is brought to bear on decisions and given its proper weight
 - **Probe for unintended consequences** – digging deeply into how decisions are likely to play out in reality, in spite of good intentions
 - Build **commitment to implementation** of the decisions that will be taken.
- Briefings for senior-decision makers in a specialized format that enables them to **crystallize the insights** gained through the dialogues and their implications for the decisions at hand.

Applying Strategic Dialogue

One recent Strategic Dialogue programme for a *Fortune 500* company included the following basic steps:

1. Determining the focal issue (the change or trend(s) to be examined) with the relevant top executives
2. Reviewing data on the change or trends already collected by the company or available from other sources
3. Interviewing top executives on how they see the change and the strategic challenges or opportunities it creates for the company, to ensure their thinking informs the subsequent dialogues
4. Designing the dialogues and the facilitator’s guide
5. Preparing a workbook to be used in the dialogues with company executives. This workbook is a critical element in the strategic

dialogue process allowing executives to work through a very complex subject in a relatively brief time. The workbook presents the key data on the change or trends, and a structured dialogue process for working through the consequences of those trends.

The structured dialogue process includes:

- Examining trend data and the different ways in which trends can interact and converge
 - Identifying key certainties and uncertainties
 - Further developing and assessing different scenarios of the situation the company would face if trends converge one way or another
 - Working through the consequences for the company under each scenario (including the consequences for existing and new products, competitive position, customers and consumers, employees, marketing and distribution)
 - Defining a preliminary agenda of action steps to deal with those consequences.
6. Conducting one or more day-long dialogues with company executives. Generally each dialogue includes no more than 25 executives. In some cases, depending on the subject, strategic partners or other stakeholders may be included.
 7. A briefing for top executives on the findings of the dialogues designed to highlight the consequences identified and the action steps recommended, and to enable executives to focus and crystallize the insights gained through the dialogues.

Benefits

Strategic Dialogue enables companies to tap their own executives more effectively to find better responses to changes outside the usual comfort zone. Examples include:

- A major change in technology or markets that affects the nature of the business

- Dealing with a crisis of confidence or mistrust with outside stakeholders
- Significant revisions in the unwritten social contract within the company (e.g. in pension or health benefits)
- Making a major merger, acquisition or strategic partnership work

Wrestling with hard choices for action, and examining them from differing viewpoints, is the best way to develop the genuine innovations required. It also enables key players within the company to “own” those innovations so they can be implemented more quickly and effectively.

In this way, Strategic Dialogue can make a valuable contribution to the strategy creation process. Most importantly, it combines an internal and external perspective to help create a strategy that is both meaningful to the company and relevant to its context.

RESOURCES

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