

ORGANIZATION & CULTURE

Building high-performing C-suite teams

INSIGHTS FROM THE FRONT LINES

Every CEO wants a high-performing team, and little wonder: Organizations that cultivate and sustain high-performing senior leadership teams are more likely to outpace the competition and realize breakout success. The influence of the CEO's team extends beyond the decisions that are made — or not made — in the management team meetings themselves and includes all the decisions and activities that radiate from those meetings and translate into the work the organization gets done.

Good teams bring out the best in people — complementing individual strengths and weaknesses and providing the ideas, perspectives and resources that help individuals and the team make better decisions and achieve great outcomes.

But working within a team can also be incredibly frustrating. Even within the best of teams, conflicts arise, egos get bruised, misperceptions occur and consensus has to be built — often more slowly than some individuals would like. When problems on a team reflect deeper dysfunction, and team members do not work effectively together, the performance of the collective group and the individual executives suffers.

Complicating matters is that some of what we assume about senior leadership teams and what makes them high-performing can be misleading. Some of the common misconceptions include the following:

- High-performing individuals will be successful in any team.
- The mission of the CEO's team is self-evident.
- It's always clear who is on the team.
- It's beneficial to have the collective team working together on every task or problem.

In reality, individual high performers may not thrive on every team, while, on the right team, less-skilled individuals may excel well beyond expectations. CEOs frequently over-estimate how clear the team's mandate is or allow membership on the team to be defined less by the strategic purpose than by who shows up to meetings. And sometimes a task is better and more efficiently accomplished by an individual or a separate group than the whole senior team.

What's a high-performing team?

A good way to start thinking about the performance of the top team is by asking: Are we better together? Are our individual efforts magnified or limited by being part of the team? Reflecting on these simple questions can help the CEO and his or her leadership team begin to consider whether or not the team is working effectively together in support of the business.

The performance of a team depends on multiple factors, including its composition, leadership, purpose, processes, how aligned the team is with the strategy and organizational culture, and the informal interactions among team members. These factors are interconnected, and they interact with the larger organization. Making a change to one of these factors inevitably will have a ripple effect, potentially requiring shifts in others. An organization trying to evolve its culture, for example, will have to make sure the incentives and performance management systems encourage executives to model the right behaviors.

Some of the common assumptions about teams obscure the real contributors to team effectiveness and performance, making it harder for CEOs and their direct reports to diagnose underlying causes of dysfunction. Furthermore, to the individuals on a team, dysfunction manifests itself as a lack of mutual trust or sense of inefficiency. As a result, conversations about team dynamics often focus on the degree of trust among the leadership team and whether time spent with the team is worth the effort, rather than about understanding and addressing the broader underlying factors that contribute to team performance.

Drawing on our extensive work in executive search, assessment and team effectiveness, we explore the characteristics of the most effective teams and look at the common reasons why teams experience problems.

A clear mandate

Why should individuals help others on the team or be concerned about functioning as a team? The truth is, in the absence of a shared sense of purpose, mutual goals or defined interdependencies, there is little motivation for individual executives to work together as a team.

CEOs often assume that the mission of the senior leadership team is self-evident: to deliver on the short-term goals and long-term vision for the business. However, it's not uncommon for different executives to have varying views on the team's purpose and individuals' responsibilities within the team. When the specific role of the team in achieving those goals isn't explicitly stated — and translated into objectives for each member of the team — it can impede the speed and effectiveness of decision-making and make it harder to get the right things done.

A team charter helps define the top team's role in achieving the company mission and vision, including the values and behaviors the senior team should model. When developing the charter, the leadership team should consider questions such as: What is the underlying need and role of the team itself? How independent or interdependent do our individual roles need to be? What do we expect everyone on the team to contribute? What behaviors do we want to hardwire through meetings, normative commitments and other structures and processes — and what do we want to emerge informally from our collective leadership styles?

Every team must decide which tasks it will work on collectively. Organizations with large, distinct, high-achieving divisions, for example, may perform better when they have a loose structure that provides division leaders the independence to operate their individual units. Businesses that need to undergo strategic or cultural transformation, by contrast, may need members of the leadership team to collaborate closely on shared objectives. Without a coordinated, orchestrated change agenda and defined roles and metrics against which to measure performance, progress can stall as people across the organization wait for something to happen.

Well-defined team membership and individual responsibilities

Another surprisingly common contributor to team dysfunction is poorly defined team membership or a lack of clear responsibilities for individual team members. In many organizations, a CEO may have several teams with similar but somewhat different membership — an executive team, an extended leadership team, an inner cabinet — and people who attend the meetings regularly but aren't part of the team. Teams can emerge or grow for reasons having nothing to do with the mission; membership on the CEO's team is viewed in some companies as an entitlement for attaining a certain executive level in the organization.

Overlapping teams and lack of definition about who is on the team can create confusion between individuals' formal roles and responsibilities and their informal participation on the team. In these situations, it becomes less clear over time who is responsible for what, decisions fall through the cracks and things don't get done, or several different teams are busy working on the same issues, potentially at cross-purposes. In the best teams, membership is a function of the team's purpose: The strategic and/or operational requirement of bringing people together drives the composition of the team.

Lack of defined responsibilities also can affect individual performance. In roles where there is a potential for overlap — for example, the head of strategy, head of business development and head of mergers and acquisitions in a company planning to grow through acquisition — a clear directive from the CEO about the individual responsibilities is critical. Without that, individual executives will either behave too cautiously or feel incentivized to broaden their scope as much as possible, creating frustration, unproductive competition and confusion in the marketplace and among internal stakeholders.

Purposeful leadership

No team manages itself. A high-performing team needs leadership and, in the case of the top executive team of a company, the leader is the CEO. The primary role of the leader is to continually scan the external environment for forces that could affect the business, translate those risks and opportunities into a strategy for the business and create the conditions that allow the team — and the larger organization — to work together toward shared objectives. Good

leaders have a good sense of the marketplace and the business environment; they understand the customers, the competition and the larger organization, as well as the available resources.

A secure grasp of the organizational and team context allows an effective leader to develop a clear strategic direction, which informs the team's mandate, membership and individual roles. It also enables the leader to model behaviors consistent with a culture that both supports the strategy and fosters a shared sense of belonging. Finally, it helps the leader ensure appropriate systems and practices are in place to support the work of the team.

When a leader deliberately creates the right conditions based on the team context, not only does the team as a whole perform at a high level, executives on the team achieve more than they could individually. One company we worked with was aggressively expanding overseas and growing above the industry average, albeit in a slower-moving sector. Yet members of the CEO's team scored only at mediocre levels in measures of critical and conceptual thinking. The visionary and hands-on CEO was able to codify and systematize decision-making through frameworks and processes, and invested heavily in each member's ongoing development through regular coaching, job rotations and executive programs.

When a leader fails to create the right conditions, it can lead to dysfunction and erode the effectiveness of the team. CEOs can contribute to team dysfunction in other ways, including:

- **Failing to delegate at the right level**

Some leaders have a tendency to delegate tasks rather than sharing the broader responsibility for defining and achieving strategic objectives. Delegating at the more strategic level encourages individual executives to be real owners of the objectives and the outcomes. When it comes to delegating to teams, it is important for a CEO to explicitly indicate which decisions are for the team to make, and to stay out of these decisions if the team attempts to defer to him or her.

- **Micromanaging people and processes**

A leader who regularly focuses too deeply on the details may be less forward-looking and attuned to changes in the external environment that could hurt the business. This also can tie up the time of several layers of management with excessive reporting, preventing real work from getting done. For example, without mindful attention, team meetings can quickly devolve into opportunities for individuals to report information to the CEO rather than serve as forums for constructive debate and collective decision-making.

- **Poor prioritization**

If everything is equally urgent, and urgency outweighs importance, the team may be at risk for overlooking longer-term strategic issues and opportunities. Not only must the CEO delegate to the team, but leadership team members must delegate to off-line subgroups or subordinates.

- **Failing to “walk the talk”**

CEOs can undercut team dynamics and their own priorities if they don't make sure their own actions reinforce the right behaviors and business priorities.

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The right composition

Not surprisingly, when CEOs form or rebuild their senior leadership teams, they tend to focus on the “hard” capabilities required for success — strategic thinking and operational excellence, for example — in order to drive results and hit the numbers. When it comes to working effectively as a team, however, hard skills aren’t enough. Social intelligence and self-awareness are critical capabilities and, without them, individual leaders can have significant blind spots that negatively affect how they interact with others on the team. Few people will want to work with executives who refuse to listen to the opinions of others, adopt a condescending communication style, blame others for their own mistakes, seem volatile or unpredictable, or react poorly to bad news or dissenting views.

At the most senior levels, executives have to be skilled at operating in politicized situations and reading power dynamics — both externally and internally. They need to be aware of how others might perceive their words and actions as well as the internal dynamics related to competition for resources and individuals’ efforts to position themselves with the board or CEO. Leaders who do this well are able to identify the issues and perspectives that are central to a conflict and balance the different needs of relevant stakeholders. They recognize the agendas and motivations of individuals and groups who are involved in a particular situation and anticipate the emotional reactions that people may have to actions or communications. They also cultivate self-awareness and are conscious of the different work styles and communication styles of others.

When building or rebuilding their teams, CEOs will want to assess executives’ strengths and weaknesses in these areas and consider the appropriate diversity of leadership styles and strengths. As the Asia CEO of a global communications company charged with turning around a failing business told us, the top team “is only as strong as the weakest link.” The CEO rebuilt the team by looking for complementary personalities and skill-sets, for example, hiring a dogmatic, calm and introverted head of products; a smart and focused head of sales; and a creative and extroverted head of marketing.

A CEO adding a new leader to an established team with the goal of injecting different leadership styles will want to consider whether the current systems in place align with and support the strategic direction of the company and the styles the CEO wants to encourage. A new leader hired to bring more creativity and flexibility to the team is likely to become disheartened and disengaged if the net impression from leadership orientation sessions and encounters with other team members is that the way to succeed is to honor tradition and avoid breaking the rules, or if the compensation structure rewards playing it safe.

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Positive social dynamics

When individuals trust one other and understand their complementary skill-sets, they naturally collaborate, share information, find ways to remove roadblocks and support each other personally and professionally during difficult times. Lack of trust, however, can color individuals’ perceptions about the personal qualities and professional capabilities of other team members, encouraging them to assume the worst about each other. Conflict between two people often draws in others and can create factions of people who favor one person or another.

Positive social dynamics require trusted, positive relationships; a shared sense of purpose; common values; a willingness to be vulnerable and share openly; and healthy conflict around ideas. Especially in situations where the degree of risk or uncertainty is higher, healthy debate and conflict can help uncover all the possibilities and lead to better decision-making. Beyond these high-stakes situations, teams also need a clear and transparent mechanism for surfacing, addressing and resolving conflicts. This could include the CEO setting the expectation that individuals on the team will confront one another appropriately when issues arise rather than venting to others on the team.

To encourage the development of trusted relationships, many CEOs create opportunities for the team to socialize outside of work or formal work functions — such as cooking classes or volunteer work — in order to break down barriers and help team members to connect personally. “I know the favorite foods of each of my team members and in one team-building meeting, I put up a slide with everyone’s favorite foods and got them to guess who corresponds to what food,” one CEO told us.

When there is a lack of trust among team members or other dynamics that are affecting the team’s performance, individual sessions and group workshops dedicated to confronting the underlying assumptions that hinder trust can help inspire behavioral change. Individual development plans also should define and assess the capabilities and desired behaviors that affect team performance through interaction, including the ability to collaborate and influence across silos and communicate team-level priorities with a clear and engaging rationale.

Sound processes

Formal structures and processes also can help or hinder team performance. These include such things as protocols for meetings and information-sharing, performance management systems and incentives, and decision-making rights and responsibilities. Incentives and processes should support the team objectives and encourage the behavior necessary for the team to accomplish its work.

One common area of weakness for many companies is the decision-making process. Teams can struggle to make — or stick to — important but difficult decisions when it is unclear who is responsible for making certain decisions and who has the right to contribute to or veto a decision. In other cases, decisions are perpetually re-debated and challenged; it can destroy the morale of the team and the organization if top management isn’t willing to make tough decisions or allows exceptions to the decisions it does make. Similarly, executives who become known for not being able to make decisions, reversing unpopular decisions or allowing exceptions for those who complain — for example, on budget or headcount reductions — will lose credibility with other team members. In addition, decision-making rights and processes may need to change in response to a change in strategy or organizational structure. A company shifting away from a regional leadership model to a global functional leadership model, for example, must ensure that the top functional leaders have the clear authority to override decisions at the regional level.

The processes that are most effective depend as much on the style of the team’s leader and culture as they do on the sophistication of current protocol. For example, one leader we worked with would reserve a portion of his meetings strictly for the team to make decisions, during which he started a mental “timer” with each new item on the docket; if the person teeing up the topic could not crisply lay out all the pieces necessary for the team to decide — e.g., by sharing what new information was gained relative to what was needed for a sound judgment — the leader quickly tabled the issue for further discussion in another meeting or offline. Other leaders have found that taking the first few minutes for a “pulse check” on how the team members are feeling helps to balance the rigorous action-item review that characterizes the remainder of the group’s time.

Conclusion

In simpler times and organizations, the success of a business was closely linked to the strength of its leader and his or her intelligence, management skills and charisma. Businesses today, however, are far more complicated and unwieldy, operating in an environment of sustained uncertainty, ambiguity, volatility and intense competition. Amid much more dynamic, faster-moving marketplaces, disruptive technologies and changing customer preferences, organizations require a team of complementary and compatible people who can collectively solve far more complex leadership challenges.

Top teams are more important than ever to business performance. The composition and chemistry of the team, the strength of the CEO’s leadership, the protocols and processes for getting work done all can contribute to the performance of the team and help or hinder the potential of individual team members. And these factors are interconnected.

Getting to the bottom of team dysfunction requires a systematic approach to assessing which of these factors or the dependencies among them — as well as the context in which team operates — are affecting team performance. When trying to change the team dynamics, then, addressing just one factor is unlikely to be effective; to truly drive change, the team mandate, composition, culture and processes must reinforce the new direction.

In this environment of ambiguity and sustained uncertainty, individual leaders increasingly must recognize the factors that affect the performance of the team, including how the team influences and is influenced by the organization and the external environment, so that they are able to quickly make the adjustments necessary to build and maintain high-performing teams.

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