

People's Energy for the Corporation

Carsten Schloter in conversation with Bernhard Sterchi, 4 December 2012

How to run a business that has to compete in an ever faster moving world of innovations in technology and customer needs? Swisscom has mastered these challenges better than many in the industry. In addition, in my opinion, Swisscom stands out by the fact that the management team has a high awareness of the importance of the common mindset for the performance of the company. On another occasion, Carsten Schloter has even gone so far as to say that the bottleneck in the recent complexity crisis is not the technology, not the money, but people. The following key messages from our conversation describe his present focus in leadership.

Bernhard Sterchi



The Company's Sense of Identity

What is currently the main challenge for the management of Swisscom? In the telecommunications sector, it is important at the moment to develop a company's sense of identity: who are we, what do we stand for, where is our role in the future. In the industry, many companies are completely disoriented, some of them no longer believe in the industry. This is not true for me, I believe in our industry, in our profession. This gives you a long term focus in leading your business. But: the staff are confused by this talk. Shall we try to be the next Google? Does it still make sense to invest in the networks?

We are not the only ones in such an environment. The banks have a similar identity crisis. The media corporations have an identity crisis. The classical broadcast companies have an identity crisis. There is probably no company out there that can

claim not to get through such an identity crisis within the next 10 years. Because supply chains, markets, customer needs evolve faster, and what worked yesterday suddenly does not work any more.

To establish a new sense of identity through these crises, to align the company to it, is essential. I think we have done this better than many of our peers. An important element in achieving this is the great continuity in leadership. You cannot invest too much in this topic, for the stronger the sense of identity, the more independence you get in the organization. This is a generic issue that will remain crucial for any company, any time. Apple, for example, has gone through an identity crisis and will do so again. You cannot give an absolute certainty about a long-term horizon. But you can say: In our role there are 2 or 3 things which are valid today, and will be valid tomorrow. And if we execute in these topics at top level, if we are the best in these topics, then there may be a crack on the left, a crash on the right - but the line remains. A media corporation for example might get to the conclusion: pooling of linear channels - we don't know how long this will last. But top contents will still be needed tomorrow. We are a top content producer. Or perhaps we are the champions to distribute the contents.

In any business, it is possible to provide such a sense of identity. This is where you have to continuously invest a substantial part of your leadership workload.

Consistent value system

The second part is the corporate culture. For me, it has the main benefit that it allows a higher level of consistency in dealing with the various stakeholders. And this is a strength. If for example employees receive very diverse signals regarding appreciation and respect, then their sense of identity, their mobilization for the company will not be so pronounced as if the consistency were higher. If you have investors, and you always give conflicting signals about your strategy and your value orientation for the shareholders, then you get less commitment as if the signals were consistent. And most importantly, the customers. The brand now stands for everything. It is the most important asset of the company. You utter a word, Swisscom, and the client connects something with the word. And what the client connects is not the same as what you are trying to convey about marketing, etc., but it is what he experiences when interacting with the company.

If you observe what shapes the stakeholder experience, you find it is thousands of decisions a day, and behind all these decisions are trade-offs. And if you look at these trade-offs, you find a small common denominator of conflicting objectives underlying practically every decision, eg. quality vs. cost, long-term vs. short-term benefits, safety vs. cost, etc. If the management team acts out a huge diversity concerning these conflicting objectives, then the staff will not know what counts. This means that when they themselves have such a conflict on the table to decide upon, they will be confused and will not dare to decide for themselves. Because it is not clear what the company stands for. And it can lead to excess, in the most negative way. If you do not have a clear understanding in the company as to how long-term and short-term benefits ought to be balanced, you can be sure to find some hyper-speculator who thinks he is doing the right thing taking maximum risk,

getting the maximum out of it now, although he knows exactly that in the long run it will turn against us.

This is a never-ending effort. Of course you see examples every day, where according to the view of the culture you aim for, these trade-offs are being dealt with incorrectly. On such occasions you must not tire to intervene. This is not micromanagement. Micromanagement is when you intervene on the content. But when it is about these conflicts and thus about values, then the intervention is an education. Because if it is not you who intervenes, who else takes responsibility for the decisions at this level? You must not assume someone will mend it. It's like the paper flying around in the hallway, and you say: As a CEO, I don't need to pick it up. It's just not so. You have to pick it up.

Of course, you also provoke negative behavior. Of course, there is someone who replies: Never again, never again will I make a decision by myself! Because your intervention can of course also cultivate some form of anxiety. There one has to be careful. But on the whole, it strengthens the organization. An example is what we have achieved in terms of customer orientation. In terms of customer orientation, it went exactly this way. Today I notice in this regard that the organization by and large takes the right decisions, without us having to intervene.

Big picture

The third theme is the conveying of context. Through storytelling, at every possible opportunity. For some time now I have been going to every Welcome Day. I want to see each new member of staff. And I want that everyone has at least heard the story where things are headed. I want to see whether their eyes light up for Swisscom.

In this regard the classic ways of internal communication fall short by far. In the classic ways you have a very limited repertoire of what you can convey. So how do you do it now? Do you do it like Google, saying that once a week we will send one hour webcast where we say, this week there was a great result, and there I had a strange experience that I consider not at all in line with our corporate culture - but can you bother all employees for one hour every week? I have not yet found the solution. Storytelling is a powerful personalization. Already now the system is focused too much on myself. I try not to stress that any further. On the other hand, it is also necessary, because people are looking for guidance. And this is one kind of guidance.

On the three themes of the company's sense of identity, consistency in the company's culture, and comprehension of the big picture, one must continuously work as a manager. This has to do with mobilizing people, it has to do with strength of culture and empowerment, and it has to do with agility. The three things play into each other: The identity pulls forward. Consistency is a strength that no competitor can copy. And the comprehension of the overall context simply makes you fast in the decision-making processes.

Energy

Basically it is this: You have a responsibility for people. And these people possess an incredible energy potential. They have creativity. They have strength to get things done. You can see how much of this is in them on a few isolated occasions: When they are in love, when they are passionately on to something, personal or professional. In the end, if the conditions were right, they could probably deliver this energy on a much more continuous basis. If one evening you come to the conclusion that in your company you might be releasing probably not more than 40% of this energy potential, then you need to ask yourself every day: What do you have to do in order to release more of this energy and direct it towards the business goals? And then you come back to the topics of sense of identity, consistent culture, and big picture. But in the end it is about energy.

What is the question that keeps an entrepreneur going? The key question is not: how do I achieve the same with less resources? Instead it is: how can I produce a significantly greater effect with the same resources? – Now some might say the two questions are the same. They are not the same, they are fundamentally different! Because it is much easier to rally people to the second question than to rally them to the first. And then you are exposed to competition. And competition is not about delivering the same but about delivering more. If you see this point, then suddenly you find yourself in a leadership mode where you do invest and devote time to reflecting on leadership and leadership patterns and conflicts of interest, and where you are ready and confident: For every hour that you invest there, you definitely get a return on investment.

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