



## **CEO Accountability for Communication: Bottom Line Impacts, Measurement and Solutions**

***Two CEOs, real stories, names deleted to protect the guilty--which are you?***

By: Howard V. Perlmutter, PhD., Vice Chair of the Global Interdependence Center and Professor of Social Architecture and Management Emeritus at The Wharton School, University of Pennsylvania.

**C**EO #1 conducted a major survey of the quality of communication in his organization and found that it was quite poor. His reaction was that the results were outrageous and it was not nice of his staff to say these things. He did nothing, frequently expressed disappointment with his subordinates and ultimately was fired by his board.

CEO #2 conducted a similar survey, which implicated his own communications practices as a factor in a declining business outlook that was eroding the confidence of his employees and his investors. He accepted accountability for the situation and pulled his key people into a productive retreat that resulted in a corporate-wide initiative to improve the quality of dialog on all levels of the organization, including the executive management tier. The firm subsequently experienced a dramatic turnaround that secured his tenure at the helm and saved the company tens of millions of dollars.

Contrast the two along these dimensions: Executive # 1 remained at the defensive stage in his communication with subordinates throughout his tenure, while executive #2 moved from defensiveness, to dialog with his team, to design for change. This is a 3-D sequence that I have found characteristic of constructive action.

The quality of communication inside and external to a corporation has always been one of the most important variables in its success, as well

as the most difficult to measure and manage. There is extensive research that shows most catastrophes happen because of communication failures--what I call "Deep Dialog failures" to emphasize the interactive character of ineffective communication.

In the global context of the 21<sup>st</sup> Century, we will see increased levels of interdependence in different societal domains, e.g., political, military, legal, economic, socio-cultural, scientific and technological, and in health care and global ecology. Along with the opportunities for new markets there is also a likelihood of major catastrophes, e.g., involving the use of weapons of mass destruction by terrorists, the prospects of a global pandemic of avian flu, new levels of inter-religious violence, new risks of increasing poverty among four billion persons on the planet.

In this often dangerous and shrinking world, the likelihood of any company going it alone is very small. More than ever, CEOs will be accountable for the quality of communications with all key stakeholders, including customers, vendors, partners, investors, and governments, and these stakeholders increasingly cross languages and cultures. Yet rigorous examination and implementation of strategies to improve the quality of collaboration is rarely evident in corporations today.

For example, no 21st Century CEO would think of proceeding with a major acquisition or

merger without a meticulous assessment of the financial resources, physical assets and market position of the intended partner, yet a surprising number will forge ahead in complete ignorance of systemic deficiencies and strengths in the quality of communication. If one or neither of the merging organizations have healthy collaborative cultures, this can materially affect the success, duration of transition, and degradation of profitability and growth, even failure of the merger, if not addressed early on.

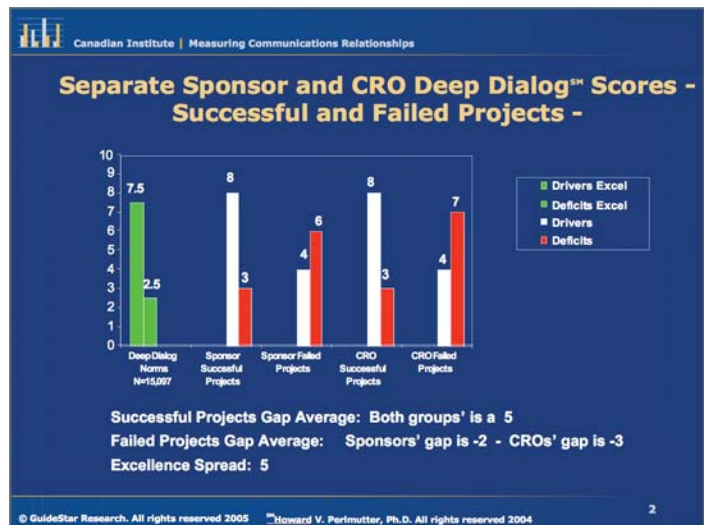
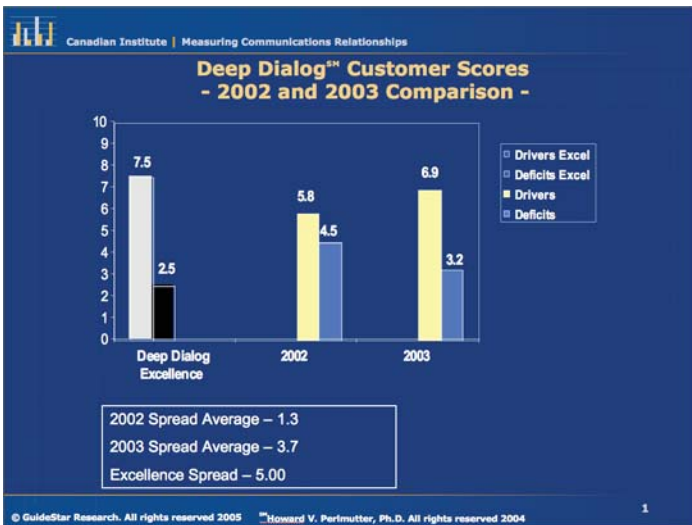
Even preliminary analysis of the state of communication in the global R&D function can uncover current and future dangers in implementing strategies. Such negligence can frequently result in chronic corporate underperformance, as well as chronic discontent among customers, employees, and investors. At worst it can spell disaster for the leader's own career as well as for the enterprise as a whole.

Failed or underperforming mergers are only one example of the impact that systemic communication problems can have on a business enterprise. Major deficiencies in what we call dialog can sink almost any collaborative venture, from a design partnership to an international distribution agreement to a regulatory approval. The plain fact is that the quality of communication and the depth and extent of genuine collaborative dialog with all stakeholder groups concerned with the enterprise, will correlate very strongly to financial performance. And

**NORTH AMERICAN  
TRANSMISSION & DISTRIBUTION  
NATD  
CONFERENCE & EXPO**

NETWORKS – SYSTEMS – TECHNOLOGIES – EQUIPMENT

**North American T&D Conference & Expo**  
**June 13 • 14 • 15 • 2006**  
**Palais des Congrès de Montréal, Montreal, Quebec**  
**WWW.NATD.CA**



increasingly, investors take seriously the quality of engagement with stakeholders of different outlooks, as for example, those who advocate "greening" in the growing field of corporate responsibility.

## In This Light, How Then Can We Explain The Pervasive Neglect That This Critical Corporate Asset Receives?

Part of the explanation is that CEOs tend to concentrate their attention on things they can measure, like sales forecasts or production costs or the profitability of their primary customer relationships. Thanks to the development of increasingly sophisticated methods for analyzing business performance over the past two decades, CEOs today have very powerful tools for measuring and analyzing "the numbers." However, they have had virtually no tools or methodologies to account for, and become accountable for, their most critical communications assets.

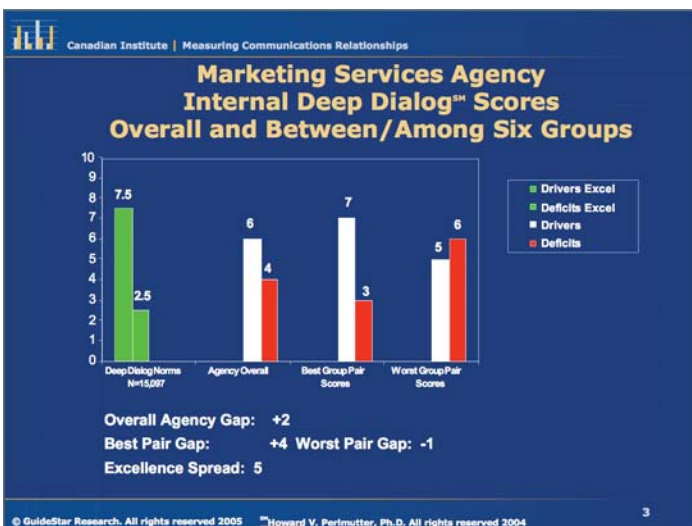
The capability to measure the problem accurately, design and implement new processes for improvement, and measure our success in achieving our objectives can only flow from the rigorous application of an empirical methodology that allows us to define and analyze our communications assets in terms that can be accurately measured. Only then can they be effectively managed.

## An Empirical Methodology for Measurement and Analysis

My work in consulting and executive education for the past 35 years has been devoted to understanding how to build viable and legitimate globally oriented organizations, especially enterprises, cities, and even countries. This led to the development of an analytical methodology that can assess the depth, breadth and effectiveness of global mindsets, and the quality of dialog across a wide range of business enterprises and social organizations.

This methodology is called Deep Dialog<sup>SM</sup>, for the end is at once empirical and comprehensive. It enables business executives to assess the status of their human communications networks and identify their most significant dialog drivers and deficits. As importantly, it enables these leaders to design and implement processes for continued improvement and then track the success of their initiatives.

As an empirical methodology, Deep Dialog traces its origins to the Advanced Management program at Wharton, programs in Europe, and my consulting around the world. These programs included hundreds of CEOs and CEOs-to-be from around the world. I drew on the experiences of 150 of these senior executives, asking them to compare the communication characteristics that distinguished their most successful ventures from their least successful initiatives--those considered serious failures.



Canadian Institute | Measuring Communications Relationships

### Deep Dialog™ Associations with Criterion Variables (Top boxes - positive ratings)

Criterion Variables:	Low DD Scores	High DD Scores
Likelihood of Purchasing Additional Products	25.2%	70%
Likelihood of Renewing Agreements	57.8%	90%
Likelihood of Recommending to Others	58.6%	96.9%
Satisfaction with Strategic Partnership	59.2%	95.6%
Satisfaction with Productivity of Collaboration	48.9%	86.6%
Satisfaction with Ease of Doing Business	59.1%	93.4%
Satisfaction with Benefits to Business	49.4%	82.5%

© GuideStar Research. All rights reserved 2005 Howard V. Perlmutter, Ph.D. All rights reserved 2004

## The Seven Deep Dialog<sup>SM</sup> Drivers:

- Bridging begins with an openness to differences. In later stages, there's a willingness to identify and accept these differences and find common ground. The highest level involves rejoicing in differences, listening for reciprocal meaning, and building on and transcending differences.
- Bonding starts with a person seeking and beginning to find personal chemistry, with limited initial trust. At subsequent stages, trust and respect grow, as does compatibility. At the highest level, feelings of deep friendship may grow, and heart-to-heart conversation ensue. Key features are high levels of mutual trust and respect, and seeking continuity of relationships. In some countries, mainly Latin and Asian, bonding may be the key dialogue driver with customers.
- Banding, in its initial stages, involves less "I vs. you." Later, the use of "we" begins to prevail and people begin to share a vision and engage in team thinking. At the highest level, people experience real interdependence and shared identity based on common values. We found in one study that banding is a key indicator of good relationships with customers, where they feel the vendor is "on their side."
- Blending begins with a co-learning orientation that may come initially from brainstorming, but more likely is born of merging different views and coming up with ideas neither side had alone. Moving higher on the scale, it may involve reframing one another's ideas and can lead to discovering new directions. At the highest level, it may involve building on each other's strengths and reducing weaknesses to create breakthrough ideas.
- Bounding represents a concern with focus and finding a common direction. This can lead to seeking doable initial projects, as well as understanding or revising the boundaries of cooperation. The result is that relevant resources are made accessible to suppliers and customers.
- Binding involves a joint commitment and a future orientation with the different dialogue partners, each of whom accepts a stake in achieving the shared objectives. At the highest level, mutual trust and respect are sufficient to ensure continuity among partners, including suppliers and customers.
- Building is a joint implementation through collaborative social architecture, i.e., a shared vision and mission, with shared governance or leadership process, a shared strategy, and shared operating cultures, with structures for easing implementation.

## The Five Deep Dialog<sup>SM</sup> Deficits:

- Fallow relationships are moribund; each side knows little about the other. There may be underlying fears or disinterest, or geography may keep the sides far apart physically—but we also found people who work a short geographical distance from each other and yet never have had a conversation. This applies especially to some corporate leaders.
- Feeble dialogue is characterized by a low level of openness, inattentive listening, and an unwillingness to share good information. It's often marked by defensive encounters and infrequent meetings, resulting in lowest-common-denominator outcomes.
- Frozen communication occurs when people get stuck in fixed or polarized positions. Egoism prevails. Intermediation may fail, as efforts to unfreeze the relationship are resisted. When this occurs between vendors and customers, the ensuing debates can be disastrous.
- Failing dialogue is signaled by increasing mutual distrust and lack of respect. Efforts to bridge differences diminish, conspiratorial theories develop, and there's a marked reduction in bonding. Without third-party intervention, failing dialogue tends to break down—a particularly serious situation when it involves key customers. Empathy is low, and there even may be sporadic hostility.
- Failed dialogue is marked by bad memories and unsettled scores, and efforts to renew dialogue are discouraged. Empathy is absent.

The results were rather remarkable. There were significant differences in the pattern of dialog behaviors for successful and failed ventures. The successful venture scored high on the Dialog Drivers and low on the Dialog Deficits, while the failed ventures scored low on Dialog Drivers and high on Dialog Deficits. (See sidebar.)

## Seven Dialog Drivers and Five Dialog Deficits

The data from these CEOs resulted in identification of seven distinctive primary drivers of effective dialog and five critical dialog deficits that signal major weaknesses in the quality of communications and collaboration between groups. The identification of these twelve specific attributes has in turn allowed accurate measurement of the quality of collaborative communication within enterprises and between an enterprise and its customers, suppliers, partners and investors. Repeated statistical analysis over thousands of client cases has demonstrated that measurements of communication quality based on these 12 attributes are both reliable and valid. (Additional detail is available at [www.DeepDialog.com](http://www.DeepDialog.com).)

It is essential that a methodology yield valid and reliable results, but it is even more important that its results be actionable. By identifying the seven drivers of healthy dialog, the Deep Dialog methodology provides business leaders with a ready-made roster of the communication processes they must initiate and foster in order to eliminate critical communication deficits. By providing a simple and easily applied instrument for measuring the spread of these drivers across the communications network, Deep Dialog makes it easy for leaders to track and evaluate the successes of their collaborative initiatives.

This instrument, a succinct survey questionnaire and analysis, is administered via the Internet to target populations of any size. It is easy to take, easy to record, low-cost and can be readily deployed anywhere in the world. The audit scores and score patterns reveal strengths and weaknesses that, in effect, identify the DNA of a collaborative communications relationship between or within groups.

## The Methodology in Action

Analyses based on the Deep Dialog methodology have been successfully applied to a wide variety of business issues across a broad range of industries and geographic regions. In one of the earliest examples, a study focusing on quality of dialog enabled a leading player in the computing industry to expand the outlook of its chief operating managers from a predominantly national orientation to a truly global mindset, with a concomitant increase in the volume of international business.

In another example, a major European-based engineering firm was able to stem the defection of top managers from its American affiliate, with subsequent improvements in the revenue and profits derived from its American markets.

In yet a third case, a large European electronics firm instituted communications programs designed to foster cooperation between mid-level managers from its own operations and its newly-acquired American manufacturing subsidiary, successfully eliminating internal rivalries that would have negated the synergies that originally drove the merger.

In similar fashion, Deep Dialog analysis enabled a major insurance firm to increase the levels of cooperation between its various national affiliates, thereby improving service delivery and enhancing its customer retention efforts.

Opportunities for improving business performance by strengthening the quality of collaborative communications will only increase. Prevailing trends in the global economy will create increasing needs in almost every industry and region. Just a few of the applications include:

- The upsurge in mergers and acquisitions that generally accompany economic recovery will demand that managers in many firms begin to communicate across organizational lines that were inviolable only a few days before.
- The continued globalization of the world's regional economies will demand cross-cultural bridging on a scale that we have never before witnessed.
- Increasing reliance on supply chain integration as a strategy for shortening product development cycles will require managers within an enterprise to communicate confidential information to suppliers outside the enterprise on a routine basis.
- The need for globalized enterprises to satisfy multiple regulatory authorities and legal jurisdictions, perhaps best illustrated by the need for pharmaceutical companies to satisfy both U.S. and EC standards, will demand that businesses engage in effective dialog with government agencies to a degree never previously anticipated.

## Accountability

Business enterprises are essentially exercises in collaboration, and collaborations—whether between firm and customer, manufacturer and supplier, manager and investor, company and partner networks, or employee groups working together—depend for their success on sustained and successful dialog between the collaborating parties. Significant deficits in communications will virtually guarantee the failure of any collaborative effort. Examples abound, from failed NASA space missions to the disappointing results of highly touted mergers such as Daimler-Chrysler.

The consideration of failure should also remind us that methodology can only take us so far. The success or failure of any initiative will ultimately depend on the commitment of the man or woman at the top of the organization.

The quality of communication in a

collaborative venture ultimately determines the financial returns of the venture, as well as the company's reputation and perceived corporate social responsibility. Seen in this light, analytic methodologies like Deep Dialog represent a highly cost-effective form of insurance against collaborative failure, in addition to building "relationship capital."

But these methodologies can only succeed in organizations where a chief executive assumes accountability for communications quality in the same manner and to the same degree that he or she accepts accountability for financial performance. In communications, as in every other aspect of business performance, the responsibility for success and the leadership to achieve it still rests with the CEO. ■

For more information about applications of the Deep Dialog survey methodology in corporate environments, see [www.guidestarco.com](http://www.guidestarco.com).

For an analysis of CEO-CIO dialogic relations, email [Kerns@guidestarco.com](mailto:Kerns@guidestarco.com) with "Digging Beneath Deep Dialog" in the subject line.

## About the Author

*Howard Perlmutter, Ph.D., is Vice Chair of the Global Interdependence Center and Professor of Social Architecture and Management Emeritus at The Wharton School, University of Pennsylvania. He is the creator of Deep Dialog<sup>SM</sup> and will soon publish First or Last Global Civilization? The Race.*



## Know your Line Ratings with Proven LiDAR Technology

<p><b>Proven Utility Experience</b> Trust the established experience of Manitoba Hydro rating and re-rating our own lines using LiDAR technology since 1998.</p> <p><b>Dependable As Built Surveys</b> Know how your line was built, not how it was designed. Verify sag &amp; tension in EVERY Span. Analyze critical ground clearance at high temperature operations.</p>	<p><b>Optimum Re-Rating Solutions</b> Efficient Nip&amp;Tuck® re-rating solutions. See case studies of real utility applications. Make knowledgeable decisions.</p> <p><b>Experienced LiDAR Partner</b> LiDAR Services International, providing engineering LiDAR services worldwide using LSI custom designed airborne LiDAR systems.</p>
---	--

**LiDAR Data and Solutions From a UTILITY Perspective**  
[www.wireservices.ca](http://www.wireservices.ca)


a combined initiative of
