Swisscom's Digital Transformation

Idea In Short

Facing stagnation in a mature telecom sector, Swisscom's senior leadership overcame deep-seated internal disagreements and cultural deference to forge an aggressive, shared long-term growth strategy. They achieved this not through typical, static boardroom debates, but via a dynamic process centered on establishing shared language, intentionally exposing conflict, and using physical, interactive exercises to catalyze decision-making and lock in a "North Star" vision for 2025.

For global companies in mature industries, the challenge of digital disruption often presents an existential paradox: everyone agrees change is necessary, yet the leadership team is frequently paralyzed by internal conflict or, worse, the illusion of consensus. This was precisely the dilemma facing Swisscom, the $12 billion Bern-based telecommunications giant, around 2016. Despite a rich history of pioneering innovations—from international direct-dial in the 1960s to 2G mobile—the firm was stuck. The global telecom industry was flatlining, revenues were barely inching up, and pressure on profits and prices was relentless.

CEO Urs Schaeppi and his top executives knew the world was changing, demanding a refined growth strategy. But they were fundamentally divided. Some leaders preferred a cautious path, focusing on maximizing profits through efficiencies, accepting slower growth. Others insisted the company had to move boldly into entirely new markets. As one leader observed, there was a "limited perception of a shared or common agenda". This division was compounded by a polite Swiss corporate culture, which one executive described as a "real Swiss democracy" that instinctively avoided conflict.

This state of paralysis is far from unique. Decades ago, Clayton Christensen and Joseph Bower highlighted that the heart of confronting disruptive change is a human challenge. Leaders grasp the need to allocate resources to new ventures but are often frozen by the status quo. Research underscores this persistent lack of alignment: an MIT Sloan School

survey found that a mere 28% of managers could correctly identify three of their company's top strategic priorities. The result is a perpetual, frustrating strategy-execution gap.

The Unshakeable Foundation

Recognizing the danger of this divided state, Schaeppi commissioned a strategic transformation team to overhaul the strategy process. Since the traditional planning focused on short-to-medium-term goals, this new effort adopted a fresh approach: a trilogy of leadership dialogues. This process aimed to establish a common understanding, actively expose buried disagreements, and force decision-making through physical, hands-on exercises.

The journey began with the fundamentals: ensuring every executive was using the same vocabulary. As philosopher Ludwig Wittgenstein noted, you can't truly enter a new world without first having its language. The team centered its initial discussions on three key questions:

What business Are We Truly In?

Swisscom had to redefine its identity. For decades, telecom was a predictable business of installing and monetizing network assets. Now, the convergence of content and connectivity, driven by the cloud, virtual reality, and the Internet of Things [IoT], had completely shifted the landscape. While some leaders clung to the traditional view of voice and data services, the group ultimately agreed that to avoid stagnation, Swisscom's strategy must broaden beyond the core into the much wider world of "productivity solutions".

What Is Our Innovation Lexicon?

Disagreements often stem from simply using the same words to mean different things. To solve this, the team embraced a new lexicon: Core innovation (making existing products better or cheaper), Adjacent innovation, and Transformative innovation. Crucially, the latter two categories—which include disruptive innovation—were defined as the drivers of growth in new markets and business models. This shared language allowed subteams to research and assess new opportunities, including AI, data security, 5G, and blockchain-based financial services, all framed as potential "productivity solutions".

What's Our Growth Gap?

The most critical alignment tool was the growth gap: the difference between the company's long-term revenue ambitions and what the current business could realistically deliver without major change. This was brought to life using interactive waterfall charts—a data visualization tool—that showed the leadership team the gap size and how various scenarios or shifting assumptions would affect it. The goal was not to mandate a projection, but to be absolutely precise about the underlying assumptions driving future estimates.

The visualization offered a stark wake-up call. It revealed the potential cost of lost opportunities—a staggering gap in the billions of Swiss francs by 2025 without a serious focus on new growth. This alarming display instantly underscored the urgent need for alignment.

Unmasking The "Illusion Of Unanimity"

The second phase was designed to actively bring underlying disagreements to the surface. In groups with similar backgrounds and a polite culture, deference often creates an "illusion of unanimity," where silence masks genuine conflict. Cognitive biases like groupthink and "social loafing" (assuming others will speak up) further compound this problem.

The team leveraged e-surveys to identify disagreements on strategic aspirations, venture potential, and technological impact beforehand, ensuring no one was blindsided. Then came the confrontation: the team was intentionally divided into two exaggerated groups—six Optimists (tasked with explaining what would have to be true for everything to work out) and four Pessimists (tasked with describing how things could go wrong). This labeling diffused tension and injected humor. The rule was strict: no one could pass. Each executive had to stand up and defend their position, bringing the full, wide range of views into the open.

The Power Of Physical Engagement

A mere debate, however, rarely changes minds. The breakthrough required physical engagement—an unusual but crucial step grounded in research from neuroscience and behavioral psychology. Cognitive scientists argue that thinking extends beyond the mind and involves physical action and our interaction with the world.

The team employed two key active exercises to force alignment:

Walking The Line

A five-meter, semicircular strip of tape was laid on the floor, marked with the 2025 performance predictions each leader had reported in a pre-meeting survey (ranging from a 2% decline to a 30% increase). Executives stood on their mark and were instructed to try and persuade others to jump to their position. Arguments were loud, emotional, and at times uncomfortable.

As the Optimists' arguments for new businesses began to resonate, and as the group realized that digital technology could fundamentally improve the cost structure—freeing up substantial capital for growth and core quality improvements—a powerful consensus emerged: Swisscom needed to pursue both aggressive efficiency and innovation. After the arguments played out, the executives were shocked to find themselves standing near the same point: a double-digit performance increase by 2025. The line had physically and emotionally led them to a shared, surprisingly ambitious vision.

Casting Your Vote

The final exercise focused on resource allocation. The team needed to decide how to build new capabilities: buy [acquire], build (develop internally), or partner. Each member was given 100 Swiss francs (play money) to distribute into containers representing the three options, reinforcing the notion that difficult trade-offs were required. The final tally answered the central strategic question: the leadership team chose to build, committing to investing in new capabilities and assets through entrepreneurial initiatives.

With the growth gap on the giant screen shrinking from bright red, the aligned strategy finally came into focus. The team voted to invest heavily in cybersecurity, cloud applications, business process outsourcing, blockchain, and automotive telematics.

The Path Forward

The Swisscom group executive board then immediately unveiled the "Swisscom 2025" plan to the company's top 100 managers, built on four major elements:

1. **A Compelling Story:** Establishing a clear narrative that redefined Swisscom beyond traditional telecom and built alignment among all 20,000 employees
2. **Accountable Governance:** Creating a VC-like venture decision board with power to

rapidly allocate resources to new-growth initiatives, contingent on achieving measurable milestones

3. **Separate Management:** Establishing a dedicated management team and M&A strategy for the new growth ventures
4. **New Metrics and Incentives:** Adopting metrics for customer centricity and business agility, and reworking corporate incentives to prioritize the transformation strategy

Within months, Swisscom acted. They launched Swisscom Blockchain, Open Banking Hub, and AutoSense, signaling a profound shift to a long-term growth company for the digital world.

Summary

Swisscom's success in achieving deep, enduring alignment demonstrates that confronting disruptive change requires more than just data crunching; it demands intentional human interaction. By establishing common language, fostering controlled conflict, and utilizing physical exercises like "walking the line" to force a unified vision, Swisscom's leadership moved past the 'illusion of unanimity' and locked in a bold new strategy, proving that the road map to alignment can be both novel and practical.