

How to make sense of executives' statements

The power of history

In November 2017 the Russian October revolution¹ took place exactly a century ago. According to some historians, this revolution kicked off the short 20th century that lasted until Christmas day of 1991 when the Soviet Union fell apart. Similarly, in November 2018 it was 100 years ago that in a rail carriage in Compiegne, France the armistice of the First World War has been signed. For this armistice to be possible, the Russian revolution was a critical precursor as was another event: the forced abdication of Wilhelm II of respectively the German imperial and of the Prussian monarchial throne on Nov. 9, 1918².

With Russia in 1919 tied up in a post-revolutionary civil war and Germany defeated, the allies used the power vacuum in Europe to dictate the peace treaty of Versailles onto the Germans. The harsh and humiliating character of this treaty triggered a severe economic crisis in Germany and the resentment of its populace in 1920s and early 1930s. Nazism resulted, and the rest is history. I guess remembering historic events is a good thing. As I see it, the power of (studying) history is to learn lessons that enable one to act smarter in the future.

The power of speech

History is generally written by the victorious. Partly as a result of that, Kaiser Wilhelm II's reputation is - up to today in most circles - hardly enviable. The Great War was a disaster that led to unimaginable human suffering. Someone had to be blamed. From an allied perspective, no one was more suitable for this blame than the German emperor. He was already suspect by default. If anything, he represented what the allies already for centuries framed (and some still do) as the militaristic and warmongering Prussian tradition. This view had been confirmed again in 1914. And indeed, truth is that it was the German Emperor that kicked off that unnecessary and dreadful war.

It was only in the 2000s that Oxford-based historian Christopher Clark reassessed the case of Wilhelm II. In his balanced biography of the emperor a chapter is dedicated to publicity and the power of speech³.

Clark portrays Wilhelm II as 'media monarch'. In so being, he was an innovator in his era: monarchs rarely communicated directly with their people. Not so Wilhelm II. He simply couldn't resist the urge to deliver public utterances. Moreover, he preferred to do so impromptu. Rarely did he follow a storyline handed over by the bureaucracy. As he spoke so often, he really developed a knack for the technicalities of speech delivery. He enjoyed it too. To Wilhelm II speaking in public had in itself become a goal. He grabbed every opportunity to speak, even when doing so came at the cost of preparing well for what was going to be said.

Unpreparedness and impulsiveness yielded an accumulating collection of undiplomatic phrases that in those days were referred to as 'barracks vocabulary' and that today would classify as 'locker-room talk'. Clark describes the inevitable result:

"It would not be an exaggeration to say that far more damage was done to the emperor's reputation – both among his contemporaries and among historians since – by what he said than by what he did or caused to be done"

At the same time Clark emphasizes that no matter how aggressive his talks, Wilhelm II was in fact a cautious, risk-averse actor⁴:

"It is a curious thing to see how this man, so sudden, so reckless and impulsive in words, is full of caution and patience in action"

Hence *the power of speech* is a double-edged sword. For all the good things a speech may deliver, there is a shadow side. Speeches may backfire. What is being said may by the audience be seen as a proxy of what will be done next. This is true even when the latter is not the intention. What was being said may simply have been an expression of a temporary, passing emotion. An outburst, never to be acted upon.

The power of analysis

What was true for Wilhelm II holds true for the leaders of today. Technologies may have changed over the past century, but human psyches have not. Today we also face leaders that cannot resist the urge to speak, or may be more accurately, have to obey to their addiction to instant gratification of their achievement or power need by addressing a public.

Hence, we also today see leaders in speeches (or in today's equivalent: Twitter messages) deliver off-the-cuff statements that are less than diplomatic. Moreover, as in the case of Wilhelm II, such utterances may not always be a good proxy for what such leaders will aim to do or to achieve next.

As I see it, the power of analysis is to be able to distinguish what is what. When is a leader sketching out a future course of action and when is he or she simply out-of-control, venting emotions he or she will never really act upon?

When you are practicing strategic analysis, this is more than a theoretically interesting question. In business strategy, we need to prepare the companies we serve for tomorrow's business environment. Assessing the capabilities but most of all the intent of your consumers, customers, competition and your market country's governments is part and parcel of such preparation. Input to such assessment obviously is an analysis of capabilities. Think of consumer buying power or e.g. competitor technology, factory size, cost structure and asset utilization rate. Just as important as what these parties' capabilities enable them to do, however, is what they want to do. The latter focuses on intent, for which speeches of competitor or country leaders may be or may not be a good proxy.

The power of open questions

To separate good from not so good proxies I use open questions. In the table below I listed some for inspiration. Such lists are never exhaustive, but they may serve in distinguishing emotion from plans and desires from strategies. Assessing another party's intent based on what they say or have done in the past will always be an uncertain business, not the least because the others may not even themselves know what they will do next. The good news about Wilhelm II was that he was much less belligerent in his actions than in his words. May we hope that to be a good proxy for today's most loudspeakers on the world stage!

Question	Logic behind the question
What was the occasion of the utterance?	A press conference scheduled month in advance is likely to have been better prepared and remarks made there are thus likely to be a better proxy for future actions than a reporter's question 'on the street' that had not been anticipated.
Who was speaking?	When the source is not the CEO of a company, how sure can you be that the source is not simply driving his or her own agenda, rather than taking a balanced view for the whole company.
Why did anybody speak?	When a company pro-actively approaches the press because 'they have something to tell', preparation and thus balance has probably gone into the story, increasing the likelihood that this is not bluff. When, however, a company needs to react to an unanticipated event (e.g. a move by a competitor) impulsive, emotional outings are more likely to occur, the predictive value of which is usually smaller.
Who was the intended audience?	<p>When a CEO addresses a shareholder meeting the likelihood of extensive preparation is higher than when this CEO addresses the student's rugby team he once belonged to. In the latter case 'locker room talk' that is meant more to please the audience than to hint at future policies is more of a risk.</p> <p>There are exceptions to this. When Cold War President Reagan first referred to the Soviet Union as the "Evil Empire" on March 8, 1983 he did so, not surprisingly, at the National Association of Evangelicals: Christians that were staunchly anti-communist and to whom this message was music to their ears. Still, the reference also proved to be a good proxy for Reagan's future tough policies versus the Soviet Union and its allies.</p>
How consistent is the new message in the light of earlier utterances and actions?	<p>When a company has a track-record of bold acquisitions and the CEO boasts to plan for even faster future growth by even more bold acquisitions, chances are high that the CEO said what he intended to do and is likely going to pursue.</p> <p>When, however, a company suddenly shifts its strategies, e.g. when a new leader has started in the CEO office, the question is how much wishful thinking is embedded in what they say and how much of what they say they will really start doing.</p> <p>The opposite risk also exists. The CIA too long refused to believe that Gorbachev really wanted the change or "perestroika" he gave speeches about – even when Gorbachev was serious. The CIA simply couldn't timely abandon their mental model that the Soviet Union had developed into a system that was petrified. In their mental model any leader had to be a committed hardliner, regardless of what he said.</p>

Notes

- .1. The bizarre fact that the October Revolution is remembered in November relates to the fact that the Russians in 1917 still used a different calendar than the West, so late October 1917 in Russia corresponds with early November 1917 in the West.
- .2. Clark, C. [2009], *Kaiser Wilhelm II – a life in power*, Penguin books, London, p. 343.
- .3. Clark, C. *ibid*, pp. 218 – 255.
- .4. Clark, C. [2013], *The sleepwalkers – how Europe went to war in 1914*, Penguin press, London, p. 183.