

Six Steps to Communicating Strategic Priorities Effectively

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Donald Sull
Stefano Turconi
Charles Sull

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DONALD SULL, STEFANO TURCONI, AND CHARLES SULL

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To drive execution, leaders often translate strategy into a handful of strategic priorities designed to increase alignment throughout the organization. When it comes to communicating their objectives, most executives focus inward, on getting their message out to managers and employees through town hall meetings, emails, and other forms of corporate communication.

In many cases, however, it's just as important for leaders to communicate their strategy *externally*, to key stakeholders, including investors, customers, suppliers, regulators, and the media. By committing to a handful of priorities that matter most over the next few years, an organization can signal its intended strategic direction. A clear strategy can attract potential investors, employees, or external partners who buy into that direction and are willing to bet on its success. When strategic priorities are linked to explicit metrics, furthermore, they have a framework for evaluating a company's progress toward its desired destination, in a way that more abstract guidelines, like a vision or mission, cannot.

Many large organizations do, indeed, publicly communicate their strategies. As part of a broader research project on strategy execution, we analyzed the annual reports and Form 10-Ks of all companies in the Standard & Poor's 500 index (S&P 500). (Our blog post "[How to Recognize a Strategic Priority When You See One](#)" describes this research.) We found that 71% of S&P 500 companies reported their strategic priorities.

Although public statements of strategic priorities are common, they don't always do a good job of clearly signaling a company's future direction. Many S&P 500

companies list strategic priorities that are too numerous, vague, difficult to measure, or untethered from an underlying view of how the management team will create and capture economic value.

Based on our analysis of S&P 500 companies and our work with organizations trying to communicate their strategic priorities, we identified six characteristics that increase the clarity and credibility of external communications. Leaders communicate strategic priorities most effectively when they do the following:

1. Limit strategic priorities to a handful. A narrow set of clear objectives indicates that the top leadership team has done the hard work of making trade-offs among competing objectives. This effort of making choices — rather than publishing a laundry list of goals — signals the top leaders' commitment to those objectives. A handful of strategic priorities makes it easier for external stakeholders to assess what matters most to the company.

2. Provide a concise explanation of what a priority means. Some companies listed short strategic priorities like “invest in infrastructure” or “international expansion” without elaborating on the meaning of these objectives. Other companies, in contrast, provided concise descriptions that fleshed out their priorities. Salesforce.com, for instance, elaborated on its priority of “expanding into new horizontal markets” by explaining that as “part of our growth strategy, we are delivering innovative solutions in new categories, including analytics, commerce, and IoT [internet of things].”¹

3. Clarify how a priority will be accomplished. Another way to flesh out what a strategic priority means in practice is to give concrete examples of how the company intends to achieve that objective. Salesforce.com listed

“extending existing service offerings” as another of its strategic priorities and provided an example: “We have invested heavily in artificial intelligence capabilities to create Salesforce Einstein, which will allow users of our products to deliver more predictive customer experiences.”² Concrete examples assure stakeholders that the company understands what it will take to reach its goals.

4. Explain why a priority matters. Companies should communicate why their priorities matter strategically and how they will help create and capture value. Expedia, for example, spelled out why its commitment to product innovation matters in terms of value to customers: The company's innovations “make researching and shopping for travel increasingly easier and help customers find and book the best possible travel options.”³ Clarifying the “why” behind the “what” is particularly important if the priorities do not have an obvious impact on the bottom line in the short term.

5. Measure progress toward achieving the priority. Some companies report a priority's progress by tracking concrete metrics, such as cost reductions, market share, or new products launched. Video game producer Electronic Arts measures progress against its “commitment to digital” by tracking growth in digital sales on an annual basis.⁴ Measuring progress reinforces that the priorities still matter, that management takes them seriously, and that leaders will stake their reputation on making material progress — all of which increase the credibility of these commitments.

6. Set specific targets for the future. Leaders can signal their commitment to strategic priorities by setting concrete targets. In 2014, cruise ship operator Carnival

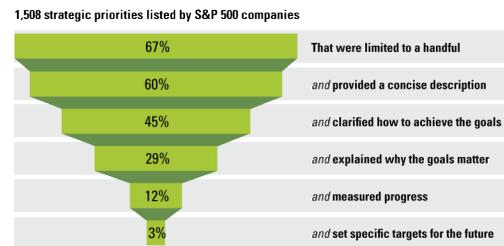
Corp. gave teeth to its priority of “sustainable operations” by publicly committing to install “new air emissions technology on approximately 70% of our fleet by 2017.”⁵ By staking their reputation on hitting the targets, managers decrease the odds that these objectives will be dismissed as “cheap talk.” And once they achieve these targets, they also increase their credibility with external stakeholders.

These six steps are simple and intuitive, yet very few companies we have studied consistently do all of them. We identified 1,508 strategic priorities from S&P 500 companies that published strategic priorities in their annual report or 10-K. Of these priorities, only 41 (fewer than 3% of the total) met all six of our criteria. (See “Few Priorities Meet All Criteria for Effective Communication,” which displays the percentage of objectives meeting these characteristics.)

Few Priorities Meet All Criteria for Effective Communication

Companies can signal their strategy by clearly communicating their strategic priorities. Companies can clarify their objectives by explaining how they plan to achieve their targets, for example, or explaining why their goals matter. Only a few of the S&P 500 companies we

studied used all the tools at their disposal to clarify their strategy. Of all the priorities we identified, only 67% were limited to a handful and just 3% of goals met all the criteria for clear communication.



Source: Analysis of 1,508 strategic priorities listed by 311 S&P 500 companies that publicly reported strategic priorities in their 10-Ks and annual reports for fiscal year 2014.

There may, of course, be sound competitive reasons to keep a company’s objectives secret. The very prevalence of public reporting, however, suggests that the benefits of publicly communicating strategic direction to external stakeholders often outweigh the benefits of cloaking a company’s priorities from rivals. And leaders who do want to signal their future intentions can use the six characteristics described above to increase the clarity of their communication and credibility of their commitments.

About the Authors

Donald Sull, who tweets [@simple_rules](#), is a senior lecturer at the MIT Sloan School of Management. Stefano Turconi is a teaching fellow at the London Business School. Charles Sull is a partner at [Charles Thames Strategy Partners LLC](#).

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