THE 4 KEYS TO STRATEGIC COMMUNICATION:

Both a Means and an End for Effective Governance

Nasdaq

It can strike terror in the hearts of otherwise experienced directors and CEOs everywhere: a crisis that could have been averted if only leadership had coalesced on the messages it wanted to send rather than shooting from the hip. Best case that results from poorly planned communications: confusion in the marketplace. Worst case: a company-wide crisis that results in loss of confidence, internally and externally, and even significant loss of value long-term if investors decide to go elsewhere and stay away.

Poorly thought through and executed communications at the top can sink a corporate ship as surely as any misguided strategy or the wrong CEO hire. But before they can engage their key stakeholders – both internally and externally – the board and the CEO have to make sure they are aligned in their thinking on key issues.

Just as the term "strategic communication" implies, an effective process for informing and engaging the broad array of an organization's constituencies starts at the top and, when most effective, closely dovetails with the strategy.

"Carefully planned strategic communications are valuable tools for engaging shareholders and enhancing value. While there are few rules in this area, the smartest companies understand that transparency, including communicating both good and bad news, is crucial to maintaining investor confidence."

ADAM ROSS, Vice President
Global Corporate Solutions
Nasdaq

Given the speed of change now and how quickly market and economic conditions can morph, corporations and their leaders must be particularly nimble at adjusting and adapting. While in the past in-depth annual strategy discussions between the CEO and the board, most likely at an offsite, may have sufficed, no company can expect to successfully keep pace that way any longer. Strategy should now underpin key actions at every board meeting, with the CEO using it as touchstone to enable directors to understand the context for important decisions under consideration.

Every board's composition and culture are different and establishing a strategic communication process will vary widely from one company to another. But there are a few crucial elements that all successful strategic communication processes share if they are to be effective:

1. **The board first has to get its own communication house in order.** Communication to key internal and external audiences is only as good as what emanates from the board. As the communicators-in-chief, the CEO and the board have to be closely aligned not only on what the strategy is but also how it will be communicated, how key messages will be tailored for various stakeholders, and roles, rules, and responsibilities for communicating.

2. **The entire board should be engaged in the strategic communication process.** The tone is definitely set at the top and it's probably safe to say that most boards would prefer to broadcast a consistent message about the strategy than to send mixed messages that suggest a confused or divided board. As a

first step, it's the CEO's job – at the hub of the board's communication network – to build and work to maintain trust with all directors. A leading practice for new CEOs, and not a bad one for all, is to speak with each director individually prior to each board meeting. In that way, directors can share any issues on their minds and the CEO can ensure that the groundwork is laid for substantive discussions at the actual board meeting that make the best use of everyone's limited time together.

3. **Communication roles and responsibilities should be clearly defined and understood.** While the entire board must share a common understanding of the strategy and the key messages that flow from it, not everyone should be communicating publicly about the strategy or any other high-profile issues. Internal communications are clearly in the CEO's bailiwick as the organization's leader. Communicating with external constituencies may be the CEO's responsibility, but it may also include the board leader or the head of a key committee, depending on the topic. Regardless, it's important to plan for the "what ifs": What if an activist shareholder goes down the list of directors seeking someone who will respond to a controversial issue? What if a journalist does the same, seeking comment for a story? The board should address the issue of spokesperson, and the policy concerning who communicates about what should be understood by all. Any significant discrepancies regarding key strategic messages will almost certainly redound to the organization's detriment. In a public company an off-the-cuff comment from the wrong director can have a disastrous effect on a company's reputation and value.

"CEOs who commit to conversations prior to every board meeting with each director, to discuss concerns and gather input, understand that communication between the board and the CEO is critical to achieving a strong culture of trust."

STUART R. LEVINE
Broadridge Financial Solutions, Inc.
Chairman of Governance and Nominating Committee

4. **Communication planning for a crisis is best done when there isn't one.** There's a reason crisis management firms get the big bucks. A crisis of any sort that has gotten out of hand can be devastating to long-established trust and value, but with the right counsel and process, risk can be contained and even reversed. While you may call on a crisis management firm on an as-needed basis, you can lay the communication foundation for dealing with a crisis well ahead of time, just in case. Create a battle plan that includes a single spokesperson for the company; additional spokespeople geometrically increase the risk of the wrong message or mixed messages being disseminated. To increase efficiency for when every second counts, designate a crisis communication team, carefully outlining key responsibilities and a process for keeping the entire board informed as well as a process that specifies

how emergency measures will be taken, and by whom in the event decisions must be made quickly, without the opportunity for the board to weigh in. You may never need it, but preplanning for crisis communication is one of the best forms of insurance a board can have.

For ongoing communication planning, once there is alignment at the top – between the CEO and board – on how to communicate about the strategy, the real work of a strategic communication process begins. Then, and only then, can the information be carefully tailored to what each constituency needs to hear and rolled out in a systematic way to all stakeholders, with a feedback loop built in so understanding and engagement can be measured and tactics changed if deemed ineffective. This is not a once and done affair but carried out on a regular basis, particularly when there is a new initiative or a shift in the strategy that must be understood.

While all this may sound good, in the real world, there are often barriers to establishing the ideal strategic communication process. One of them is the fact that CEOs are human beings, with personal likes and dislikes, and may favor some directors over others. It helps if the CEO recognizes this tendency and makes a concerted effort, regardless of personal preferences, to regularly engage and communicate with everyone on the board equally. It may in fact be the director who tells the CEO what he or she doesn't want to hear who provides the most crucial information.

When engaging in a strategic communication process with the board the CEO should bear in mind that a divided board is an ineffective board. A CEO who works to build an engaged, cohesive partnership with the board – using communications as a tool – will be taking a giant step toward creating a strong, sustainable organization from which everyone, from employees to shareholders, will derive significant benefit.